NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: Aaa
S&P: AAA
Fitch: AA+
(See "Ratings" herein)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in "TAX MATTERS – 2019B BONDS" herein, interest on the 2019B Bonds is excluded from the gross income of the owners thereof for federal income tax purposes and is not included in the federal alternative minimum taxable income of the owners thereof. It is also the opinion of Co-Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. Interest on the 2019C Bonds will be included in gross income for federal income tax purposes. See "TAX MATTERS – 2019C BONDS." The Bonds will not be designated as "qualified tax-exempt obligations" for financial institutions.

$3,100,000
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012)
SERIES 2019B

$92,725,000
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SOCIAL BONDS – AFFORDABLE HOUSING, 2015)
SERIES 2019C

Dated: Date of Delivery **Due: June 15, as shown in the inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The City and County of San Francisco (the "City") is issuing its General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2019B (the "2019B Bonds") and its Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2015), Series 2019C (the "2019C Bonds," and together with the 2019B Bonds, the "Bonds") under the Government Code of the State of California and the Charter of the City and County of San Francisco (the "Charter"). The Bonds are being issued pursuant to certain resolutions adopted by the Board of Supervisors of the City and duly approved by the Mayor of the City. The issuance of the 2019B Bonds has been authorized at an election of the registered voters of the City on November 6, 2012, at which more than two-thirds of the persons voting on Proposition B voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. The issuance of the 2019C Bonds has been authorized at an election of the registered voters of the City on November 3, 2015, at which more than two-thirds of the persons voting on Proposition A voted to authorize the issuance and sale of general obligation bonds to provide funds for the purposes authorized in such proposition. See "THE BONDS – Authority for Issuance; Purposes." The proceeds of the Bonds will be used to finance certain public improvements as described herein, and to pay certain costs related to the issuance of the Bonds. See "THE BONDS – Authority for Issuance; Purposes" and "SOURCES AND USES OF FUNDS."

The Bonds will be dated and bear interest from their date of delivery until paid in full at the rates shown in the maturity schedule on the inside cover hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2020. Principal will be paid at maturity as shown on the inside cover. See "THE BONDS – Payment of Interest and Principal." The Bonds will be issued only in fully registered form without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). Individual purchases of the Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the Bonds will be made by the City Treasurer, as paying agent, to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See "THE BONDS – Form and Registration."

The 2019B Bonds will not be subject to redemption prior to maturity. The 2019C Bonds will be subject to redemption prior to maturity, as described herein. See "THE BONDS – Redemption."

The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

The Bonds were sold by competitive sale on October 3, 2019, pursuant to the terms of an Official Notice of Sale inviting bids dated September 26, 2019. See "SALE OF THE BONDS" herein.

MATURITY SCHEDULE
(See Inside Cover)

The Bonds are offered when, as and if issued by the City and accepted by the initial purchasers, subject to the approval of legality by Norton Rose Fulbright US LLP, Los Angeles, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by its City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about October 17, 2019.

Dated: October 3, 2019.

MATURITY SCHEDULE

(Base CUSIP† Number: 797646)

$3,100,000
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN & SAFE NEIGHBORHOOD PARKS BONDS, 2012)
SERIES 2019B

Maturity Date (June 15)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2020	$3,100,000	5.00%	1.00%	5S1

$92,725,000
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SOCIAL BONDS – AFFORDABLE HOUSING, 2015)
SERIES 2019C

Maturity Date (June 15)	Principal Amount*	Interest Rate	Yield/Price	CUSIP† Suffix
2020	$67,500,000	2.00%	1.55%	5T9
2021	1,105,000	2.00	1.50	5U6
2022	1,130,000	1.55	100.00	5V4
2023	1,145,000	1.60	100.00	5W2
2024	1,165,000	1.70	100.00	5X0
2025	1,185,000	1.80	100.00	5Y8
2026	1,205,000	1.85	100.00	5Z5
2027	1,230,000	1.95	100.00	6A9
2028	1,250,000	2.00	100.00	6B7
2029	1,275,000	2.10	100.00	6C5
2030	1,305,000	2.20	100.00	6D3
2031	1,335,000	2.30	100.00	6E1
2032	1,365,000	2.35	100.00	6F8
2033	1,395,000	2.40	100.00	6G6
2034	1,430,000	2.45	100.00	6H4
2035	1,465,000	2.50	100.00	6J0
2036	1,500,000	2.55	100.00	6K7
2037	1,540,000	2.60	100.00	6L5
2038	1,580,000	2.65	100.00	6M3
2039	1,620,000	2.70	100.00	6N1

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. The City does not take any responsibility for the accuracy of such numbers.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The information set forth herein, other than that provided by the City, has been obtained from sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

In connection with the offering of the Bonds, the underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The underwriters may offer and sell the Bonds to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the underwriters.

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “assumes” and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, seismic events and various other events, conditions and circumstances, many of which are beyond the control of the City. These forward-looking statements speak only as of the date of this Official Statement. The City disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any changes in the expectations of the City with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

The issuance and sale of the Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

The City maintains a website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

London N. Breed

BOARD OF SUPERVISORS

Norman Yee, *Board President, District 7*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Gordon Mar, *District 4*
Vallie Brown, *District 5*
Matt Haney, *District 6*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Shamann Walton, *District 10*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director, Controller's Office of Public Finance*

PROFESSIONAL SERVICES

Paying Agent and Registrar

Treasurer of the City and County of San Francisco

Co-Bond Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Amira Jackmon, Attorney at Law
Berkeley, California

Co-Municipal Advisors

Public Resources Advisory Group
Oakland, California

Sperry Capital Inc.
Sausalito, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

TABLE OF CONTENTS

APPENDICES

OFFICIAL STATEMENT

$3,100,000	**$92,725,000**
CITY AND COUNTY OF SAN FRANCISCO	**CITY AND COUNTY OF SAN FRANCISCO**
GENERAL OBLIGATION BONDS	**TAXABLE GENERAL OBLIGATION BONDS**
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012)	**(SOCIAL BONDS – AFFORDABLE HOUSING, 2015)**
SERIES 2019B	**SERIES 2019C**

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the public offering by the City and County of San Francisco (the "City") of its City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2019B (the "2019B Bonds") and the City and County of San Francisco Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2015), Series 2019C (the "2019C Bonds," and together with the 2019B Bonds, the "Bonds"). The Board of Supervisors at the time of fixing the general tax levy will fix, and in the manner provided for such general tax levy, levy and collect annually until the Bonds are paid, an *ad valorem* tax upon the taxable property of the City, without limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds as they become due. See "SECURITY FOR THE BONDS."

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City with respect to the Bonds, the City has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Quotations from and summaries and explanations of the Bonds, the resolutions providing for the issuance and payment of the Bonds, and provisions of the constitution and statutes of the State of California (the "State"), the charter of the City (the "Charter") and City ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Bonds are available from the City through the Controller's Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

General. The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. According to the State Department of Finance, the City's population as of January 1, 2019 was 883,869.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include technology, retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising and higher education. The California State Supreme Court is also based in San Francisco.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2018, approximately 25.8 million tourists visited the City, with total direct spending estimated at $9.3 billion. Direct spending from conventions, trade shows and group meetings generated approximately $707.6 million in 2018.

The City is also a leading center for financial activity in the State. The headquarters of the Twelfth Federal Reserve District and the Eleventh District Federal Home Loan Bank are located in the City.

The City benefits from a highly skilled, educated and professional labor force. According to the U.S. Department of Commerce Bureau of Economic Analysis, the per-capita personal income of the City for calendar year 2017 was $119,868. According to the U.S. Department of Labor Bureau of Labor Statistics, the average unemployment rate for calendar year 2018 was 2.4%. As of the 2018-19 school year, the San Francisco Unified School District ("SFUSD"), which is a separate legal entity from the City, operates 64 elementary schools serving grades TK-5, 8 schools serving grades TK-8, 13 middle schools serving grades 6-8, 15 high schools serving grades 9-12, 12 early education schools, and 14 active charter schools authorized by SFUSD. Higher education institutions located in the City include the University of San Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific Rim traffic. In fiscal year 2017-18, SFO serviced approximately 58 million passengers and handled 561,150 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District ("BART," an electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway ("Muni"), operated by the San Francisco Municipal Transportation Agency ("SFMTA"), provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities, and natural resource protection.

Government. San Francisco is a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California and is the only consolidated city and county in the State. Voters approved the City's current Charter at the November 1995 election. The City is governed by a Board of Supervisors elected from 11 districts to serve 4-year terms, and a Mayor who serves as chief executive officer, elected citywide to a 4-year term. The City's adopted budget for fiscal years 2019-20 and 2020-21 totals $12.3 billion and $12.0 billion, respectively. The General Fund portion of each year's adopted budget is $6.1 billion in fiscal year 2019-20 and $6.0 billion in fiscal year 2020-21, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, SFMTA, the Port Commission and the San Francisco Public Utilities Commission ("SFPUC"). The City's budget for fiscal year 2019-20 and 2020-21 includes 37,907 and 38,122 budgeted and funded City positions, respectively. According to the Controller of the City (the "Controller"), the fiscal year 2019-20 total net assessed valuation of taxable property in the City is approximately $281.1 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

RECENT DEVELOPMENTS

The information contained in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" was prepared by the City for inclusion in official statements relating to bonds of the City and updated as of August 1, 2019. The following information supplements and amends the information set forth in Appendix A as of the date of this Official Statement. Investors are advised to carefully consider the information presented below, together with other information presented in this Official Statement, in order to make an informed investment decision.

On September 6, 2019, the City submitted a non-binding indication of interest to The Pacific Gas and Electric Company ("PG&E") to purchase substantially all of PG&E's electric distribution and transmission assets needed to provide retail electric service to all electricity customers within the geographic boundaries of the City for a purchase price of $2.5 billion. PG&E has not yet made any offer in response to the City's indication of interest. No City general fund revenues would be used for the purchase of the PG&E assets, nor would any general fund revenues be available for payment of any debt issued to acquire the PG&E assets if the transaction is consummated. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Budgetary Risks – Impact of Bankruptcy Filing by The Pacific Gas and Electric Company (PG&E)."

THE BONDS

Authority for Issuance; Purposes

General. The Bonds will be issued under the Government Code of the State and the Charter. The City authorized the issuance of the 2019B Bonds by (i) Resolution No. 156-13, adopted by the Board of Supervisors of the City on May 21, 2013, and duly approved by the Mayor of the City on May 28, 2013, and (ii) Resolution No. 388-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019B Resolutions"). The City authorized the issuance of the 2019C Bonds by (i) Resolution No. 407-16, adopted by the Board of Supervisors of the City on September 20, 2016, and duly approved by the Mayor of the City on September 29, 2016, and (ii) Resolution No. 389-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019C Resolutions," and with the 2019B Resolutions, the "Resolutions").

The 2019B Bonds will constitute the fourth and final series of bonds to be issued from an aggregate authorized amount of $195,000,000 of City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), duly approved by more than two-thirds of the voters voting on Proposition B at an election held on November 6, 2012 ("Proposition B (2012)"), to provide funds for the purposes authorized in Proposition B (2012), which are summarized as follows: to improve the safety and quality of neighborhood parks across the City and waterfront open spaces, enhancing water quality and cleaning up environmental contamination along the Bay, replacing unsafe playgrounds, fixing restrooms, improving access for the disabled, and ensuring the seismic safety of park and recreation facilities under the jurisdiction of, or maintained by, the Recreation and Park Commission or the jurisdiction of the Port Commission, and all other structures, improvements and related costs necessary and convenient for these purposes. The City previously issued $71,970,000, $43,220,000 and $76,710,000 of the bonds authorized by Proposition B (2012) on June 20, 2013, February 2, 2016 and April 3, 2018, respectively.

The 2019C Bonds will constitute the third and final series of bonds to be issued from an aggregate authorized amount of $310,000,000 of City and County of San Francisco Taxable and Tax-Exempt General Obligation Bonds (Social Bonds – Affordable Housing, 2015), duly approved by more than two-thirds of the voters voting on Proposition A at an election held on November 3, 2015 ("Proposition A (2015)"), to provide funds for the purposes authorized in Proposition A (2015), which are summarized as follows: to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households through programs that will prioritize vulnerable populations such as San Francisco's working families, veterans, seniors, disabled persons; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City previously issued $75,130,000 and $142,145,000 of the bonds authorized by Proposition A (2015) on November 1, 2016 and May 23, 2018, respectively.

Designation of 2019C Bonds as Social Bonds. The City is designating the 2019C Bonds as "Social Bonds." The projects planned to be funded with proceeds of the 2019C Bonds in accordance with the requirements of Proposition A (2015) address the need within the City to preserve affordable housing stock. The City has determined that the projects to be financed with the proceeds of the 2019C Bonds are "Social Projects" based on the social benefits of addressing affordable housing within the City. The designation of the 2019C Bonds as "Social Bonds" is intended to generally comport with The Social Bond Principles promulgated by the International Capital Market Association ("ICMA"), updated as of June 2018. The term "Social Bonds" is neither defined in nor related to provisions in the 2019C Resolutions. Owners of the 2019C Bonds do not have any security other than as provided in the Resolutions and described under "SECURITY FOR THE BONDS," nor do such owners of the 2019C Bonds assume any specific project risk related to any of the projects funded thereby. "Social Projects" and "Social Bonds" are entirely self-designating labels lacking any objective guidelines or criteria. ICMA is a European-based entity with some members from the United States. The City assumes no obligation to ensure that the projects financed with proceeds of the 2019C Bonds comply with any legal or other standards or principles that may relate to "Social Projects" or that the 2019C Bonds comply with any legal or other standards or principles that may relate to "Social Bonds." The designation of the 2019C Bonds as Social Bonds does not entitle the holders of such obligations to any special treatment under the Internal Revenue Code of 1986, as amended.

Projects to be Financed or Refinanced with 2019C Bond Proceeds. In furtherance of the purposes authorized under Proposition A (2015), the City plans to use the proceeds of the 2019C Bonds to provide loans to: (1) finance or refinance the acquisition, construction, and/or rehabilitation of affordable rental housing units; (2) implement infrastructure improvements supporting affordable rental housing units; and (3) allow moderate-income households the opportunity to purchase their first home through downpayment assistance. Eligible projects to be funded include smaller sites (generally buildings with 5-25 apartments), larger multi-unit and mixed-use residential buildings, and individual condominiums or single family homes.

Projects funded with proceeds of the 2019C Bonds will have permanent affordability restrictions, and downpayment assistance units will have occupancy and rental restrictions. Further, in order for a project to be financed or refinanced through proceeds of the 2019C Bonds, the Mayor's Office of Housing and Community Development ("MOHCD") has established maximum average monthly rent and annual household income levels for tenants, at 80% of the Area Median Income ("AMI"), and capped at 120% of AMI. Several projects will serve tenants at or below 30% AMI.

The City currently has identified approximately nine rental projects, with an estimated total of 460 affordable housing units, eligible for funding using proceeds of the 2019C Bonds. These projects are intended to benefit priority and at-risk populations consisting of seniors, persons with disabilities, low-income households, and those at risk of eviction pursuant to the Ellis Act, a State law that allows landlords to evict residential tenants in order to leave the rental business. In addition, the City anticipates that approximately 60 households will be able to become first-time homebuyers using proceeds from the 2019C Bonds. The City may substitute other authorized projects eligible for funding under Proposition A (2015).

Project Evaluation. The projects will be administered, evaluated and monitored by the MOHCD. The mission of the MOHCD is to provide financing for the development, rehabilitation and purchase of affordable housing in San Francisco. MOHCD also guides and coordinates the City's housing policy. MOHCD administers a variety of programs to finance the development of affordable housing by non-profit and for profit developers, provides financial and educational assistance to first-time homebuyers, and finances housing rehabilitation costs for low-income homeowners. MOHCD is also responsible for monitoring and ensuring the long-term affordability and physical viability of the City's stock of affordable housing. The MOHCD's funding decisions are based on priorities and strategies outlined in a Consolidated Plan, which is a planning document for San Francisco's community development and affordable housing activities, developed through city-wide public input, especially from residents and stakeholders of low-income communities.

Bond Oversight. The Administrative Code of the City (the "Administrative Code"), Proposition B (2012) and Proposition A (2015) provide that, to the extent permitted by law, 0.1% of the gross proceeds of all proposed bonds, including the Bonds, be deposited by the Controller and used to fund the costs of the City's independent citizens' general obligation bond oversight committee. The committee was created by the adoption by the voters in 2002 of Proposition F (adopted by the voters March 5, 2002), which established the committee to review and oversee the delivery of general obligation bond-funded projects. A year later, the voters passed Proposition C, which authorized the committee to review and give input on the work of the City services auditor, including the City's whistleblower program. The committee has nine members appointed by the Mayor, Board of Supervisors, Controller and the Civil Grand Jury. The purpose of the committee is to inform the public concerning the expenditure of general obligation bond proceeds in accordance with the voter authorization.

Form and Registration

The Bonds will be issued in the principal amounts set forth on the inside cover hereof, in the denomination of $5,000 each or any integral multiple thereof, and will be dated their date of delivery. The Bonds will be issued in fully registered form, without coupons. The Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Payment of Interest and Principal

Interest on the Bonds will be payable on each June 15 and December 15 to maturity or prior redemption, commencing June 15, 2020, at the interest rates shown on the inside cover hereof. Interest will be calculated on the basis of a 360-day year comprised of twelve 30-day months. The City Treasurer will act as paying agent and registrar with respect to the Bonds. The interest on the Bonds will be payable in lawful money of the United States to the Registered Owner whose name appears on the Bond registration books of the City Treasurer as the owner thereof as of the close of business on the last day of the month immediately preceding an interest payment date (the "Record Date"), whether or not such day is a business day. Each Bond authenticated on or before May 31, 2020 will bear interest from the date of delivery. Every other Bond will bear interest from the interest payment date next preceding its date of authentication unless it is authenticated as of a day during the period from the Record Date next preceding any interest payment date to the interest payment date, inclusive, in which event it will bear interest from such interest payment date; provided, that if, at the time of authentication of any Bond, interest is then in default on the Bonds, such Bond will bear interest from the interest payment date to which interest has previously been paid or made available for payment on the Bonds or from the date of delivery of the Bonds if the first interest payment is not made.

The Bonds will mature on the dates shown on the inside cover page hereof. The 2019B Bonds will not be subject to redemption prior to maturity. The 2019C Bonds will be subject to redemption prior to maturity, as described below. See "– Redemption" below. The principal of the Bonds will be payable in lawful money of the United States to the owner thereof upon the surrender thereof at maturity or earlier redemption at the office of the City Treasurer.

Redemption

No Redemption Prior to Maturity of the 2019B Bonds

The 2019B Bonds will not be subject to redemption prior to their stated maturity date.

Optional Redemption of the 2019C Bonds

The 2019C Bonds maturing on or after June 15, 2029 will be subject to redemption prior to their stated maturity dates as a whole or in part, on any date, from any moneys provided at the option of the City, in each case on and after June 15, 2028, at a redemption price equal to the principal amount of 2019C Bonds called for redemption, plus accrued interest to the date fixed for redemption, without premium.

The 2019C Bonds may also be redeemed in whole or in part at any time, from any moneys that may be provided for such purpose, at a redemption price for such 2019C Bonds to be redeemed determined by the Designated Investment Banker equal to the greater of (i) 100% of the principal amount of the 2019C Bonds to be redeemed, or (ii) an amount equal to the sum of the present values of the remaining scheduled payments of principal and interest on each of 2019C Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2019C Bonds are to be redeemed, discounted to the date on which such 2019C Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the applicable Treasury Rate plus 15 basis points, plus accrued and unpaid interest on the 2019C Bonds to be redeemed on the redemption date.

"Comparable Treasury Issue" means, with respect to any redemption date for a particular 2019C Bond, the U.S. Treasury security or securities selected by the Designated Investment Banker that has or have an actual maturity closest to (one equal to or one earlier and one later than) the remaining average life of the 2019C Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of such 2019C Bonds to be redeemed.

"Comparable Treasury Price" means, with respect to any redemption date for a particular 2019C Bond, the average of five Reference Treasury Dealer Quotations for that redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or if the Designated Investment Banker obtains fewer than five Reference Treasury Dealer Quotations, the average of all such quotations.

"Designated Investment Banker" means a Reference Treasury Dealer appointed by the City.

"Reference Treasury Dealer" means each of five firms, specified by the City from time to time, that are primary U.S. Government securities dealers in the City of New York (each, a "Primary Treasury Dealer"); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the City will substitute another Primary Treasury Dealer.

"Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any redemption date for a particular 2019C Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue or Comparable Treasury Issues, as applicable (expressed in each case as a percentage of its principal amount), quoted in writing to the City and the Fiscal Agent by such Reference Treasury Dealer at 3:30 p.m. (New York City time) on the Valuation Date.

"Treasury Rate" means, with respect to any redemption date for a particular 2019C Bonds, the rate per annum, expressed as a percentage of the principal amount, equal to the actual or interpolated rate based on (a) the most recent yield data for the applicable U.S. Treasury maturity index or indices, as applicable, from the Federal Reserve Statistical Release H.15 Daily Update (or any comparable or successor publication) reported, as of 11:00 a.m. New York City time, on the Valuation Date; or (b) if the yield described in (a) above is not reported as of such date and time or the yield reported as of such date and time is not ascertainable, the semi-annual equivalent yield to maturity of the Comparable Treasury Issue or Comparable Treasury Issues, assuming that such Comparable Treasury Issue or Comparable Treasury Issues are purchased on the redemption date for a price equal to the applicable Comparable Treasury Price, as calculated by the Designated Investment Banker.

"Valuation Date" means a date, as determined by the City, after consultation with the Designated Investment Banker, that is no earlier than 45 days prior to the redemption date.

Selection of 2019C Bonds for Redemption

Whenever less than all the outstanding 2019C Bonds are called for redemption on any date, the Director of Public Finance will select the maturities of the 2019C Bonds to be redeemed in the sole discretion of the Director of Public Finance. Whenever less than all of the outstanding 2019C Bonds maturing on any one date are called for redemption, the particular 2019C Bonds or portions thereof to be redeemed will be selected in any manner which the Director of Public Finance deems fair. The 2019C Bonds may be redeemed in denominations of $5,000 or any integral multiple thereof.

Notice of Redemption of the 2019C Bonds

The date on which 2019C Bonds that are called for redemption are to be presented for redemption is called the "Redemption Date." The City Treasurer will mail, or cause to be mailed, notice of any redemption of the 2019C Bonds, postage prepaid, to the respective registered owners thereof at the addresses appearing on the bond registration books not less than 20 days and not more than 60 days prior to the Redemption Date.

Notice of redemption also will be given, or caused to be given, by the City Treasurer, by (i) registered or certified mail, postage prepaid, (ii) confirmed facsimile transmission, (iii) overnight delivery service, or (iv) to the extent applicable to the intended recipient, email or similar electronic means, to (a) all organizations registered with the Securities and Exchange Commission as securities depositories and (b) such other services or organizations as may be required in accordance with the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" and APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Each notice of redemption will (a) state the Redemption Date; (b) state the redemption price; (c) state the maturity dates of the 2019C Bonds called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive numbers of the 2019C Bonds of such maturity to be redeemed, and in the case of a 2019C Bond redeemed in part only, the portions of the principal amount thereof to be redeemed; (d) state the CUSIP number, if any, of each 2019C Bond to be redeemed; (e) require that such 2019C Bonds be surrendered by the owners at the office of the City Treasurer or his or her agent; and (f) give notice that interest on such 2019C Bonds or portions of such 2019C Bonds to be redeemed will cease to accrue after the designated Redemption Date. Any notice of optional redemption may be conditioned on the receipt of funds or any other event specified in the notice. See "– Conditional Notice; Right to Rescind Notice of Optional Redemption" below.

The actual receipt by the owner of any 2019C Bond of such notice of redemption will not be a condition precedent to redemption of such 2019C Bond, and failure to receive such notice, or any defect in such notice, will not affect the validity of the proceedings for the redemption of such 2019C Bond or the cessation of the accrual of interest on such 2019C Bond on the Redemption Date.

Effect of Notice of Redemption

When notice of optional redemption has been given as described above, and when the amount necessary for the redemption of the 2019C Bonds called for redemption (principal, premium, if any and accrued interest to the Redemption Date) is set aside for that purpose in the 2019C Redemption Account established under the 2019C Resolutions, the 2019C Bonds designated for redemption will become due and payable on the Redemption Date, and upon presentation and surrender of such 2019C Bonds at the place specified in the notice of redemption, such 2019C Bonds will be redeemed and paid at said redemption price out of the 2019C Redemption Account. No interest will accrue on such 2019C Bonds called for redemption after the Redemption Date and the registered owners of such 2019C Bonds will look for payment of such 2019C Bonds only to the 2019C Redemption Account. Moneys held in the 2019C Redemption Account will be invested by the City Treasurer pursuant to the City's policies and guidelines for investment of moneys in the General Fund of the City. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY."

Conditional Notice; Right to Rescind Notice of Optional Redemption

Any notice of optional redemption may provide that such redemption is conditioned upon: (i) deposit of sufficient moneys in the 2019C Redemption Account to redeem the 2019C Bonds called for redemption on the anticipated Redemption Date, or (ii) the occurrence of any other event specified in the notice of redemption. In the event that such conditional notice of optional redemption has been given and on the scheduled Redemption Date (i) sufficient moneys to redeem the 2019C Bonds called for optional redemption on the Redemption Date have not been deposited, or (ii) any other event specified in the notice of redemption did not occur, such 2019C Bonds for which notice of conditional optional redemption was given will not be redeemed on the anticipated Redemption Date and will remain Outstanding for all purposes of the 2019C Resolutions and the redemption not occurring will not constitute a default under the 2019C Resolutions.

In addition, the City may rescind any optional redemption and notice thereof for any reason on any date prior to any Redemption Date by causing written notice of the rescission to be given to the Registered Owner of all 2019C Bonds so called for redemption. Notice of such rescission of redemption will be given in the same manner notice of redemption was originally given. The actual receipt by the Registered Owner of any 2019C Bond of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice so mailed will not affect the validity of the rescission.

Project Accounts

The 2019B Resolutions establish a project account designated as the "General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012) Project Account" (the "2019B Project Account"), and within the 2019B Project Account, a subaccount designated as the "General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2019B Bond Project Subaccount" (the "2019B Project Subaccount"). The 2019C Resolutions establish a project account designated as the "General Obligation Bonds (Social Bonds – Affordable Housing, 2015) Project Account" (the "2019C Project Account," and together with the 2019B Project Account, the "Project Accounts"), and within the 2019C Project Account, a subaccount designated as the "General Obligation Bonds, Series 2019C Project Subaccount" (the "2019C Project Subaccount," and together with the 2019B Project Subaccount, the "Project Subaccounts"). Each Project Subaccount will be maintained by the City Treasurer as a separate account, segregated and distinct from all other accounts. The City Treasurer may establish such accounts and subaccounts within the Project Accounts as may be necessary or convenient in connection with the administration of projects or the bonds issued under the Resolutions.

All of the proceeds of the sale of the 2019B Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the 2019B Project Subaccount and applied exclusively to the objects and purposes specified in Proposition B (2012). All of the proceeds of the sale of the 2019C Bonds (excluding any premium and accrued interest received thereon, unless otherwise determined by the Director of Public Finance) will be deposited by the City Treasurer to the credit of the 2019C Project Subaccount and applied exclusively to the objects and purposes specified in Proposition A (2015).

When such objects and purposes have been accomplished, any moneys remaining in the 2019B Project Subaccount or the 2019C Project Subaccount will be transferred to the bond account established under the 2019B Resolutions or the bond account established under the 2019C Resolutions, as appropriate, and such funds will be applied to the scheduled payment of the principal of and interest on the related series of Bonds. Amounts in each Project Subaccount may be applied to the payment of costs of issuance of Bonds issued under the related Resolutions, including, without limitation, bond and financial printing expenses, mailing and publication expenses, rating agency fees, and the fees and expenses of paying agents, registrars, financial consultants, bond counsel and disclosure counsel.

Defeasance

Payment of all or any portion of the Bonds may be provided for prior to such Bonds' respective stated maturities by irrevocably depositing with the City Treasurer (or any commercial bank or trust company designated by the City Treasurer to act as escrow agent with respect thereto): (a) an amount of cash equal to the principal amount of all of such Bonds or a portion thereof, and all unpaid interest thereon to maturity, except that in the case of Bonds which are to be redeemed prior to such Bonds' respective stated maturities and in respect of which notice of such redemption will have been given as described above or an irrevocable election to give such notice will have been made by the City, the amount to be deposited will be the principal amount thereof, all unpaid interest thereon to the Redemption Date, and premium, if any, due on such Redemption Date; or (b) Defeasance Securities (as defined below) not subject to call, except as described in the definition below, maturing and paying interest at such times and in such amounts, together with interest earnings and cash, if required, as will, without reinvestment, as certified by an independent certified public accountant, be fully sufficient to pay the principal and all unpaid interest to maturity, or to the Redemption Date, as the case may be, and any premium due on the Bonds to be paid or redeemed, as such principal and interest come due; provided, that, in the case of the Bonds which are to be redeemed prior to maturity, notice of such redemption will be given as described above or an irrevocable election to give such notice will have been made by the City; then, all obligations of the City with respect to said outstanding Bonds will cease and terminate, except only the obligation of the City to pay or cause to be paid from the funds deposited as described in this paragraph, to the owners of said Bonds all sums due with respect thereto, and the tax covenant obligations of the City with respect to the Bonds; provided, that the City will have received an opinion of nationally recognized bond counsel that provision for the payment of said Bonds has been made as required by the Resolutions.

As used in this section, the following terms have the meanings given below:

"Defeasance Securities" means any of the following which at the time are legal investments under the laws of the State of California for the moneys proposed to be invested therein: (1) United States Obligations (as defined below); and (2) Pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee or paying agent has been given irrevocable instructions concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash or United States Obligations; (c) the principal of and interest on the United States Obligations (plus any cash in the escrow fund or the redemption account) are sufficient to meet the liabilities of the municipal obligations; (d) the United States Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the United States Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund, by any two Rating Agencies (as defined below) not lower than the rating then maintained by the respective Rating Agency on such United States Obligations.

"United States Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, or (ii) any security issued by an agency or instrumentality of the United States of America that is selected by the Director of Public Finance that results in the escrow fund being rated by any two Rating Agencies at the time of the initial deposit to the escrow fund and upon any substitution or subsequent deposit to the escrow fund, no lower than the rating then maintained by the respective Rating Agency on United States Obligations described in (i) herein.

"Rating Agencies" means Moody's Investors Service, Fitch Ratings, and S&P Global Ratings, or any other nationally-recognized bond rating agency that is the successor to any of the foregoing rating agencies or that is otherwise recognized as a national rating agency after the date of adoption of the Resolutions.

SOURCES AND USES OF FUNDS

The following are the estimated sources and uses of funds in connection with the Bonds:

Sources	**2019B**	**2019C**	**Total**
Principal Amount of Bonds	$3,100,000.00	$92,725,000.00	$95,825,000.00
Original Issue Premium	81,437.00	207,466.80	288,903.80
Total Sources of Funds	$3,181,437.00	$92,932,466.80	$96,113,903.80
Uses			
Deposit to Project Subaccount(1)	$3,078,315.23	$91,920,320.84	$94,998,636.07
Deposit to Bond Subaccount	81,437.00	207,466.80	288,903.80
Oversight Committee(2)	3,100.00	92,725.00	95,825.00
Underwriter's Discount	1,705.00	207,058.80	208,763.80
Costs of Issuance(3)	16,879.77	504,895.36	521,775.13
Total Uses of Funds	$3,181,437.00	$92,932,466.80	$96,113,903.80

(1) Of the total 2019B Project Subaccount deposit, $3,072,170.89 will be used to pay project costs and $6,144.34 (representing 0.2% of the 2019B Project Subaccount for project costs) will be used to pay the City's Office of the Controller's audit fee. Of the total 2019C Project Subaccount deposit, $91,736,847.15 will be used to pay project costs and $183,473.69 (representing 0.2% of the 2019C Project Subaccount for project costs) will be used to pay the City's Office of the Controller's audit fee.

(2) See "THE BONDS – Authority for Issuance; Purposes – Bond Oversight."

(3) Includes fees for services of rating agencies, Co-Municipal Advisors, Co-Bond Counsel, Disclosure Counsel, costs to the City, printing costs, other miscellaneous costs associated with the issuance of the Bonds, and rounding amounts.

DEBT SERVICE SCHEDULE

The consolidated scheduled debt service payable with respect to the Bonds is shown in the table below (assuming no early redemptions). For debt service payable with respect to the City's other general obligation bonds, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Tax-Supported Debt Service – City General Obligation Bonds."

City and County of San Francisco
General Obligation Bonds
Series 2019B and Series 2019C[(1)(2)]

	2019B Bonds			2019C Bonds			
Payment Date	**Principal**	**Interest**	**Total Debt Service**	**Principal**	**Interest**	**Total Debt Service**	**Fiscal Year Total**
6/15/2020	$3,100,000.00	$102,472.22	$3,202,472.22	$67,500,000.00	$1,261,171.93	$68,761,171.93	$71,963,644.15
12/15/2020	-	-	-	-	278,827.50	278,827.50	-
6/15/2021	-	-	-	1,105,000.00	278,827.50	1,383,827.50	1,662,655.00
12/15/2021	-	-	-	-	267,777.50	267,777.50	-
6/15/2022	-	-	-	1,130,000.00	267,777.50	1,397,777.50	1,665,555.00
12/15/2022	-	-	-	-	259,020.00	259,020.00	-
6/15/2023	-	-	-	1,145,000.00	259,020.00	1,404,020.00	1,663,040.00
12/15/2023	-	-	-	-	249,860.00	249,860.00	-
6/15/2024	-	-	-	1,165,000.00	249,860.00	1,414,860.00	1,664,720.00
12/15/2024	-	-	-	-	239,957.50	239,957.50	-
6/15/2025	-	-	-	1,185,000.00	239,957.50	1,424,957.50	1,664,915.00
12/15/2025	-	-	-	-	229,292.50	229,292.50	-
6/15/2026	-	-	-	1,205,000.00	229,292.50	1,434,292.50	1,663,585.00
12/15/2026	-	-	-	-	218,146.25	218,146.25	-
6/15/2027	-	-	-	1,230,000.00	218,146.25	1,448,146.25	1,666,292.50
12/15/2027	-	-	-	-	206,153.75	206,153.75	-
6/15/2028	-	-	-	1,250,000.00	206,153.75	1,456,153.75	1,662,307.50
12/15/2028	-	-	-	-	193,653.75	193,653.75	-
6/15/2029	-	-	-	1,275,000.00	193,653.75	1,468,653.75	1,662,307.50
12/15/2029	-	-	-	-	180,266.25	180,266.25	-
6/15/2030	-	-	-	1,305,000.00	180,266.25	1,485,266.25	1,665,532.50
12/15/2030	-	-	-	-	165,911.25	165,911.25	-
6/15/2031	-	-	-	1,335,000.00	165,911.25	1,500,911.25	1,666,822.50
12/15/2031	-	-	-	-	150,558.75	150,558.75	-
6/15/2032	-	-	-	1,365,000.00	150,558.75	1,515,558.75	1,666,117.50
12/15/2032	-	-	-	-	134,520.00	134,520.00	-
6/15/2033	-	-	-	1,395,000.00	134,520.00	1,529,520.00	1,664,040.00
12/15/2033	-	-	-	-	117,780.00	117,780.00	-
6/15/2034	-	-	-	1,430,000.00	117,780.00	1,547,780.00	1,665,560.00
12/15/2034	-	-	-	-	100,262.50	100,262.50	-
6/15/2035	-	-	-	1,465,000.00	100,262.50	1,565,262.50	1,665,525.00
12/15/2035	-	-	-	-	81,950.00	81,950.00	-
6/15/2036	-	-	-	1,500,000.00	81,950.00	1,581,950.00	1,663,900.00
12/15/2036	-	-	-	-	62,825.00	62,825.00	-
6/15/2037	-	-	-	1,540,000.00	62,825.00	1,602,825.00	1,665,650.00
12/15/2037	-	-	-	-	42,805.00	42,805.00	-
6/15/2038	-	-	-	1,580,000.00	42,805.00	1,622,805.00	1,665,610.00
12/15/2038	-	-	-	-	21,870.00	21,870.00	-
6/15/2039	-	-	-	1,620,000.00	21,870.00	1,641,870.00	1,663,740.00
Total	$3,100,000.00	$102,472.22	$3,202,472.22	$92,725,000.00	$7,664,046.93	$100,389,046.93	$103,591,519.15

(1) A portion of the debt service will be paid from original issue premium deposited in the Bond Subaccounts relating to the Bonds. See "SOURCES AND USES OF FUNDS."

(2) Amounts are rounded off to the nearest dollar.

SECURITY FOR THE BONDS

General

Pursuant to the Resolutions, for the purpose of paying the principal of and interest on the Bonds, the Board of Supervisors annually will fix, levy and collect until the Bonds are paid, or until there is a sum set apart for that purpose in the Treasury of the City sufficient to meet all sums coming due for payment of principal of and interest on the Bonds, an *ad valorem* tax sufficient to pay the annual principal of and interest on the Bonds as the same become due. In fixing such tax levy for each fiscal year, the Board of Supervisors will take into account amounts then on deposit in the Tax Revenues Subaccount (as defined under "Flow of Funds Under the Resolutions"), if such amounts will be available to pay debt service on the Bonds. Said tax will be in addition to all other taxes levied for City purposes, will be collected at the time and in the same manner as other taxes of the City are collected, and will be used only for the payment of the Bonds and the interest thereon. Under the framework of the constitutional provisions and statutes applicable to California general obligation bonds, including the Bonds, taxes levied to pay debt service on the Bonds may not be used for any other purpose and are not available to support general City operations. See "Property Taxation" below.

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. See "Statutory Lien on Taxes (Senate Bill 222)" below.

Pursuant to the Resolutions, the City will pledge the Bond Accounts (as defined under "Flow of Funds Under the Resolutions") and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the Resolutions (including the Bonds) when and as the same become due. See "Pledge" below.

Flow of Funds Under the Resolutions

Bond Accounts. The 2019B Resolutions provide for the establishment with the City Treasurer a special account designated as the "General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012) Bond Account" (the "2019B Bond Account"), and within the 2019B Bond Account, a subaccount designated as the "General Obligation Bonds, Series 2019B Bond Subaccount" (the "2019B Bond Subaccount"), to be held separate and apart from all other accounts of the City. The 2019C Resolutions provide for the establishment with the City Treasurer a special account designated as the "General Obligation Bonds (Affordable Housing, 2015) Bond Account" (the "2019C Bond Account," and with the 2019B Bond Account, the "Bond Accounts"), and within the 2019C Bond Account, a special subaccount in the 2019C Bond Account to be designated as the "General Obligation Bonds, Series 2019C Bond Subaccount" (the "2019C Bond Subaccount," and together with the 2019B Bond Subaccount, the "Bond Subaccounts"), to be held separate and apart from all other accounts of the City. The Bond Accounts and all subaccounts therein will be administered by the City Treasurer with all disbursements of funds therefrom subject to the authorization of the Controller. Pursuant to the applicable sale resolution, the Controller or the City Treasurer, as applicable, may establish such additional accounts and subaccounts within the related Bond Account or with any agent, including but not limited to any paying agent or fiscal agent, as may be necessary or convenient in connection with the administration of any series of bonds issued under the appropriate Resolutions, to provide for the payment of principal and interest on such series of bonds.

The City Treasurer will deposit in the related Bond Account from the proceeds of sale of the Bonds any moneys received on account of original issue premium and interest accrued on the Bonds to the date of payment of the purchase price thereof, and such other moneys, if any, as may be specified in the applicable sale resolution. So long as any of the Bonds are outstanding, moneys in the related Bond Account will be used and applied by the City Treasurer solely for the purpose of paying the principal of and interest on such bonds as such principal and interest become due and payable, or for purchase of such bonds if permitted by the applicable sale resolution; provided, however, that when all of the principal of and interest on such bonds have been paid, any moneys then remaining in the related Bond Account will be transferred to the City for any legally permitted purpose. The Board of Supervisors will take such actions annually as are necessary or appropriate to cause the debt service on the Bonds due in any fiscal year to be included in the budget for such fiscal year and to make the necessary appropriations therefor.

Bond Subaccounts. The Resolutions provide that (i) on or prior to the date on which any payment of principal of or interest on the Bonds is due, the City Treasurer will allocate to and deposit in the appropriate Bond Subaccount, from amounts held in the related Bond Account, an aggregate amount which, when added to any available moneys contained in such Bond Subaccount, is sufficient to pay principal of and interest on the related Bonds on such date, and (ii) on or prior to the date on which any 2019C Bonds are to be redeemed at the option of the City, the City Treasurer may allocate to and deposit in the 2019C Bond Redemption Account, from amounts held in the 2019C Bond Account, an amount which, when added to any available moneys contained in the 2019C Redemption Account, is sufficient to pay principal, interest and premium, if any, with respect to such 2019C Bonds on such date. The City Treasurer may make such other provision for the payment of principal of and interest and any redemption premium on the 2019C Bonds as is necessary or convenient to permit the optional redemption of the 2019C Bonds.

Amounts in the Bond Subaccounts may be invested in any investment of the City in which moneys in the General Fund of the City are invested. The City Treasurer may (i) commingle any of the moneys held in the Bond Subaccounts with other City moneys or (ii) deposit amounts credited to the 2019B Bond Subaccount or the 2019C Bond Subaccount into a separate fund or funds for investment purposes only; provided, that all of the moneys held in each Bond Subaccount will be accounted for separately notwithstanding any such commingling or separate deposit by the City Treasurer. See APPENDIX C – "CITY AND COUNTY OF SAN FRANCISCO, OFFICE OF THE TREASURER – INVESTMENT POLICY." All interest earned on amounts on deposit in each Bond Subaccount will be retained in such Bond Subaccount.

Interest. On or before June 15 and December 15 in each year that any of the bonds issued under the Resolutions are outstanding (or, for any series of bonds bearing interest at variable rates, on such other dates as may be provided by the applicable sale resolution), the City Treasurer will set aside in the related Bond Account and the appropriate subaccounts therein relating to each series of the bonds an amount which, when added to the amount contained in the related Bond Account and subaccounts therein on that date, if any, will be equal to the aggregate amount of the interest becoming due and payable on each series of such bonds outstanding on such interest payment date.

Principal. On or before June 15 in each year that any of the bonds issued under the Resolutions are outstanding, the City Treasurer will set aside in the related Bond Account and the appropriate subaccounts therein relating to each series of such bonds an amount which will be equal to the principal on each series of such bonds outstanding that will become due and payable on said June 15.

All moneys in the Bond Accounts will be used and withdrawn by the City Treasurer solely for the purpose of paying the principal of and interest on each series of bonds issued under the Resolutions as the same become due and payable. On June 15 and December 15 in each year that any such bond is outstanding, the City Treasurer will allocate, transfer and apply to the various subaccounts in the Bond Account created pursuant to the applicable sale resolution, on such date on which payment of principal or interest on any series of bonds is due, from moneys on deposit in the Bond Account, an amount equal to the amount of principal of, premium, if any, or interest due on said date with respect to each series of the bonds then outstanding. Unless other provision is made pursuant to the Resolutions for the payment of any bond, all amounts held in the various subaccounts of the Bond Account created pursuant to a sale resolution will be used and applied by the City Treasurer to pay principal of, premium, if any, and interest due on the series of the bonds to which such subaccount relates, as and when due.

Property Taxation

General. The City levies property taxes for general operating purposes as well as for the payment of voter-approved general obligation bonds. Taxes levied to pay debt service for general obligation bonds may only be applied for that purpose. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. At the start of fiscal year 2019-20, the total net assessed valuation of taxable property within the City was approximately $281.1 billion. For additional information on the property taxation system, assessed values and appeals to assessed values, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation."

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due.

Of the $281.1 billion total net assessed valuation of taxable property within the City, $264.1 billion (93.9%) represents secured valuations and $17.0 billion (6.1%) represents unsecured valuations. Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Historical information on refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund are listed in Table A-7 of APPENDIX A attached hereto.

Tax Levy and Collection Process. Generally, property taxes levied by the City on real property becomes a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to *ad valorem* taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll." The method of collecting delinquent taxes is substantially different for the two classifications of property.

The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer.

The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes. A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

Teeter Plan. In October 1993, the Board of Supervisors of the City passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan. Information on this Reserve is as shown on Table A-8 in APPENDIX A attached hereto.

Taxation of Utility Property. A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2019-20 valuation of property assessed by the State Board of Equalization is $3.7 billion.

Pledge

Pursuant to the Resolutions, the City will pledge the Bond Accounts and all subaccounts and amounts on deposit therein for the payment of the principal of and interest on bonds issued under the appropriate Resolutions (including the Bonds) when and as the same become due. In addition, the payment of such principal and interest will be secured by the statutory lien of California Government Code Section 53515, to the extent applicable to the amounts of *ad valorem* taxes on deposit in each Bond Account. Each and every series of bonds issued under the Resolutions will be equally and ratably secured by this pledge, the foregoing statutory lien, and the taxes collected as described above.

Statutory Lien on Taxes (Senate Bill 222)

Pursuant to Section 53515 of the California Government Code, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 of the California Government Code provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time such bonds are executed and delivered. Section 53515 of the California Government Code further provides that the revenues received pursuant to the levy and collection of the tax will be immediately subject to the lien, and the lien will immediately attach to the revenues and be effective, binding and enforceable against the local agency, its successor, transferees and creditors, and all others asserting rights therein, irrespective of whether those parties have notice of the lien and without the need for physical delivery, recordation, filing or further act. See "CERTAIN RISK FACTORS – Limitation on Remedies; Bankruptcy."

CERTAIN RISK FACTORS

Factors Affecting Property Tax Security for the Bonds

The annual property tax rate for repayment of the Bonds will be based on the total assessed value of taxable property in the City and the scheduled debt service on the Bonds in each year, less any other lawfully available funds applied by the City for repayment of the Bonds. Fluctuations in the annual debt service on the Bonds, the assessed value of taxable property in the City, and the availability of such other funds in any year, may cause the annual property tax rate applicable to the Bonds to fluctuate. Issuance by the City of additional authorized bonds payable from *ad valorem* property taxes may cause the overall property tax rate to increase.

Discussed below are certain factors that may affect the City's ability to levy and collect sufficient taxes to pay scheduled debt service on the Bonds each year. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" for additional information on these factors.

Total Assessed Value of Taxable Property in the City. The greater the assessed value of taxable property in the City, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on bonds. The net total assessed valuation of taxable property in the City in fiscal year 2019-20 is approximately $281.1 billion. During economic downturns, declining market values of real estate, increased foreclosures, and increases in requests submitted to the Assessor and the Assessment Appeals Board for reductions in assessed value have generally caused a reduction in the assessed value of some properties in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

Natural and economic forces can affect the assessed value of taxable property in the City. The City is located in a seismically active region, and damage from an earthquake in or near the City could cause moderate to extensive or total damage to taxable property. See "Seismic Risks" below. Other natural or man-made disasters, such as flood and sea level rise (see "Climate Change, Risk of Sea Level Rise and Flooding Damage" below), fire, toxic dumping or acts of terrorism, could also cause a reduction in the assessed value of taxable property within the City. Economic and market forces, such as a downturn in the Bay Area's economy generally, can also affect assessed values, particularly as these forces might reverberate in the residential housing and commercial property markets. In addition, the total assessed value can be reduced through the reclassification of taxable property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes).

Concentration of Taxable Property Ownership. The more property (by assessed value) owned by any single assessee, the more exposure of tax collections to weakness in that taxpayer's financial situation and ability or willingness to pay property taxes. As of July 1, 2019, no single assessee owned more than 0.647% of the total taxable assessed value in the City. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Tax Levy and Collection."

Property Tax Rates. One factor in the ability of taxpayers to pay additional taxes for general obligation bonds is the cumulative rate of tax. The total tax rate per $100 of assessed value (including the basic countywide 1% rate required by statute) is discussed further in APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Property Taxation – Assessed Valuations, Tax Rates and Tax Delinquencies."

Debt Burden on Owners of Taxable Property in the City. Another measure of the debt burden on local taxpayers is total debt as a percentage of taxable property value. Issuance of general obligation bonds by the City is limited under Section 9.106 of the Charter to 3.00% of the assessed value of all taxable real and personal property located within the City's boundaries. For purposes of this provision of the Charter, the City calculates its debt limit on the basis of total assessed valuation net of non-reimbursable and homeowner exemptions. On this basis, the City's gross general obligation debt limit for fiscal year 2019-20 is approximately $8.4 billion, based on a net total assessed valuation of approximately $281.1 billion. As of August 1, 2019, the City had outstanding approximately $2.3 billion in aggregate principal amount of general obligation bonds, which equals approximately 0.8% of the net assessed valuation for fiscal year 2019-20. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds."

Additional Debt; Authorized but Unissued Bonds. Issuance of additional authorized bonds can cause the overall property tax rate to increase. As of August 1, 2019, the City had voter approval to issue up to $1.1 billion in additional aggregate principal amount of new bonds payable from *ad valorem* property taxes. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – General Obligation Bonds." In addition, the City expects that it will propose further bond measures to the voters from time to time to help meet its capital needs. The City's most recent adopted 10-year capital plan identifies $39.1 billion of capital needs for all City departments, including $5.1 billion in projects for General Fund-supported departments. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Capital Financing and Bonds – Capital Plan."

Limitations on Development. Construction and development in the City could be limited by governmental or legal limits on growth and/or challenges in the approval of certain residential and commercial projects. For example, San Francisco voters passed Proposition M in November 1986 which created an annual limit on the construction of new office space throughout the City (i.e., 950,000 square feet per year). Proposition M amended the Office Development Annual Limit Program (the "Annual Limit Program") under the City's Planning Code, which Annual Limit Program governs the approval of all development projects that contain more than 25,000 gross square feet of office space. The central provision of the Annual Limit Program is a "metering limit" designed to restrict the amount of office space authorized in a given year. No office project subject to the metering limit can be entitled without receiving an allocation under the Annual Limit Program. In doing so, the Annual Limit Program aims to ensure a manageable rate of new development and to guard against typical "boom and bust" cycles, among other goals.

City Long-Term Financial Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City (see, for example, "Seismic Risks" and "Climate Change, Risk of Sea Level Rise and Flooding Damage" below). Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted 10-year capital plan. The City's most recent adopted 10-year capital plan sets forth $39.1 billion of capital needs for all City departments. However, identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs are deferred from the capital plan's 10-year horizon. More than half of these unfunded needs relate to the City's transportation and waterfront infrastructure, where capital investment has lagged for decades.

In addition, the City faces long-term challenges with respect to the management of pension and post-employment retirement obligations. The City has taken major steps to address long-term unfunded liabilities for employee pension and other post-employment benefits, including retiree health obligations, yet significant liabilities remain. In recent years, the City and voters have adopted changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term. Further, the size of these liabilities is based on a number of assumptions, including but not limited to assumed investment returns and actuarial assumptions. It is possible that actual results will differ materially from current assumptions, and such changes in investment returns or other actuarial assumptions could increase budgetary pressures on the City.

Further, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last five fiscal years. The maximum combined value of the City's Rainy Day Reserve and Budget Stabilization Reserve is 10% of General Fund revenues, or $597.4 million, given projected fiscal year 2018-19 revenues. Under the City's current policy, once the 10% threshold is reached, excess amounts are deposited into a non-recurring expenditure reserve that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Based on current estimates, the City expects to deposit approximately $20.8 million into the non-recurring expenditure reserve. Notwithstanding the foregoing, the City expects that meeting the 10% adopted target level of reserves will not eliminate the need to cut expenditures in a recession to balance the City's budget.

Lastly, as the United States economy approaches its longest period of economic expansion in history, macro-economic issues such as rising interest rates or volatile capital markets could cool economic growth and may have particular impacts on locally-important industries such as technology, which has received large amounts of venture capital investment in the low-interest rate environment of the 2010s, and real estate, which could be adversely affected by rising mortgage rates and/or declining prices. While the City has retained a diverse economy compared to most other cities in the United States, its increasing reliance on the technology sector as a growth driver could create fiscal and economic risks in a recession that could disproportionately affect that sector.

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2018."

Seismic Risks

General. The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes within about three miles of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and surrounding areas. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed. On August 24, 2014, the San Francisco Bay Area experienced a 6.0 earthquake centered near Napa along the West Napa Fault. The City did not suffer any material damage as a result of this earthquake.

California Earthquake Probabilities Study. In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 (the magnitude of the 1994 Northridge earthquake) or larger will occur in the San Francisco Bay Area before the year 2045. In addition, the U.S.G.S. released a report in April 2017 entitled The HayWired Earthquake Scenario, which estimates that property damage and direct business disruption losses from a magnitude 7.0 earthquake on the Hayward Fault would be more than $82 billion (in 2016 dollars). Most of the losses are expected to be attributable to shaking damage, liquefaction, and landslides (in that order). Eighty percent of shaking damage is expected to be caused by the magnitude 7.0 mainshock, with the rest of the damage resulting from aftershocks occurring over a 2-year period thereafter. Such earthquakes could be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

Vulnerability Study of the Northern Waterfront Seawall. In early 2016, the Port Commission of the City commissioned an earthquake vulnerability study of the Northern Waterfront Seawall. The three-mile Seawall was constructed over 100 years ago and sits on reclaimed land, rendering it vulnerable to seismic risk. The Seawall provides flood and wave protection to downtown San Francisco, and stabilizes hundreds of acres of filled land. Preliminary findings of the study indicate that a strong earthquake may cause most of the Seawall to settle and move outward toward the Bay, which would significantly increase earthquake damage and disruption along the waterfront. The Port Commission estimates that seismic retrofitting of the Seawall could cost as much as $3 billion, with another $2 billion or more needed to prepare the Seawall for rising sea levels. The study estimates that approximately $1.6 billion in Port assets and $2.1 billion of rents, business income, and wages are at risk from major damage to the Seawall. See "Climate Change, Risk of Sea Level Rise and Flooding Damage" below.

Tall Buildings Safety Strategy Report and Executive Directive. The City commissioned a first in the nation "Tall Buildings Study" by the Applied Technology Council to consider the impact of earthquakes on buildings higher than 240 feet. The final report following the study, released in January 2019, evaluates best practices for geotechnical engineering, seismic risks, standards for post-earthquake structural evaluations, barriers to re-occupancy, and costs and benefits of higher performance goals for new construction. The study estimates that for a tall building designed to current seismic standards, it might take two to six months to mobilize for and repair damage from a major earthquake, depending on the building location, geologic conditions, and the structural and foundation systems. The report identifies and summarizes sixteen recommendations for reducing seismic risk prior to earthquakes for new and existing buildings, reducing seismic risk following earthquakes, and improving the City's understanding of its tall building seismic risk.

On January 24, 2019, Mayor London N. Breed issued an executive directive instructing City departments to work with community stakeholders, develop regulations to address geotechnical and engineering issues, clarify emergency response and safety inspection roles, and establish a Disaster Recovery Task Force for citywide recovery planning, including a comprehensive recovery plan for the financial district and surrounding neighborhoods by the end of the year.

The City obtains commercial insurance only in certain limited circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that, among other effects on the global ecosystem, sea levels will rise, extreme temperatures, and extreme weather events will become more frequent as a result of increasing global temperatures attributable to atmospheric pollution.

The *Fourth National Climate Assessment*, published by the U.S. Global Change Research Program in November 2018 (NCA4), finds that more frequent and intense extreme weather and climate-related events, as well as changes in average climate conditions, are expected to continue to damage infrastructure, ecosystems and social systems over the next 25 to 100 years. NCA4 states that rising temperatures, sea level rise, and changes in extreme events are expected to increasingly disrupt and damage critical infrastructure and property and regional economies and industries that depend on natural resources and favorable climate conditions. Disruptions could include more frequent and longer-lasting power outages, fuel shortages and service disruptions. NCA4 states that the continued increase in the frequency and extent of high-tide flooding due to sea level rise threatens coastal public infrastructure. NCA4 also states that expected increases in the severity and frequency of heavy precipitation events will affect inland infrastructure, including access to roads, the viability of bridges and the safety of pipelines.

Sea levels will continue to rise in the future due to the increasing temperature of the oceans causing thermal expansion and growing ocean volume from glaciers and ice caps melting into the ocean. Between 1854 and 2016, sea level rose about nine inches according to the tidal gauge at Fort Point, a location underneath the Golden Gate Bridge. Weather and tidal patterns, including 100-year or more storms and king tides, may exacerbate the effects of climate related sea level rise. Coastal areas like the City are at risk of substantial flood damage over time, affecting private development and public infrastructure, including roads, utilities, emergency services, schools, and parks. As a result, the City could lose considerable tax revenues and many residents, businesses, and governmental operations along the waterfront could be displaced, and the City could be required to mitigate these effects at a potentially material cost.

Adapting to sea level rise is a key component of the City's policies. The City and its enterprise departments have been preparing for future sea level rise for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaptation strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise, including the effects of temporary flooding due to a 100-year storm, of up to 108 inches above the 2015 average high tide. To implement this Plan, the Mayor's Sea Level Rise Coordinating Committee, co-chaired by the Planning Department and the Port of San Francisco, joined a number of other public agencies to create "Adapt SF," which is now drafting a Citywide Sea Level Rise Vulnerability Assessment, a Citywide Sea Level Rise Risk Assessment, a Sea Level Rise Adaptation Plan, public maps and tools to communicate sea level rise impacts and implementation of near-term adaptation projects. The City's Sea Level Rise Action Plan states that one key missing piece of information is an understanding of the effects of climate change on precipitation. Certain City departments are engaging a consultant team to model future storm events, quantify how climate change impacts extreme storms, and prepare an action plan for addressing climate change for use by the City departments. The consultants' study is expected to be completed in 2019.

In April 2017, the Working Group of the California Ocean Protection Council Science Advisory Team (in collaboration with several state agencies, including the California Natural Resource Agency, the Governor's Office of Planning and Research, and the California Energy Commission) published a report, that was formally adopted in March 2018, entitled "Rising Seas in California: An Update on Sea Level Rise Science" (the "Sea Level Rise Report") to provide a new synthesis of the state of science regarding sea level rise. The Sea Level Rise Report provides the basis for State guidance to state and local agencies for incorporating sea level rise into design, planning, permitting, construction, investment and other decisions. Among many findings, the Sea Level Rise Report indicates that the effects of sea level rise are already being felt in coastal California with more extensive coastal flooding during storms, exacerbated tidal flooding, and increased coastal erosion. In addition, the report notes that the rate of ice sheet loss from Greenland and Antarctic ice sheets poses a particular risk of sea level rise for the California coastline.

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about \$8 million during fiscal year 2017-18 and consideration of financing options. The City expects short term upgrades to cost over \$500 million and long term upgrades to cost more than \$5 billion.

Portions of the San Francisco Bay Area, including the City, are built on fill that was placed over saturated silty clay known as "Bay Mud." This Bay Mud is soft and compressible, and the consolidation of the Bay Mud under the weight of the existing fill is ongoing. A report issued in March 2018 by researchers at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking or settling of the ground surface, known as subsidence. The study claims that the risk of subsidence is more significant for certain parts of the City built on fill.

Projections of the effects of global climate change on the City are complex and depend on many factors that are outside the City's control. The various scientific studies that forecast climate change and its adverse effects, including sea level rise and flooding risk, are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the City is unable to forecast when sea level rise or other adverse effects of climate change (e.g., the occurrence and frequency of 100-year storm events and king tides) will occur. In particular, the City cannot predict the timing or precise magnitude of adverse economic effects, including, without limitation, material adverse effects on the business operations or financial condition of the City and the local economy during the term of the Bonds. While the effects of climate change may be mitigated by the City's past and future investment in adaptation strategies, the City can give no assurance about the net effects of those strategies and whether the City will be required to take additional adaptive mitigation measures. If necessary, such additional measures could require significant capital resources.

In September 2017, the City filed a lawsuit against the five largest investor-owned oil companies seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. In July 2018, the United States District Court, Northern District of California denied the plaintiffs' motion for remand to state court, and then dismissed the lawsuit. The City appealed these decisions to the United States Court of Appeals for the Ninth Circuit, which is pending. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts, or contributions to the abatement fund from the defendant oil companies.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Although the attack neither interrupted Muni train services nor compromised customer privacy or transaction information, SFMTA took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

Cybersecurity incidents could result from unintentional events, or from deliberate attacks by unauthorized entities or individuals attempting to gain access to the City's Systems Technology for the purposes of misappropriating assets or information or causing operational disruption and damage. To mitigate the risk of business operations impact and/or damage from cybersecurity incidents or cyber-attacks, the City invests in multiple forms of cybersecurity and operational safeguards. In November 2016, the City adopted a City-wide Cyber Security Policy ("Cyber Policy") to support, maintain, and secure critical infrastructure and data systems. The objectives of the Cyber Policy include the protection of critical infrastructure and information, manage risk, improve cyber security event detection and remediation, and facilitate cyber awareness across all City departments. The City's Department of Technology has established a cybersecurity team to work across all City departments to implement the Cyber Policy. The City's Cyber Policy is reviewed periodically.

The City has also appointed a City Chief Information Security Officer ("CCISO"), who is directly responsible for understanding the business and related cybersecurity needs of the City's 54 departments. The CCISO is responsible for identifying, evaluating, responding, and reporting on information security risks in a manner that meets compliance and regulatory requirements, and aligns with and supports the risk posture of the City.

While City cybersecurity and operational safeguards are periodically tested, no assurances can be given by the City that such measures will ensure against other cybersecurity threats and attacks. Cybersecurity breaches could damage the City's Systems Technology and cause material disruption to the City's operations and the provision of City services. The costs of remedying any such damage or protecting against future attacks could be substantial. Further, cybersecurity breaches could expose the City to material litigation and other legal risks, which could cause the City to incur material costs related to such legal claims or proceedings.

Limitation on Remedies; Bankruptcy

General. The rights of the owners of the Bonds are subject to limitations on legal remedies against the City, including applicable bankruptcy or similar laws affecting the enforcement of creditors' rights generally, now or hereafter in effect. Bankruptcy proceedings, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy proceedings or otherwise, and consequently may entail risks of delay, limitation or modification of the rights of the owners of the Bonds.

Bankruptcy courts are courts of equity and as such have broad discretionary powers. If the City were to become the debtor in a proceeding under Chapter 9 of the Bankruptcy Code, the parties to the proceedings may be prohibited from taking any action to collect any amount from the City (including *ad valorem* tax revenues) or to enforce any obligation of the City, without the bankruptcy court's permission. In such a proceeding, as part of its plan of adjustment in bankruptcy, the City may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Bonds and other transaction documents related to the Bonds, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, in such a proceeding, as part of such a plan, the City may be able to eliminate the obligation of the City to raise taxes if necessary to pay the Bonds. There also may be other possible effects of a bankruptcy of the City that could result in delays or reductions in payments on the Bonds. Moreover, regardless of any specific adverse determinations in any City bankruptcy proceeding, the fact of a City bankruptcy proceeding, could have an adverse effect on the liquidity and market price of the Bonds.

As stated above, if the City were to go into bankruptcy, the bankruptcy petition would be filed under Chapter 9 of the Bankruptcy Code. Chapter 9 provides that it does not limit or impair the power of a state to control, by legislation or otherwise, a municipality of or in such state in the exercise of the political or governmental powers of such municipality, including expenditures for such exercise. For purposes of the language of Chapter 9, the City is a municipality. State law provides that the *ad valorem* taxes levied to pay the principal and interest on the Bonds shall be used for the payment of principal and interest of the City's general obligation bonds and for no other purpose. If this restriction on the expenditure of such *ad valorem* taxes is respected in a bankruptcy case, then the *ad valorem* tax revenue could not be used by the City for any purpose other than to make payments on the Bonds. It is possible, however, that a bankruptcy court could conclude that the restriction should not be respected.

Statutory Lien. Pursuant to Section 53515 of the California Government Code (which became effective on January 1, 2016, as part of Senate Bill 222), the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of the *ad valorem* taxes levied for the Bonds. Section 53515 provides that the lien will automatically arise, without the need for any action or authorization by the local agency or its governing board, and will be valid and binding from the time the bonds are executed and delivered. See "SECURITY FOR THE BONDS." Although a statutory lien would not be automatically terminated by the filing of a Chapter 9 bankruptcy petition by the City, the automatic stay provisions of the Bankruptcy Code would apply and payments that become due and owing on the Bonds during the pendency of the Chapter 9 proceeding could be delayed (unless the Bonds are determined to be secured by a pledge of "special revenues" within the meaning of the Bankruptcy Code and the pledged taxes are applied to pay the Bonds in a manner consistent with the Bankruptcy Code).

Special Revenues. If the tax revenues that are pledged to the payment of the Bonds are determined to be "special revenues" within the meaning of the Bankruptcy Code, then the application in a manner consistent with the Bankruptcy Code of the pledged *ad valorem* revenues that are collected after the date of the bankruptcy filing should not be subject to the automatic stay. "Special revenues" are defined to include, among others, taxes specifically levied to finance one or more projects or systems of the debtor, but excluding receipts from general property, sales, or income taxes levied to finance the general purposes of the debtor. The City has specifically pledged the taxes for payment of the Bonds. Additionally, the *ad valorem* taxes levied for payment of the Bonds are permitted under the State Constitution only where the applicable bond proposition is approved by at least two-thirds of the votes cast. State law prohibits the use of the tax proceeds for any purpose other than payment of the bonds and the bond proceeds can only be used to fund the acquisition or improvement of real property and other capital expenditures included in the proposition so such tax revenues appear to fit the definition of special revenues. However, there is no binding judicial precedent dealing with the treatment in bankruptcy proceedings of *ad valorem* tax revenues collected for the payments of bonds in California, so no assurance can be given that a bankruptcy court would not hold otherwise.

In addition, even if the *ad valorem* tax revenues are determined to be "special revenues," the Bankruptcy Code provides that special revenues can be applied to necessary operating expenses of the project or system, before they are applied to other obligations. This rule applies regardless of the provisions of the transaction documents. Thus, a bankruptcy court could determine that the City is entitled to use the *ad valorem* tax revenues to pay necessary operating expenses of the City before the remaining revenues are paid to the owners of the Bonds.

Possession of Revenues; Remedies. If the City goes into bankruptcy and has possession of tax revenues (whether collected before or after commencement of the bankruptcy), and if the City does not voluntarily pay such tax revenues to the owners of the Bonds, it is not entirely clear what procedures the owners of the Bonds would have to follow to attempt to obtain possession of such tax revenues, how much time it would take for such procedures to be completed, or whether such procedures would ultimately be successful.

State Law Limitations on Appropriations

Article XIIIB of the State Constitution limits the amount that local governments can appropriate annually (the "Gann Limit"). According to the City Controller, the City may exceed the Gann Limit in fiscal years following fiscal year 2020-21, depending on the timing and outcome of litigation regarding three legally-contested tax measures approved by voters in 2018. Should the City exceed the Gann Limit, the City would be required to seek voter approval to exceed such limit, shift spending to capital or other exempt expenditure types, or issue tax rebates. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – BUDGETARY RISKS – Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances" and "– CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIIIB of the California Constitution."

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may adversely impact persons and property within San Francisco, and damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generation and transmission facilities and water transmission facilities. SFPUC is currently conducting an overall conditions assessment of all dams in its system. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. Certain portions of the Hetch Hetchy Project such as Mountain Tunnel, an 18.9-mile water conveyance facility, are old and deteriorating, and outages at critical points of the project could disrupt water delivery to significant portions of the region and/or cause significant costs and liabilities to the City. SFPUC's adopted fiscal year 2019-28 capital plan includes approximately $211 million for improvements to Mountain Tunnel to mitigate these vulnerabilities.

In September 2010, a PG&E high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. PG&E owns, operates and maintains numerous gas transmission and distribution pipelines throughout the City.

With certain exceptions, the City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing transactions and for other limited purposes. The City does not maintain commercial earthquake coverage, with certain minor exceptions. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – Litigation and Risk Management."

TAX MATTERS – 2019B BONDS

Tax Exemption

The delivery of the 2019B Bonds is subject to the opinion of Co-Bond Counsel to the effect that interest on the 2019B Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the 2019B Bonds is also subject to the delivery of the opinion of Co-Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the 2019B Bonds is exempt from personal income taxes of the State of California. The forms of Co-Bond Counsel's opinions are set forth in APPENDIX F. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinions, Co-Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the 2019B Bonds pertaining to the use, expenditure, and investment of the proceeds of the 2019B Bonds and will assume continuing compliance by the City with the provisions of the Resolutions subsequent to the issuance of the 2019B Bonds. The Resolutions contain covenants by the City with respect to, among other matters, the use of the proceeds of the 2019B Bonds and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the 2019B Bonds are to be invested, the periodic calculation and payment to the United States Treasury of arbitrage "profits" from the investment of proceeds, and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the 2019B Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the 2019B Bonds.

Co-Bond Counsel's opinion is not a guarantee of a result, but represents their legal judgment based upon their review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Co-Bond Counsel, and Co-Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the 2019B Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the 2019B Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the 2019B Bonds, the City may have different or conflicting interests from the owners of the 2019B Bonds. Public awareness of any future audit of the 2019B Bonds could adversely affect the value and liquidity of the 2019B Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Co-Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the 2019B Bonds. Prospective purchasers of the 2019B Bonds should be aware that the ownership of tax-exempt obligations such as the 2019B Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the 2019B Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the 2019B Bonds. Prospective purchasers of the 2019B Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain 2019B Bonds

The initial public offering price of certain 2019B Bonds (the "Discount 2019B Bonds") may be less than the amount payable on such 2019B Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount 2019B Bond (assuming that a substantial amount of the Discount 2019B Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount 2019B Bond. A portion of such original issue discount allocable to the holding period of such Discount 2019B Bond by the initial purchaser will, upon the disposition of such Discount 2019B Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the 2019B Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount 2019B Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount 2019B Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount 2019B Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount 2019B Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount 2019B Bond was held) is includable in gross income.

Owners of Discount 2019B Bonds should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount 2019B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount 2019B Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount 2019B Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain 2019B Bonds (the "Premium 2019B Bonds") may be greater than the amount payable on such 2019B Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium 2019B Bond (assuming that a substantial amount of the Premium 2019B Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium 2019B Bonds. The basis for federal income tax purposes of a Premium 2019B Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium 2019B Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity.

Purchasers of the Premium 2019B Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium 2019B Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium 2019B Bonds.

TAX MATTERS – 2019C BONDS

The delivery of the 2019C Bonds is subject to the delivery of the opinion of Co-Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the 2019C Bonds is exempt from personal income taxes of the State of California. The forms of Co-Bond Counsel's opinions are set forth in APPENDIX F.

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the 2019C Bonds. The discussion is based upon laws, Treasury Regulations, rulings and decisions now in effect, all of which are subject to change or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the 2019C Bonds in light of the investor's particular personal investment circumstances or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, and persons who have hedged the risk of owning the 2019C Bonds). The summary is therefore limited to certain issues relating to initial investors who will hold the 2019C Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such 2019C Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the 2019C Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("U.S. persons") and, except as discussed below, does not address any consequences to persons other than U.S. persons. Prospective investors should note that no rulings have been or will be sought from the IRS with respect to any of the U.S. federal income tax consequences discussed below, and no assurance can be given that the IRS will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE 2019C BONDS.

Payments of Stated Interest on the 2019C Bonds. The stated interest paid on the 2019C Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof.

Original Issue Discount. If a substantial amount of the 2019C Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the 2019C Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such 2019C Bonds at maturity over its Issue Price, and the amount of the original issue discount on the 2019C Bonds will be amortized over the life of the 2019C Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the 2019C Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the 2019C Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the 2019C Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the 2019C Bonds will increase the adjusted tax basis of the 2019C Bonds in the hands of such beneficial owner.

Premium. If a beneficial owner purchases a 2019C Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the 2019C Bond with "amortizable bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the 2019C Bond and may offset interest otherwise required to be included in respect of the 2019C Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a 2019C Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a 2019C Bond. However, if the 2019C Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some bond premium until later in the term of the 2019C Bond. Any election to amortize bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over $200,000 for unmarried individuals ($250,000 for married couples filing a joint return and a surviving spouse). Holders of the 2019C Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the 2019C Bonds as well as gain on the sale of a 2019C Bond.

Disposition of 2019C Bonds and Market Discount. A beneficial owner of 2019C Bonds will generally recognize gain or loss on the redemption, sale or exchange of a 2019C Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the 2019C Bonds. Generally, the beneficial owner's adjusted tax basis in the 2019C Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the 2019C Bonds.

Under current law, a purchaser of a 2019C Bond who did not purchase the 2019C Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the 2019C Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the 2019C Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the 2019C Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire 2019C Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The re-characterization of gain as ordinary income on a subsequent disposition of 2019C Bonds could have a material effect on the market value of the 2019C Bonds.

Legal Defeasance. If the District elects to defease the 2019C Bonds by depositing in escrow sufficient cash and/or obligations to pay when due outstanding 2019C Bonds (a "legal defeasance"), under current tax law, a beneficial owner of 2019C Bonds may be deemed to have sold or exchanged its 2019C Bonds. In the event of such a legal defeasance, a beneficial owner of 2019C Bonds generally would recognize gain or loss in the manner described above. Ownership of the 2019C Bonds after a deemed sale or exchange as a result of a legal defeasance may have tax consequences different from those described above, and each beneficial owner should consult its own tax advisor regarding the consequences to such beneficial owner of a legal defeasance of the 2019C Bonds.

Backup Withholding. Under section 3406 of the Code, a beneficial owner of the 2019C Bonds who is a U.S. person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the 2019C Bonds. This withholding applies if such beneficial owner of 2019C Bonds: (i) fails to furnish to payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding.

Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the 2019C Bonds. Beneficial owners of the 2019C Bonds should consult their own tax advisors regarding their qualification for exemption from backup withholding and the procedures for obtaining such exemption.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations. Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30% on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the 2019C Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30% withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a U.S. person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the 2019C Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the 2019C Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business.

Assuming payments on the 2019C Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8BEN, Form W-8BEN-E, Form W-8EXP or Form W-8IMY, as applicable, provided the payor does not have actual knowledge that such person is a U.S. person.

Foreign Account Tax Compliance Act. Sections 1471 through 1474 of the Code impose a 30% withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the U.S. Treasury to, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned entities, annually report certain information about such accounts, and withhold 30% on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30% withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial U.S. owners or the entity furnishes identifying information regarding each substantial U.S. owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30% withholding tax being imposed on payments of interest and principal under the 2019C Bonds and sales proceeds of 2019C Bonds held by or through a foreign entity. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

Reporting of Interest Payments. Subject to certain exceptions, interest payments made to beneficial owners with respect to the 2019C Bonds will be reported to the IRS. Such information will be filed each year with the IRS on Form 1099 which will reflect the name, address, and TIN of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a 2019C Bond for U.S. federal income tax purposes.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Bonds and with regard to the tax status of the interest on the Bonds (see "TAX MATTERS – 2019B BONDS" and "TAX MATTERS – 2019C BONDS" herein) are subject to the legal opinions of Norton Rose Fulbright US LLP, Los Angeles, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel to the City. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Bonds, will be delivered to the initial purchaser of the Bonds at the time of original delivery of the Bonds.

The proposed forms of the legal opinions of Co-Bond Counsel are set forth in APPENDIX F hereto. The opinions will speak only as of their date, and subsequent distributions of them by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or express any opinion concerning any of the matters referred to in the respective opinions subsequent to their date. In rendering their opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of such firm which caused them to believe that the Official Statement as of its date and as of the date of delivery of the Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the Bonds, or other person or party other than the City, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

PROFESSIONALS INVOLVED IN THE OFFERING

Public Resources Advisory Group, Oakland, California and Sperry Capital Inc., Sausalito, California, served as Co-Municipal Advisors to the City with respect to the sale of the Bonds. The Co-Municipal Advisors have participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed and assisted the City in other matters relating to the planning, structuring, and sale of the Bonds. The Co-Municipal Advisors have not independently verified any of the data contained herein and have not conducted an independent investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation for services rendered in connection with the Bonds contingent upon the sale and delivery of the Bonds. The City Treasurer is acting as paying agent and registrar with respect to the Bonds.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, the ability of the City to levy the *ad valorem* tax required to pay debt service on the Bonds, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Bonds and other documents and certificates in connection therewith. The City will furnish to the initial purchaser of the Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2018-19, which is due not later than March 26, 2020, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Electronic Municipal Market Access System ("EMMA") of the Municipal Securities Rulemaking Board. The notices of enumerated events will be filed by the City with EMMA. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of enumerated events

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www. sfgov.org/controller.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aaa," "AAA," and "AA+," respectively, to the Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.spratings.com; and Fitch, at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE BONDS

The Bonds were sold at competitive bid on October 3, 2019, as provided in the Official Notice of Sale, dated September 26, 2019 (the "Official Notice of Sale"). The Bonds were awarded to Citigroup Global Markets Inc., at a purchase price of $95,905,140 (consisting of the principal amount of the Bonds, plus original issue premium of $288,903.80, and less an underwriter's discount of $208,763.80). The Official Notice of Sale provided that all Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. Citigroup Global Markets Inc. has represented to the City that the Bonds have been reoffered to the public at the yields stated on the inside cover page hereof.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations. The words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify forward-looking statements. Such forecasts, projections and estimates are not intended as representations of fact or guarantees of results. Any such forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchaser or owners and beneficial owners of any of the Bonds.

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By: /s/ Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of August 1, 2019.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") provides general information about the City's governance structure, budget processes, property taxation system and tax and other revenue sources, City expenditures, labor relations, employment benefits and retirement costs, investments, bonds, and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A and should not be considered in making a decision to buy the bonds.

The information presented in this Appendix A contains, among other information, City budgetary forecasts, projections, estimates and other statements that are based on current expectations as of its date. The words "expects," "forecasts," "projects," "budgets," "intends," "anticipates," "estimates," "assumes" and analogous expressions are intended to identify such information as "forward-looking statements." Such budgetary forecasts, projections and estimates are not intended as representations of fact or intended as guarantees of results. Any such forward-looking statements are inherently subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected.

The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to make an informed investment decision.

TABLE OF CONTENTS

CITY GOVERNMENT

City Charter

San Francisco is constituted as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State") and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades TK-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Unique among California cities, San Francisco as a charter city and county provides the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including a port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for slightly less than 50% of all City expenditures. In addition, voters have approved Charter amendments that impose certain spending mandates and tax revenue set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including transportation services, children's services and public education, and libraries.

Under its original charter, the City committed to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("PUC") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and

Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments," as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital, and the MTA, receive annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission and may remove department heads.

Mayor

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity in the City's history. Mayor Breed was elected on the June 4, 2018 special election to serve until January 2020, fulfilling the remaining term of the late Mayor Edwin Lee. In November 2019 Mayor Breed will stand for re-election to serve a full term. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed previously served as a member of the Board of Supervisors for six years, including the last three years as President of the Board.

Board of Supervisors

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Mayor.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires	
Sandra Lee Fewer, *District 1*	2017	2021	
Catherine Stefani, *District 2*	2018	2023	
Aaron Peskin, *District 3*	2017	2021	
Gordon Mar, *District 4*	2019	2023	
Vallie Brown, *District 5*	2017	2019	1
Matt Haney, *District 6*	2019	2023	
Norman Yee, Board President, *District 7*	2017	2021	
Rafael Mandelman, *District 8*	2018	2023	
Hillary Ronen, *District 9*	2017	2021	
Shamann Walton, *District 10*	2019	2023	
Ahsha Safai, *District 11*	2017	2021	

[1]Contest appears on the ballot because there was a vacancy, which was filled by appointment until voters elect someone to serve the remainder of the current term.

Other Elected and Appointed City Officers

The City Attorney represents the City in all legal proceedings in which the City has an interest. Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

The Assessor-Recorder administers the property tax assessment system of the City. Carmen Chu was re-elected to a four-year term as Assessor-Recorder of the City in November 2018. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008 and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was reappointed by then-Mayor Mark Farrell to a new ten-year term as Controller in 2017, and his nomination was confirmed by the Board of Supervisors on May 1, 2018. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director during that period, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and as a project manager in the Controller's Office.

The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. The City Administrator oversees the General Services Agency consisting of 25 departments, divisions, and programs that include the Public Works Department, Department of Technology, Office of Contract Administration/Purchasing, Real Estate, County Clerk, Fleet Management, Convention Facilities, Animal Care and Control, Medical Examiner, and Treasure Island. Naomi M. Kelly was appointed to a five-year term as City Administrator by then-Mayor Lee in February of 2012, following her brief role as Acting City Administrator. Ms. Kelly was re-appointed for a second five-year term on February 8, 2017. Prior to her City Administrator position, Ms. Kelly was appointed City Purchaser and Director of the Office of Contract Administration by Mayor Newsom. She previously served as Special Assistant in the Mayor's Office of

Neighborhood Services, and the Office of Policy and Legislative Affairs, under Mayor Brown. She also served as the City's Executive Director of the Taxicab Commission. Ms. Kelly, a native San Franciscan, is the first woman and African American to serve as City Administrator of the City. She received her undergraduate and law degrees, respectively, from New York University and the University of San Francisco. Ms. Kelly is a member of the California State Bar.

CITY BUDGET

Overview

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprises through its annual budget process. Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. General Fund revenues consist largely of local property tax, business tax, sales tax, other local taxes and charges for services. A significant portion of the City's revenue also comes in the form of intergovernmental transfers from the State and federal governments. Thus, the City's fiscal position is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

On August 1, 2019, the City adopted its two-year budget. The City's fiscal year 2019-20 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $12.3 billion, of which the City's General Fund accounts for approximately $6.1 billion. In fiscal year 2020-21 appropriated revenues, fund balance, transfers and reserves total approximately $12.0 billion, of which $6.0 billion represents the General Fund budget. Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2016- 17 and 2017-18 and the Original Budgets for fiscal years 2018-19, 2019-20, and 2020-21. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein. For detailed discussion of the fiscal years 2019-20 and 2020-21 adopted budgets, see "City Budget Adopted for Fiscal Years 2019-20 and 2020-21" herein.

[Remainder of Page Intentionally Left Blank]

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2016-17 through 2020-21
(000s)

	2016-17 Final Revised Budget	2017-18 Final Revised Budget	2018-19 Original Budget [6]	2019-20 Original Budget [7]	2020-21 Original Budget [7]
Prior-Year Budgetary Fund Balance & Reserves	$1,526,830	$1,999,334	$250,121	$299,880	$285,152
Budgeted Revenues					
Property Taxes [1]	$1,412,000	$1,557,000	$1,728,000	$1,956,008	$1,852,000
Business Taxes	669,450	750,820	879,380	1,050,620	1,095,900
Other Local Taxes [2]	1,126,245	1,112,570	1,053,390	1,144,376	1,118,372
Licenses, Permits and Franchises	28,876	29,964	30,833	30,431	31,154
Fines, Forfeitures and Penalties	4,671	4,579	3,125	3,125	3,127
Interest and Investment Earnings	13,971	18,615	27,270	76,590	86,590
Rents and Concessions	15,855	14,089	14,769	15,141	15,371
Grants and Subventions	978,252	965,549	1,051,643	1,088,615	1,084,379
Charges for Services	235,491	242,842	261,294	245,222	246,654
Other	58,776	40,130	41,050	69,424	42,065
Total Budgeted Revenues	$4,543,587	$4,736,158	$5,090,754	$5,679,551	$5,575,612
Bond Proceeds & Repayment of Loans	$881	$110	$87	-	-
Expenditure Appropriations					
Public Protection	$1,266,148	$1,316,870	$1,403,620	$1,493,084	$1,539,026
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
Culture and Recreation	139,473	142,081	165,784	173,969	179,282
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
General City Responsibilities [3]	134,153	114,219	183,159	193,971	213,545
Total Expenditure Appropriations	$3,700,689	$3,951,771	$4,325,611	$4,800,929	$4,735,089
Budgetary reserves and designations, net	$9,868	$0	$21,411	29,880	$20,451
Transfers In	$246,779	$232,032	$170,671	163,455	152,960
Transfers Out [4]	(857,528)	(1,009,967)	(1,164,612)	(1,312,077)	(1,258,185)
Net Transfers In/Out	($610,749)	($777,935)	($993,941)	($1,148,622)	($1,105,225)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	$1,749,993	$2,005,897	-	-	-
Variance of Actual vs. Budget	249,475	336,422	-	-	-
Total Actual Budgetary Fund Balance [5]	$1,999,468	$2,342,319	-	-	-

1 The City budgeted $185.0 million of "Excess Educational Revenue Augmentation Fund (ERAF)" revenue in FY 2019-20. In the following year, no excess ERAF revenue is assumed given the risk of entitlement formula volatility, potential cash flow changes, and possible modifications to local property tax revenue allocation laws by the State. Please see Property Tax section for more information about Excess ERAF.

2 Other Local Taxes includes sales, hotel, utility users, parking, sugar sweetened beverage, stadium admissions, access line, and cannabis taxes. Other local taxes is budgeted to decline in FY 2020-21, primarily because transfer tax revenue is assumed to peak in FY 2018-19 and revert to its long-term historical average by FY 2020-21.

3 Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.

4 Other Transfers Out is primarily related to transfers to support Charter-mandated spending requirements and hospitals.

5 Fiscal year 2016-17 and fiscal year 2017-18 Final Revised Budget reflects prior year *actual* budgetary fund balance. Fiscal years 2018-19 through 2020-21 Original Budget reflects *budgeted* use of fund balance and reserve.

6 FY 2018-19 Final Revised Budget will be available upon release of the FY 2018-19 CAFR.

7 FY 2019-20 & FY 2020-21 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

Source: Office of the Controller, City and County of San Francisco.

Budget Process

The City's fiscal year commences on July 1 and ends on June 30. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit a proposed budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from said website are not incorporated herein by reference. The City's Capital Planning Committee (composed of other City officials) also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each fiscal year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after 10 days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year upon release of the City's CAFR to reflect the year-end revenue and expenditure appropriations for that fiscal year.

Multi-Year Budgeting and Planning

The City's budget involves multi-year budgeting and financial planning, including:

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the PUC and MTA. All other departments prepare balanced, rolling two-year budgets for Board approval. For all other departments, the Board annually approves appropriations for the next two fiscal years.

2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, the Budget Analyst for the Board of Supervisors and Controller's Office on January 4, 2019, for fiscal year 2019-20 through fiscal year 2023-24. See "Five Year Financial Plan" section below.

3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1. Key financial policies include:

   - Non-Recurring Revenue Policy - This policy limits the Mayor's and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance, the General Fund share of revenues from prepayments provided under long- term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long-term obligations.

   - Rainy Day and Budget Stabilization Reserve Policies – These reserves were established to support the City's budget in years when revenues decline. These and other reserves (among many others) are discussed in detail below. Charter Section 9.113.5 requires deposits into the Rainy Day Reserve if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. The Budget Stabilization Reserve augments the Rainy Day Reserve and is funded through the dedication of 75% of certain unpredictable revenues. These and other reserves are discussed under Rainy Day Reserve and Budget Stabilization Reserve below.

4. The City is required to submit labor agreements for all public employee unions by May15, so the fiscal impact of the agreements can be incorporated in the Mayor's proposed June 1 budget.

Role of Controller in Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then- current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's actual expenditures are often different from the estimated expenditures in the Original Budget due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

In addition to the five-year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2018-19 Nine Month Report (the "Nine Month Report"), on May 15, 2019. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 11, 2019 the Controller released the Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference. The six-month budget status report for fiscal year 2019-20 is expected to be published in February 2020.

General Fund Results: Audited Financial Statements

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR," which includes the City's audited financial statements) for fiscal year 2017-18, was issued on March 25, 2019. The fiscal year 2017-18 CAFR reported that as of June 30, 2018, the General Fund fund balance available for appropriation in subsequent years was $616.6 million (see Table A-4), which represents a $70.7 million increase in available fund balance from the $545.9 million available as of June 30, 2017. This increase resulted primarily from greater-than-budgeted property and business tax revenue and surpluses at the Department of Public Health, which was partially offset by under-performance in sales and transfer tax revenues in fiscal year 2017-18. Of the $616.6 million General Fund balance, $188.6 million was assumed in the fiscal year 2018-19 Original Budget and $223.3 million was assumed in the fiscal year 2019-20 Original Budget.

The audited General Fund fund balance as of June 30, 2018 was $2.2 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $5.0 billion. The City prepares its budget on a modified accrual basis, which is also referred to as "budget basis" in the CAFR. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. Table A-3 focuses on a specific portion of the City's balance sheet; audited General Fund fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2014 through June 30, 2018. See Note 10 of the CAFR for additional information on fund balances and reserves.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Fund Balances
Fiscal Years 2013-14 through 2017-18[1]
(000s)

	2013-14	2014-15	2015-16	2016-17	2017-18	
Restricted for rainy day (Economic Stabilization account)[2]	$60,289	$71,904	$74,986	$78,336	$89,309	
Restricted for rainy day (One-time Spending account)[2]	22,905	43,065	45,120	47,353	54,668	
Committed for budget stabilization (citywide)[3]	132,264	132,264	178,434	323,204	369,958	
Committed for Recreation & Parks savings reserve[4]	12,862	10,551	8,736	4,403	1,740	
<u>Assigned, not available for appropriation</u>						
Assigned for encumbrances	$92,269	$137,641	$190,965	$244,158	$345,596	
Assigned for appropriation carryforward	159,345	201,192	293,921	434,223	423,835	
Assigned for budget savings incentive program (Citywide)[4]	32,088	33,939	58,907	67,450	73,650	
Assigned for salaries and benefits [5]	10,040	20,155	18,203	23,051	23,931	
Total Fund Balance Not Available for Appropriation	$522,062	$650,711	$869,272	$1,222,178	$1,382,687	
<u>Assigned and unassigned, available for appropriation</u>						
Assigned for litigation & contingencies[5]	$79,223	$131,970	$145,443	$136,080	$235,925	7
Assigned for subsequent year's budget	135,938	180,179	172,128	183,326	188,562	
Unassigned for General Reserve[6]	45,748	62,579	76,913	95,156	106,878	
Unassigned - Budgeted for use second budget year	137,075	194,082	191,202	288,185	223,251	
Unassigned - Contingency for second budget year	-	-	60,000	60,000	160,000	
Unassigned - Available for future appropriation	21,656	16,569	11,872	14,409	44,779	
Total Fund Balance Available for Appropriation	$419,640	$585,379	$657,558	$777,156	$959,395	
Total Fund Balance, Budget Basis	$941,702	$1,236,090	$1,526,830	$1,999,334	$2,342,082	
<u>Budget Basis to GAAP Basis Reconciliation</u>						
Total Fund Balance - Budget Basis	$941,702	$1,236,090	$1,526,830	$1,999,334	$2,342,082	
Unrealized gain or loss on investments	935	1,141	343	(1,197)	(20,602)	
Nonspendable fund balance	24,022	24,786	522	525	1,512	
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(37,303)	(37,303)	(36,008)	(38,469)	(25,495)	
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(66,415)	(50,406)	(56,709)	(83,757)	(68,958)	
Deferred Amounts on Loan Receivables	(21,670)	(23,212)	-	-	-	
Pre-paid lease revenue	(5,709)	(5,900)	(5,816)	(5,733)	(6,598)	
Total Fund Balance, GAAP Basis	$835,562	$1,145,196	$1,429,162	$1,870,703	$2,221,941	

Source: Office of the Controller, City and County of San Francisco.

1 Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.

2 Additional information in Rainy Day Reserves section of Appendix A, following this table.

3 Additional information in Budget Stabilization Reserve section of Appendix A, following this table.

4 Additional information in Budget Savings Incentive Reserve section of Appendix A, following this table.

5 Additional information in Salaries, Benefits and Litigation Reserves section of Appendix A, following this table.

6 Additional information in General Reserves section of Appendix A, following this table.

7 The increase in FY18 was largely due to a small number of claims filed against the City with large known or potential settlement stipulations.

In addition to the reconciliation of GAAP versus budget-basis fund balance, Table A-3 shows the City's various reserve balances as designations of fund balance**.** Key reserves are described below:

Rainy Day Reserve

The City maintains a Rainy Day Reserve, as shown on the first and second line of Table A-3 above. Charter Section 9.113.5 requires that if total General Fund revenues for the current year exceed total General Fund revenues for the prior year by more than five percent, then the City must deposit anticipated General Fund revenues in excess of that five percent growth into three accounts within the Rainy Day Reserve (see below) and for other lawful governmental purposes. Similarly, if budgeted revenues exceed current year revenues by more than five percent, the budget must allocate deposits to the Rainy Day Reserve. Effective January 1, 2015, Proposition C, passed by the voters in November 2014, divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") for SFUSD, with each reserve account receiving 50% of the existing balance at the time. Deposits to the reserve are allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve (not shown in Table A-3 because it is not part of the General Fund, it is reserved for SFUSD);
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2017-18 revenue exceeded the deposit threshold by $29.3 million, generating a deposit of $11.0 million to the City Reserve and $7.3 million to the Rainy Day One-Time Reserve. The FY 2017-18 ending balances are $89.3 million and $54.7 million, respectively, as shown in Table A-3. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Monies in the City Reserve are available to provide a budgetary support in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives

The Charter stipulates that the City is eligible to withdraw from the Rainy Day Reserves only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves.

Budget Stabilization Reserve

The City maintains a Budget Stabilization Reserve, as shown on the third line of Table A-3 above. The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues, including Real Property Transfer Tax ("RPTT") receipts in excess of the rolling five-year annual average (adjusting for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

Fiscal year 2017-18 ending general fund unassigned fund balance was $91.6 million, triggering a $68.7 million deposit to the Budget Stabilization Reserve. However, $22.0 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a $46.8 million deposit to the Budget Stabilization Reserve and a fiscal year 2017-18 ending balance of $370.0 million, as shown in Table A-3. Under Board-adopted reserve policies, the City may withdraw from the Budget Stabilization Reserve only when revenues decline from the prior year. Given projected revenue growth in fiscal year 2018-19 and budgeted and projected revenue growth in the current year, the City is not eligible to withdraw from the reserves. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, or $597.4 million given projected fiscal year 2018-19 revenues. Under the City's current policy, once this threshold is reached, amounts are deposited into a non-recurring expenditure reserve ("Budget Stabilization One-Time Reserve") that may be appropriated for capital expenditures, prepayment of future debts or liabilities, or other non-recurring expenditures. Given current estimates for FY 2018-19, the City will deposit $20.8 million into the non-recurring expenditure reserve. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn; in the second year, the maximum withdrawal is 50%; and, in the third year, the entire remaining balance may be drawn. No deposits are required in years when the City is eligible to withdraw.

General Reserve

The City maintains a General Reserve, shown as "Unassigned for General Reserve" in the "assigned and unassigned, available for appropriation" section of Table A-3 above. The General Reserve is to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The fiscal year 2017-18 balance of this reserve if $106.9 million, as shown in Table A-3 above. In fiscal year 2018-19, $20.4 was budgeted and deposited for the General Fund Reserve, resulting in an ending balance of $128.3 million.

Budget Savings Incentive Reserve

The Charter requires reserving a portion of Recreation and Parks revenue surplus in the form of the Recreation and Parks Budget Savings Incentive Reserve, as shown with note 4 of Table A-3. The Administrative Code authorizes reserving a portion of departmental expenditure savings in the form of the Citywide Budget Savings Incentive Reserve, also referred to as the "Budget Savings Incentive Fund," as shown with note 4 of the "assigned, not available for appropriation" section of Table A-3. In fiscal year 2017-18, the Recreation and Parks Savings Reserve had a balance of $1.7 million and the Citywide Budget Savings Incentive Reserve had a balance of $73.7 million.

Salaries, Benefits and Litigation Reserves

The City maintains two types of reserves to offset unanticipated expenses and which are available to City departments through Controller's Office review and approval process. These are shown with note 5 in the "assigned, not available for appropriation," and "assigned and unassigned, available for appropriation" sections of Table A-3 above. These include the Salaries and Benefit Reserve (balance of $23.9 million as of FY 2017-18), and the Litigation and Public Health Management Reserve (balance of $235.9 million in FY 2017-18).

Operating Cash Reserve

Not shown in Table A-3, under the City Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund (which contains cash for all pool participants, including city departments and external agencies such as San Francisco Unified School District and City College). The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Prior years audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

[Remainder of Page Intentionally Left Blank]

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Fund Balances[1]

Fiscal Years 2013-14 through 2017-18[2]

(000s)

	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues:					
Property Taxes	$1,178,277	$1,272,623	$1,393,574	$1,478,671	$1,673,950
Business Taxes	562,896	609,614	659,086	700,536	897,076
Other Local Taxes	922,205	1,085,381	1,054,109	1,203,587	1,093,769
Licenses, Permits and Franchises	26,975	27,789	27,909	29,336	28,803
Fines, Forfeitures and Penalties	5,281	6,369	8,985	2,734	7,966
Interest and Investment Income	7,866	7,867	9,613	14,439	16,245
Rents and Concessions	25,501	24,339	46,553	15,352	14,533
Intergovernmental	827,750	854,464	900,820	932,576	983,809
Charges for Services	180,850	215,036	233,976	220,877	248,926
Other	9,760	9,162	22,291	38,679	24,478
Total Revenues	$3,747,361	$4,112,644	$4,356,916	$4,636,787	$4,989,555
Expenditures:					
Public Protection	$1,096,839	$1,148,405	$1,204,666	$1,257,948	$1,312,582
Public Works, Transportation & Commerce	78,249	87,452	136,762	166,285	223,830
Human Welfare and Neighborhood Development	720,787	786,362	853,924	956,478	999,048
Community Health	668,701	650,741	666,138	600,067	706,322
Culture and Recreation	113,019	119,278	124,515	139,368	142,215
General Administration & Finance	190,335	208,695	223,844	238,064	244,773
General City Responsibilities	86,968	98,620	114,663	121,444	110,812
Total Expenditures	$2,954,898	$3,099,553	$3,324,512	$3,479,654	$3,739,582
Excess of Revenues over Expenditures	$792,463	$1,013,091	$1,032,404	$1,157,133	$1,249,973
Other Financing Sources (Uses):					
Transfers In	$216,449	$164,712	$209,494	$140,272	$112,228
Transfers Out	(720,806)	(873,741)	(962,343)	(857,629)	(1,010,785)
Other Financing Sources	6,585	5,572	4,411	1,765	-
Other Financing Uses	-	-	-	-	(178)
Total Other Financing Sources (Uses)	($497,772)	($703,457)	($748,438)	($715,592)	($898,735)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$294,691	$309,634	$283,966	$441,541	$351,238
Total Fund Balance at Beginning of Year	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703
Total Fund Balance at End of Year -- GAAP Basis	$835,562	$1,145,196	$1,429,162	$1,870,703	$2,221,941
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$178,066	$234,273	$249,238	$273,827	$286,143
-- Budget Basis	$294,669	$390,830	$435,202	$545,920	$616,592

[1] Summary of financial information derived from City CAFRs. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

[2] Fiscal year 2018-19 will be available upon release of the fiscal year 2018-19 CAFR.

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan

The Five-Year Financial Plan ("Plan") is required under Proposition A, a charter amendment approved by voters in November 2009. The Charter requires the City to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Plan be adopted every two years. The City currently updates the Plan annually.

On March 19, 2019, the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued the Plan update for fiscal years 2019-20 through 2023-24, which projected cumulative annual shortfalls of $30.6 million, $125.5 million, $354.5 million, $533.9 million, and $694.5 million for fiscal years 2019-20 through 2023-24, respectively.

The Plan projects growth in General Fund revenues over the forecast period of 14%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 27% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City projects growth in General Fund sources of $769.4 million over the Plan period, and expenditure growth of $1.46 billion. The composition of the projected shortfall is shown in Table A-5 below:

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Five Year Financial Plan Update
Fiscal Years 2019-20 through 2023-24
($millions)

	2019-20[1]	2020-21[1]	2021-22	2022-23	2023-24	% of Uses for 2023-24
Sources - Increase / (Decrease):	$274.6	$525.0	$562.8	$651.6	$769.4	
Uses:						
Baselines & Reserves	($65.1)	($103.4)	($139.7)	($184.5)	($245.6)	16.8%
Salaries & Benefits	(180.3)	(324.0)	(438.6)	(539.6)	(630.2)	43.1%
Citywide Operating Budget Costs	(64.0)	(193.0)	(251.7)	(334.8)	(416.4)	28.4%
Departmental Costs	4.2	(30.0)	(87.4)	(126.6)	(171.5)	11.7%
Total Uses - (Increase) / Decrease:	($305.2)	($650.5)	($917.3)	($1,185.4)	($1,463.8)	100.0%
Projected Cumulative Surplus / (Shortfall):	($30.6)	($125.5)	($354.5)	($533.9)	($694.5)	

[1] On August 1, 2019 the City adopted the budget for FY2019-20 and FY2020-21, as shown in Table A-2, with no projected shortfall in these years.

These figures incorporate the following key assumptions:

- **Changes in Employer Contribution Rates to City Retirement System:** Consistent with SFERS' January 31, 2019 year-to-date return of 1%, projected employer contribution rates assume a 1% rate of return on SFERS investments in FY 2018-19, which will affect contribution rates beginning in FY 2020-21. The plan update continues to reflect the November 2018 decision of the San Francisco Retirement Board to lower the discount rate from 7.5% to 7.4%. The Plan does not assume any changes to existing funding policy and amortizes the 2018 supplemental COLA over five years per current policy.

- **Continued Increases in Wages and Health Care Costs:** The Plan assumes inflationary increases, based on the consumer price index, for most miscellaneous employees of 2.97% in fiscal year 2019-20, 2.79% in fiscal year 2020-21, 2.94% in fiscal year 2021-22, 3.02% in fiscal year 2022-23, and 3.00% in fiscal year 2023-24, as projected by the California Department of Finance and Moody's. For police officers and firefighters, the Plan assumes the cost of all negotiated terms, including wage rate increases of 3% in fiscal years 2019-20 and 2020-21, and increases of CPI, as above, thereafter.

- **Voter Adopted Revenue and Spending Requirements:** This Plan reflects the outcome of several local measures from 2018 elections, including voter adoption of a gross receipts tax on cannabis (November Proposition D) and the dedication of a portion of hotel tax revenue to arts and cultural organizations (November Proposition E). The Plan does not assume changes related to voter-approved measures to create dedicated gross receipts taxes on the lease of commercial space to support child care and education (June Proposition C) or additional gross receipts and payroll taxes on certain large businesses dedicated to housing and homeless services (November Proposition C). With the exception of a portion of proceeds from the June 2018 measure, from which 15% is allocated to the General Fund, revenue from these two measures is dedicated to specific purposes and subject to legal risk, as discussed below. Given current legal risks, revenue from these measures will be collected but will not be made available for appropriation.

- **Property Tax Shifts**: On November 29, 2018, the Controller's Office issued a memo notifying policymakers of a material update to current year revenue projections due to the reallocation of property tax revenue in the County's Educational Revenue Augmentation Fund (ERAF). The Controller estimates the City will recognize approximately $415.0 million in excess ERAF property tax revenue in fiscal year 2018-19, of which $208.0 million is attributable to fiscal year 2017-18 and $207.0 million to fiscal year 2018-19. Under Charter provisions adopted by the voters, approximately $78.0 million must be allocated to various baselines and approximately $156.0 million to Rainy Day Reserves, leaving approximately $181.0 million available for any purpose.

- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans and is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 enacted State budget, significant costs for this program were shifted from the state to counties. Cost increases are projected to grow from $56.0 million in fiscal year 2019-20 to $111.5 million in fiscal year 2023-24, due to the combined effects of a locally-approved minimum wage increase as well as the State's schedule of increasing cost shifts.

  Beyond the IHSS Cost Shift, the Plan does not assume significant changes in funding at the state or federal levels, although at the time of plan publication, the Governor's January budget proposal included meaningful savings relative to current projections. See "Budgetary Risks" below.

While the projected shortfalls reflect the difference in projected revenues and expenditures over the next five years if current service levels and policies continue, the Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

The Plan does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of economic expansion, and the current economic expansion has lasted over nine years.

City Budget Adopted for Fiscal Years 2019-20 and 2020-21

On August 1, 2019, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2020 and June 30, 2021. The adopted budget closed the $30.6 million and $125.5 million General Fund projected shortfalls for fiscal years 2019-20 and 2020-21 identified in the City's March 2019 update to the Five-Year Financial Plan through a combination of increased revenue and expenditure savings.

The Original Budget for fiscal year 2019-20 and fiscal year 2020-21 totals $12.3 billion and $12.0 billion respectively. The General Fund portion of each year's budget is $6.1 billion in fiscal year 2019-20 and $6.0 billion in fiscal year 2020-21. There are 31,784 funded full-time positions in the fiscal year 2019-20 Original Budget and 32,052 in the fiscal year 2020-21 Original Budget.

Other Budget Updates

On June 11, 2019, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2019-20 and fiscal year 2020-21 Proposed Budget ("Revenue Letter"). The Revenue Letter found that tax revenue assumptions are reasonable, and reserve and baselines are funded at or above required levels. The Revenue Letter notes that the budget draws on volatile revenues and reserves at a higher rate than recent years, to fund a variety of one-time purposes. The extraordinary revenue and reserve draws are primarily related to unexpected Excess ERAF monies. The letter also certified that the Original Budget for fiscal years 2019-20 and 2020-21 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses.

BUDGETARY RISKS

Impact of Bankruptcy Filing by The Pacific Gas and Electric Company (PG&E)

On January 29, 2019, PG&E filed for Chapter 11 bankruptcy protection in the face of potential wildfire liability that has been estimated upwards of $30 billion. Taxes and fees paid by PG&E to the City total approximately $75 million annually and include property taxes, franchise fees and business taxes, as well as the utility user taxes it remits on behalf of its customers. In April 2019, the bankruptcy court granted relief to PG&E to pay property taxes and franchise fees.

The PG&E bankruptcy is pending, and the City can give no assurance regarding the effect of a bankruptcy filing by PG&E, including whether there will be delays in the payment of property taxes in the future, or whether the City will be successful in its acquisition of the PG&E assets.

Impact of Recent Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in California Cannabis Coalition v. City of Upland (August 28, 2017, No. S234148) interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("June Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with June Proposition C, the "June Propositions C and G"). In addition, on November 6, 2018 voters passed by a majority vote a special tax submitted through the citizen initiative process: a Homelessness Gross Receipts Tax ("November Proposition C") for homelessness prevention and services. The estimated annual values of June Propositions C and G are approximately $146 million and $50 million, respectively. The estimated annual value of November Proposition C is approximately $250 million to $300 million.

In August 2018 the Howard Jarvis Taxpayers Association and several other plaintiffs filed a reverse validation action in San Francisco Superior Court challenging the validity of June Proposition C. In September 2018 the City initiated a validation action in the same court seeking a judicial declaration of the validity of Proposition G. In January 2019 the City initiated a similar validation action in the same court concerning November Proposition C. On July 5, 2019, the San Francisco Superior Court granted the City's dispositive motions in the lawsuits concerning June Proposition C and November Proposition C, concluding that both measures~~,~~ which proposed tax increases for specific purposes, required only a simple majority for approval because they were put on the ballot through a citizen signature petition. The Howard Jarvis Taxpayers Association and other petitioners/plaintiffs appealed the decision in the litigation concerning June Proposition C, and resolution of the case is pending. To date, no appeal of the decision in the litigation concerning November Proposition C has been filed. The trial court has not reached a decision on Proposition G. While the City prevailed at trial on the November Proposition C and the June Proposition C, the City cannot provide any assurance regarding the outcome of these lawsuits.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 10% of the General Fund revenues appropriated in the Original Budget for fiscal years 2019-20 and 2020-21, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2019, the Governor signed the Fiscal Year 2019-20 State Budget (the "2019-20 State Budget"), appropriating $214.8 billion from the State's General Fund and other State funds. In the 2019-20 State Budget, General Fund appropriations total $147.8 billion. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full implementation of the Local Control Funding Formula and increases funding to community colleges and the university systems. The Governor's Budget includes allocations of $650 million to counties to address homelessness, of which San Francisco is expected to receive approximately $35 million, as assumed in the City's budget.

The final 2018-19 State Budget continues to re-base the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The

State Budget modifies the cost-sharing structure for In-Home Supportive Services (IHSS), which will reduce costs for San Francisco compared to the significant increase borne by the City due to the original 2017-18 MOE. The City's budget assumes an increase of General Fund cost in fiscal year 2019-20 of $25.7 million compared to fiscal year 2018-19 or a total cost of $143.6 million and an additional $12.8 M million or a total cost of $156.4 million in fiscal year 2020- 21 to support the IHSS program, partially offset by health and welfare realignment subventions. These costs include funding to support increases in minimum hourly pay for IHSS workers due to recent changes in the City's Minimum Compensation Ordinance.

Impact of Federal Government on Local Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. For example, the City issued taxable obligations designated as "Build America Bonds," which BABs were entitled to receive a 35% subsidy payment from the federal government. In 2013, the United States federal government went through a period of sequestration and the 35% subsidy payment was reduced. As well, the federal government has from time to time threatened to withhold certain funds from 'sanctuary jurisdictions' of which the City is one. The federal district court issued a permanent injunction in November 2017 to prevent any such reduction in federal funding on this basis. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order.

In the event Congress and the President fail to enact appropriations, budgets or debt ceiling increases on a timely basis in the future, such events could have a material adverse effect on the financial markets and economic conditions in the United States and an adverse impact on the City's finances. The City cannot predict the outcome of future federal budget deliberations and the impact that such budgets will have on the City's finances and operations. The City's adopted fiscal year 2019-20 and 2020-21 budgets establish a $40 million reserve to manage state, federal, and other revenue uncertainty.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (herein after the "Former Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine redevelopment project areas.

As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, (collectively, the "Dissolution Act"), redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agencies all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the successor to the Former Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco,"(the "Successor Agency") also referred to as the "Office of Community Investment & Infrastructure" ("OCII"), (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act to implement the surviving redevelopment projects, the replacement housing obligations of the Former Agency and other enforceable obligations and the authority to take actions that AB 26 and AB 1484 require or allow and (iv) established the composition and terms of the members of the Successor Agency Commission.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, certain major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1/Candlestick Point of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects. The Successor Agency also issues community facilities district ("CFD") bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

GENERAL FUND REVENUES

The revenues discussed below are recorded in the General Fund, unless otherwise noted.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIIIA of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as the SFUSD, County Office of Education (SFCOE), SFCCD, Bay Area Air Quality Management District (BAAQMD), and the Bay Area Rapid Transit District (BART), all of which are legal entities separate from the City. See also, Table A-32: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to The Successor Agency (more commonly known as OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received $158.6 million of property tax increment in fiscal year 2018-19 for recognized obligations, diverting about $88.2 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.26% for fiscal year 2018-19. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 86 for fiscal year 2018-19 compared to 111 for fiscal year 2017-18. The number of trustee deeds recorded in fiscal years 2016-17, 2015-16, 2014-15, 2013-14, 2012-13 and 2011-12 were 92, 212, 102, 187, 363, and 804 respectively.

[Remainder of Page Intentionally Left Blank]

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2013-14 through 2019-20
(000s)

Fiscal Year	Net Assessed [1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479	10.8%	1.163	2,999,794	2,977,664	99.3%
2019-20	281,073,307 [4]	8.4%	N/A	N/A	N/A	N/A

1 Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

2 Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

3 The Total Tax Levy and Total Tax Collected through fiscal year 2018-19 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Levy for fiscal year 2019-20 will be based upon initial assessed valuations times the secured property tax rate once the 2019-20 secured tax rate ordinance is approved.

4 Based on initial assessed valuations for fiscal year 2019-20.

Source: Office of the Controller, City and County of San Francisco.

SCO source noted in (3): http://www.sco.ca.gov/Files-ARD-Tax-Info/TaxDelinq/sanfrancisco.pdf

At the start of fiscal year 2019-20, the total net assessed valuation of taxable property within the City was $281.1 billion. Of this total, $264.1 billion (93.9%) represents secured valuations and $17.0 billion (6.1%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold, or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Taxpayers can appeal the Assessor's determination of their property's assessed value, and the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in assessment appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCOE, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year.

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2013-14 through 2017-18 are listed in Table A-7 below.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2013-14 through 2017-18
(000s)

Fiscal Year	Amount Refunded
2013-14	$25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397
2017-18	24,401

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2019 the Assessor granted 2,546 temporary decline-in-value reductions resulting in the properties assessed values being reduced by a cumulative value of $244.01 million (using the 2018-19 tax rate of 1.163% this equates to a reduction of approximately $2.84 million in general fund taxes), compared to July 1, 2018, when the Assessor granted 4,719 temporary reductions in property assessed values worth a total of $278.16 million (equating to a reduction of approximately $3.25 million in general fund taxes). Of the 2,546 total reductions, 569 temporary reductions were granted for residential or commercial properties. The remaining 1,977 reductions were for timeshares. The July 2019 temporary reductions of $244.01 million represents 0.09% of the fiscal year 2019-20 Net Assessed Valuation of $281.07 billion shown in Table A-6. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2019, the total number of open appeals before the AAB was 740, compared to 1,001 open AAB appeals as of June 30, 2018. As of June 30, 2019, there were 1,253 new applications filed during fiscal year 2018-19, compared to 1,636 new applications filed during the same period (June 30, 2018) of fiscal year 2017-18. Also, the difference between the current assessed value and the taxpayer's opinion of values for all the open appeals is $14.9 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential total property tax impact of about $174.1 million would result. The General Fund's portion of that potential $174.1 million would be approximately $83.2 million.

The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals that are based on historical results as to appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the BAAQMD and BART. The total tax levy for all taxing entities in fiscal year 2017-18 was $2.7 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of total property tax revenues (including supplemental and escape property taxes), the City had budgeted to receive $1.6 billion into the General Fund and $201.5 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD were estimated to receive about $176.3 million and $33.1 million, respectively, and the local ERAF was estimated to receive $580.0 million (before adjusting for the vehicle license fees ("VLF") backfill shift). The Successor Agency received $153 million. The remaining portion was allocated to various other governmental bodies, various special funds, and general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD and BART may only be applied for that purpose. The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift.

General Fund property tax revenues in fiscal year 2017-18 were $1.67 billion, representing an increase of $195.3 million (13.2%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at $1.73 billion for fiscal year 2018-19 representing an increase of $54.1 million (3.2%) over fiscal year 2017-18 actual. Fiscal year 2019-20 property tax revenue is budgeted at $1.96 billion, $230 million (or 13.3%) more than the fiscal year 2018-19 budget. About 80% of the large variance from fiscal 2018-19 is due to an additional year of excess ERAF local property tax revenue anticipated to be shifted back to the General Fund from the City's ERAF over the course of the fiscal year. The fiscal year 2019-20 excess ERAF amount to benefit the General Fund is budgeted at $185.0 million. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues.

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to ad valorem taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) in June 2017 (effective fiscal year 2017-18) and for the Bay Restoration Authority Parcel Tax, SFUSD School Facilities Special Tax, SFUSD School Parcel Tax, and City College Parcel Tax in October 2017 (effective fiscal year 2018-19). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-8. The Tax Loss Reserve sets aside 1% of the total of all taxes and assessments levied for which the Teeter Plan is the applicable distribution method. The purpose of the Tax Loss Reserve is to cover losses that may occur. The amount has grown in recent years as the assessed values on the secured roll has grown.

[Remainder of Page Intentionally Left Blank]

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2013-14 through 2017-18
(000s)

Year Ended	Amount Funded
2013-14	$19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882
2017-18	25,567

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2019 are shown in Table A-9. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the Office of the Assessor-Recorder.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2019

Assessee	Location	Parcel Number	Type	Total Assessed Value [1]	% Basis of Levy [2]
SUTTER BAY HOSPITALS [3]	1101 - 1133 VAN NESS AVE	0695 007	HOSPITAL	$1,822,089,242	0.647%
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	$1,691,744,881	0.601%
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	$1,038,786,917	0.369%
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	$1,005,060,856	0.357%
GSW ARENA LLC	1 WARRIORS WAY	8722 021	ENTERTAINMENT COMP	$994,001,961	0.353%
SUTTER BAY HOSPITALS [3]	3615 CESAR CHAVEZ ST/555 SAN JOSE	6575 005	HOSPITAL	$854,219,935	0.303%
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	$850,993,350	0.302%
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	$789,225,180	0.280%
SHR GROUP LLC	301 - 345 POWELL ST	0307 001	HOTEL	$751,943,504	0.267%
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	$703,105,639	0.250%
				$10,501,171,465	**3.729%**

[1] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which excludes assessments processed during the fiscal year.
TAV includes land & improvments , personal property, and fixtures.

[2] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

[3] Nonprofit organization that is exempt from property taxes.

Source: Office of the Assessor-Recorder, City and County of San Francisco

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2019-20 valuation of property assessed by the State Board of Equalization is $3.7 billion.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City. The City's General Fund is also supported by other sources of revenue, including charges for services, fines and penalties, and transfers-in, which are not discussed below.

Business Taxes

Through tax year 2014 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, the ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and 0.38% in tax year 2018. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2018-19 is projected to be $1,003.3 million (all funds), representing an increase of $104.1 million (12%) from fiscal year 2017-18. Business tax revenue is budgeted at $1,072.7 million in fiscal year 2019-20 representing an increase of $69.4 million (6.9%) over fiscal year 2018-19 projected revenue. Business tax revenue is budgeted at $1,098.0 million in fiscal year 2020-21 representing an increase of $25.3 million (2.4%) over fiscal year 2019-20 budget. The vast majority of the City's business tax is deposited in the General Fund; approximately $2 million is allocated to the Neighborhood Beautification Fund. As noted above, these figures do not assume gross receipts revenue related to either of the business tax measures approved by voters in 2018. See "Five Year Financial Plan" section.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues - All Funds
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$660,926	$48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18	899,142	196,811	28.0%
2018-19 *projected*[2]	1,003,280	104,138	11.6%
2019-20 *budgeted*[3]	1,072,720	69,440	6.9%
2020-21 *budgeted*[3]	1,098,000	25,280	2.4%

[1] Figures for fiscal years 2015-16 through 2017-18 are audited actuals. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.
[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.
[3] Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.
Source: Office of the Controller, City and County of San Francisco.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double-digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR growth has fully recovered in FY 2018-19. Projected hotel tax revenue in fiscal year 2018-19 is projected to be $408.7 million, an increase of $21.7 million (5.6%) from fiscal year 2017-18. In fiscal year 2019-20, hotel tax revenue is budgeted to be $427.1 million, representing growth of $18.4 million (4.5%). In fiscal year 2020-21, hotel tax revenue is budgeted to be $435.6 million, an increase of $8.5 million (2.0%) from fiscal year 2019-20 budget. Budgeted hotel tax levels reflect the passage of a November 2018 ballot initiative (Proposition E) to shift a portion of hotel tax proceeds from the General Fund to arts and cultural programs effective January 1, 2019. Table A-11 includes hotel tax in all funds. The vast majority of the City's hotel tax is allocated to the General Fund, approximately $3 to 5 million of hotel tax is allocated for debt service on hotel tax revenue bonds, and approximately $16 to $34 million of hotel tax is allocated for arts and cultural programs.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues - All Funds
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Tax Rate	Revenue	Change	
2015-16	14.0%	$392,686	($6,678)	-1.7%
2016-17	14.0%	375,289	(17,397)	-4.4%
2017-18	14.0%	387,006	11,716	3.1%
2018-19 projected[2]	14.0%	408,680	21,674	5.6%
2019-20 budgeted[3]	14.0%	427,080	18,400	4.5%
2020-21 budgeted[3]	14.0%	435,622	8,542	2.0%

[1] Figures for fiscal year 2015-16 through fiscal year 2017-18 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

[3] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming reflecting the passage of Proposition E in November 2018, which took effect January 1, 2019.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million.

Projected real property transfer tax ("RPTT") revenue for fiscal year 2018-19 is $338.7 million, a $58.3 million (20.8%) increase from fiscal year 2017-18 revenue. Fiscal year 2019-20 RPTT revenue is budgeted to be $296.1 million, $42.6 million (12.6%) less than projected fiscal year 2018-19 and fiscal year 2020-21, RPTT revenue is budgeted to be $253.4 million, $42.6 million (14.4%) less than projected fiscal year 2019-20. The declines are due to the assumption that RPTT collections will return to their historic average by FY 2020-21. The entirety of RPTT revenue goes to the General Fund.

[Remainder of Page Intentionally Left Blank]

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Revenue	Change	
2015-16	$269,090	($45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18	280,416	(130,145)	-31.7%
2018-19 *projected*[2]	338,680	58,264	20.8%
2019-20 *budgeted*[3]	296,053	(42,627)	-12.6%
2020-21 *budgeted*[3]	253,420	(42,633)	-14.4%

[1] Figures for fiscal year 2015-16 through 2017-18 are audited actuals.

[2] Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

[3] Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The sales tax rate on retail transactions in the City is 8.50%, of which 1.00% represents the City's local share ("Bradley-Burns" portion). The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. Between fiscal year 2004-05 and the first half of fiscal year 2015-16, the State diverted one-quarter of City's 1.00% local share of the sales tax and replaced the lost revenue with a shift of local property taxes to the City from local school district funding. This "Triple Flip" concluded on December 31, 2015, after which point the full 1.00% local tax is recorded in the General Fund.

The components of San Francisco's 8.5% sales tax rate are shown in table A-13 below. In addition to the 1% portion of local sales tax, the State subvenes portions of sales tax back to counties through 2011 realignment (1.0625%), 1991 realignment (0.5%), and public safety sales tax (0.5%). The subventions are discussed in more detail after the local tax section.

[Remainder of Page Intentionally Left Blank]

TABLE A-13

San Francisco's Sales & Use Tax Rate

State Sales Tax	**6.00%**
State General Fund	3.9375%
Local Realignment Fund 2011*	1.0625%
Local Revenue Fund*	0.50%
(to counties for health & welfare)	
Public Safety Fund (to counties & cities)*	0.50%
Local Sales Tax	**1.25%**
Local Sales Tax (to General Fund)*	1.00%
Local Transportation Tax (TDA)	0.25%
Special District Use Tax	**1.25%**
SF County Transportation Authority	0.50%
Bay Area Rapid Transit (BART)	0.50%
SF Public Financing Authority (Schools)	0.25%
TOTAL Sales Tax Rate	**8.50%**

* Represents portions of the sales tax allocated to the City.

Source: Office of the Controller, City and County of San Francisco.

Projected local sales tax (the 1% portion) for fiscal year 2018-19 is $204.3 million, $11.3 million (5.9%) more than fiscal year 2017-18. Fiscal year 2019-20 revenue is budgeted to be $204.1million, a decrease of $0.2 million (0.1%) from projected fiscal year 2018-19. Fiscal year 2020-21 revenue is budgeted to be $206.0 million, an increase of $1.9 million (1.0%) from fiscal year 2019-20 budget. The entirety of sales tax revenue is deposited in the General Fund.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

Table A-14 reflects the City's actual sales and use tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21. The fiscal year 2015-16 figure include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

[Remainder of Page Intentionally Left Blank]

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2015-16 through 2020-21
(000s)

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2015-16	8.75%	0.75%	$167,915	$27,769	19.8%
2015-16 adj.[2]	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18	8.50%	1.00%	192,946	3,473	1.8%
2018-19 *projected*[3]	8.50%	1.00%	204,280	11,334	5.9%
2019-20 *budgeted*[4]	8.50%	1.00%	204,085	(195)	-0.1%
2020-21 *budgeted*[4]	8.50%	1.00%	206,028	1,943	1.0%

1 Figures for fiscal year 2015-16 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increased the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

2 The 2015-16 adjusted figures include the State's final payment to the counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through

3 Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

4 Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Other Local Taxes

The City imposes a number of other general purpose taxes:

- Utility Users Tax (UUT) - A 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services.

- Access Line Tax ("ALT") – A charge of $3.64 on every telecommunications line, $27.35 on every trunk line, and $492.32 on every high capacity line in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. The tax is collected from telephone communications service subscribers by the telephone service supplier.

- Parking Tax - A 25% tax for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. In accordance with Charter Section 16.110, 80% of parking tax revenues are transferred from the General Fund to the MTA's Enterprise Funds to support public transit.

- Sugar Sweetened Beverage Tax – A one cent per ounce tax on the distribution of sugary beverages. This measure was adopted by voters on November 9, 2016 (Prop V) and took effect on January 1, 2018.

- Stadium Admission Tax – A tax between \$0.25 and \$1.50 per seat or space in a stadium for any event, with some specific exclusions.

- Cannabis Tax – A gross receipts tax of 1% to 5% on marijuana business and permits the City to tax businesses that do not have a physical presence in the City. This measure was adopted by voters in November 2018 (Prop D).

- Franchise Tax – A tax for the use of city streets and rights-of-way on cable TV, electric, natural gas, and steam franchises.

Table A-15 reflects the City's actual tax receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO
Other Local Taxes
Fiscal Years 2015-16 through 2020-21
All Funds
(000s)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Projected	2019-20 Budget	2020-21 Budget
Utility Users Tax	\$98,651	\$101,203	\$94,460	\$97,553	\$98,710	\$99,890
Access Line Tax	43,617	46,530	51,255	47,500	48,910	50,280
Parking Tax	86,012	84,278	83,484	83,161	83,000	83,000
Sugar Sweetened Beverage Tax	N/A	N/A	7,912	16,000	16,000	16,000
Stadium Admissions Tax	1,164	1,199	1,120	1,200	5,500	5,500
Cannabis Tax	N/A	N/A	N/A	1,500	3,000	7,250
Franchise Tax	16,823	17,130	16,869	17,480	17,650	17,830

Source: Office of the Controller, City and County of San Francisco.

[Remainder of Page Intentionally Left Blank]

INTERGOVERNMENTAL REVENUES

State Subventions Based on Taxes

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment, 2011 Public Safety Realignment, and Prop 172 Public Safety Sales Tax. These subventions fund programs that are substantially supported by the General Fund. See "Sales and Use Tax" above.

- Health and Welfare Realignment, enacted in 1991, restructured the state-county partnership by giving counties increased responsibilities and dedicated funding to administer certain public health, mental health and social service programs.

- Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers.

- State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of Statewide sales activity. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year.

Table A-16 reflects the City's actual receipts for fiscal years 2015-16 through 2017-18, projected receipts for fiscal year 2018-19, and budgeted receipts for fiscal year 2019-20 and 2020-21.

Table A-16

CITY AND COUNTY OF SAN FRANCISCO
Selected State Subventions - All Funds
Fiscal Years 2015-16 through 2020-21
($millions)

Tax	2015-16 Actuals	2016-17 Actuals	2017-18 Actuals	2018-19 Projected[1]	2019-20 Budget[2]	2020-21 Budget[2]
Health and Welfare Realignment						
General Fund	$176.3	$192.1	$197.9	$219.2	$221.0	$224.8
Hospital Fund	52.2	66.1	57.3	58.4	59.1	59.1
Total - Health and Welfare	**$228.5**	**$258.2**	**$255.2**	**$277.5**	**$280.1**	**$283.9**
Public Safety Realignment (General Fund)	$39.8	$35.5	$37.4	$40.0	$42.1	$42.8
Public Safety Sales Tax (Prop 172) (General Fund)	$97.0	$100.4	$104.8	$106.2	$104.6	$106.9

Notes

1 Figure for fiscal year 2018-19 from Controller's Nine-Month Report.

2 Figures for fiscal year 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

General Fund Expenditures by Major Service Area

As a consolidated city and county, San Francisco budgets General Fund expenditures in seven major service areas as described in table A-17 below:

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2016-17 through 2020-21
(000s)

Major Service Areas	2016-17 Final Budget	2017-18 Final Budget	2018-19 Original Budget	2019-20 Original Budget	2020-21 Original Budget
Public Protection	$1,266,148	$1,316,870	$1,403,620	$1,493,084	$1,539,026
Human Welfare & Neighborhood Development	978,126	1,047,458	1,053,814	1,183,587	1,194,858
Community Health	763,496	832,663	943,631	950,756	943,066
General Administration & Finance	252,998	259,916	391,900	596,806	465,707
Culture & Recreation	139,473	142,081	165,784	173,969	179,282
General City Responsibilities	134,153	114,219	183,159	193,971	213,545
Public Works, Transportation & Commerce	166,295	238,564	183,703	208,755	199,604
Total*	$3,700,689	$3,951,771	$4,325,611	$4,800,929	$4,735,089

*Total may not add due to rounding
Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. Human Welfare & Neighborhood Development includes the Department of Human Services' aid assistance, aid payments, and City grant programs. Community Health includes the Public Health Department, which also operates San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds (which are not shown on the table above) are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. These funds are supported by transfers from the General Fund to the extent their dedicated revenue streams are insufficient to support the desired level of services.

Voter-Mandated Spending Requirements

The Charter requires funding for voter-mandated spending requirements, which are also referred to as "baselines," "set-asides," or "mandates". The chart below identifies the required and budgeted levels of funding for key mandates. The spending requirements are formula-driven, variously based on projected aggregate General Fund discretionary revenue, property tax revenues, total budgeted spending, staffing levels, or population growth. Table A-18 reflects fiscal year 2019-20 spending requirements at the time the fiscal year 2019-20 and fiscal year 2020-21 budget was finally adopted. These mandates are either budgeted as transfers out of the General Fund, or allocations of property tax revenue.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2019-20 and 2020-21
($millions)

	2019-20 Original Budget	**2020-21 Original Budget**
Projected General Fund Aggregate Discretionary Revenue (ADR)	***$4,205.3***	***$4,135.3***
Municipal Transportation Agency (MTA)		
MTA - Municipal Railway Baseline: 6.686% ADR	$281.2	$276.5
MTA - Parking & Traffic Baseline: 2.507% ADR	105.4	103.7
MTA - Population Adjustment	56.3	60.6
MTA - 80% Parking Tax In-Lieu	66.4	66.4
Subtotal - MTA	**$509.3**	**$507.1**
Library Preservation Fund		
Library - Baseline: 2.286% ADR	$96.1	$94.5
Library - Property Tax: $0.025 per $100 Net Assessed Valuation (NAV)	65.3	68.3
Subtotal - Library	**$161.4**	**$162.9**
Children's Services		
Children's Services Baseline - Requirement: 4.830% ADR	*$203.1*	*$199.7*
Children's Services Baseline - Eligible Items Budgeted	223.2	201.6
Transitional Aged Youth Baseline - Requirement: 0.580% ADR	*24.4*	*24.0*
Transitional Aged Youth Baseline - Eligible Items Budgeted	28.9	29.2
Public Education Services Baseline: 0.290% ADR	12.2	12.0
Children and Youth Fund Property Tax Set-Aside: $0.0375-0.4 per $100 NAV	104.5	109.3
Public Education Enrichment Fund: 3.057% ADR	*128.6*	*126.4*
1/3 Annual Contribution to Preschool for All	42.9	42.1
2/3 Annual Contribution to SF Unified School District	85.7	84.3
Subtotal - Children's Services	**$497.3**	**$478.6**
Recreation and Parks		
Open Space Property Tax Set-Aside: $0.025 per $100 NAV	$65.3	$68.3
Recreation & Parks Baseline - Requirement	76.2	79.2
Recreation & Parks Baseline - Budgeted	82.0	83.2
Subtotal - Recreation and Parks	**$147.3**	**$151.6**
Other		
Housing Trust Fund Requirement	$36.8	$39.6
Housing Trust Fund Budget	57.1	39.6
Dignity Fund	50.1	53.1
Street Tree Maintenance Fund: 0.5154% ADR	21.7	21.3
Municipal Symphony Baseline: $0.00125 per $100 NAV	3.5	3.6
City Services Auditor: 0.2% of Citywide Budget	20.1	19.6
Subtotal - Other	**$152.4**	**$137.3**
Total Baselines and Set-Asides	**$1,467.6**	**$1,437.4**

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $5.6 billion in the fiscal year 2019-20 Original Budget (all-funds), and $5.8 billion in the fiscal year 2020-21 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.6 billion in the fiscal year 2018-19 Original Budget and $2.8 billion in the fiscal year 2019-20 Original Budget.

This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SF Unified School District ("SFUSD"), SF Community College District ("SFCCD") and the San Francisco Superior Court, called Trial Court below, are not City employees.

Labor Relations

The City's budget for fiscal year 2019-20 and 2020-21 includes 37,907 and 38,122 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

Wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, including managerial and executive-level employees, are represented by labor organizations.

Further, the City Charter requires binding arbitration to resolve negotiations in the event of impasse. If impasse is reached, the parties are required to convene a tripartite arbitration panel, chaired by an impartial third-party arbitrator, which sets the disputed terms of the new agreement. The award of the arbitration panel is final and binding. This process applies to all City employees except Nurses and a small group of unrepresented employees. Wages, hours and working conditions of nurses are not subject to interest arbitration but are subject to Charter-mandated economic limits. Since 1976, no City employees have participated in a union-authorized strike, which is prohibited by the Charter.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of sworn police officers and fire fighters.

In May 2019, the City negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with 27 labor unions. This includes the largest unions in the City such as Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), Laborers Internationals, Local 261, Consolidated Crafts Coalition, and Municipal Executive Association ("MEA"). For the fiscal year 2019-20, the parties agreed to wage increases of 3% on July 1, 2019 and 1% on December 28, 2019. For fiscal year 2020-21, the parties agreed to a wage increase schedule of 3% on July 1, 2020 and 1% on December 26, 2020, with a provision to delay the fiscal year 2020-21 adjustment by six months if the City's deficit for fiscal year 2020-21, as projected in the March

2020 Update to the Five-Year Financial Plan, exceeds $200 million. For fiscal year 2021-22, the parties agreed to a wage increase schedule of 3% on July 1, 2021 and 0.5% on January 8, 2022, with a provision to delay the fiscal year 2021-22 adjustment by six months if the City's deficit for fiscal year 2021-22, as projected in the March 2021 Update to the Five-Year Financial Plan, exceeds $200 million.

Also, in May 2019, the SFMTA negotiated three-year agreements (for fiscal years 2019-20 through 2021-22) with the unions that represent Transit Operators, Mechanics, Station Agents, Parking Control Officers and others. The parties agreed to the same wage increase schedule as the City.

[Remainder of Page Intentionally Left Blank]

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of August 1, 2019

Organization	City Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	504	30-Jun-22
Bricklayers, Local 3	10	30-Jun-22
Building Inspectors' Association	90	30-Jun-22
Carpenters, Local 22	114	30-Jun-22
Cement Masons, Local 300	45	30-Jun-22
Deputy Probation Officers' Association (DPOA)	142	30-Jun-22
Deputy Sheriffs' Association (DSA)	824	30-Jun-22
District Attorney Investigators' Association (DAIA)	45	30-Jun-22
Electrical Workers, Local 6	984	30-Jun-22
Firefighters' Association, Local 798 Unit 1	1,834	30-Jun-21
Firefighters' Association, Local 798 Unit 2	63	30-Jun-21
Glaziers, Local 718	14	30-Jun-22
Hod Carriers, Local 166	8	30-Jun-22
IATSE, Local 16	29	30-Jun-22
Institutional Police Officers' Association	1	30-Jun-22
Ironworkers, Local 377	14	30-Jun-22
Laborers, Local 261	1,150	30-Jun-22
Law Librarian and Asst Librarian	2	-
Municipal Attorneys' Association (MAA)	477	30-Jun-22
Municipal Executives' Association (MEA) Fire	9	30-Jun-21
Municipal Executives' Association (MEA) Miscellaneous	1,438	30-Jun-22
Municipal Executives' Association (MEA) Police	16	30-Jun-21
Operating Engineers, Local 3 Miscellaneous	65	30-Jun-22
Operating Engineers, Local 3 Supervising Probation	31	30-Jun-22
Painters, SF Workers United	134	30-Jun-22
Pile Drivers, Local 34	37	30-Jun-22
Plumbers, Local 38	352	30-Jun-22
Police Officers' Association (POA)	2,747	30-Jun-21
Professional and Technical Engineers, Local 21	6,436	30-Jun-22
Roofers, Local 40	13	30-Jun-22
SEIU, Local 1021 H-1s	1	30-Jun-20
SEIU, Local 1021 Misc	12,711	30-Jun-22
SEIU, Local 1021 Nurses	1,733	30-Jun-22
Sheet Metal Workers, Local 104	41	30-Jun-22
Sheriffs' Supervisory and Management Association (MSA)	109	30-Jun-22
Soft Tile Workers, Local 12	4	30-Jun-22
Stationary Engineers, Local 39	703	30-Jun-22
Teamsters, Local 853	178	30-Jun-22
Teamsters, Local 856 Miscellaneous	99	30-Jun-22
Teamsters, Local 856 Supervising Nurses	127	30-Jun-22
TWU, Local 200	385	30-Jun-22
TWU, Local 250-A (9132 Transit Fare Inspectors)	50	30-Jun-22
TWU, Local 250-A (9163 Transit Operator)	2,721	30-Jun-22
TWU, Local 250-A Auto Service Work	145	30-Jun-22
TWU, Local 250-A Miscellaneous	109	30-Jun-22
Union of American Physicians and Dentists (UAPD)	203	30-Jun-22
Unrepresented Employees	88	30-Jun-22
Other	872	
	37,907 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.
Budgeted positions include authorized positions that are not currently funded.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

The Retirement Board appoints an Executive Director and an Actuary to aid in the administration of the Retirement System. The Executive Director serves as chief executive officer of SFERS. The Actuary's responsibilities include advising the Retirement Board on actuarial matters and monitoring of actuarial service providers. The Retirement Board retains an independent consulting actuarial firm to prepare the annual valuation reports and other analyses. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

The Internal Revenue Service ("IRS") issued a favorable Determination Letter for SFERS in July 2014. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax-exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the provisions of Proposition C approved by the City voters in November 2011. This 2014 Determination Letter has no operative expiration date pursuant to Revenue Procedure 2016-37. The IRS does not intend to issue new determination letters except under special exceptions.

Membership

Retirement System members include eligible employees of the City, SFUSD, SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2018 is 43,129, compared to 41,867 at July 1, 2017. Active membership at July 1, 2018 includes 8,123 terminated vested members and 1,060 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,965 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-20 shows total Retirement System participation (City, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2014 through July 1, 2018.

TABLE A-20

City and County of San Francisco
Employees' Retirement System
July 1, 2014 through July 1, 2018

As of July 1st	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2014	29,516	5,409	1,032	35,957	26,852	1.099
2015	30,837	5,960	1,024	37,821	27,485	1.122
2016	32,406	6,617	1,028	40,051	28,286	1.146
2017	33,447	7,381	1,039	41,867	29,127	1.148
2018	33,946	8,123	1,060	43,129	29,965	1.133

Sources: SFERS' annual Actuarial Valuation Report dated July 1st.
See http://mysfers.org/resources/publications/sfers-actuarial-valuations/. The information therein is not incorporated by reference in this Official Statement.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include non-City employees.

Funding Practices

Employer and employee (member) contributions are mandated by the Charter. Sponsoring employers are required to contribute 100% of the actuarially determined contribution approved by the Retirement Board. The Charter specifies that employer contributions consist of the normal cost (the present value of the benefits that SFERS expects to become payable in the future attributable to a current year's employment) plus an amortization of the unfunded liability over a period not to exceed 20 years. The Retirement Board sets the funding policy subject to the Charter requirements.

The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the November 2018 Retirement Board meeting, the Board voted to lower the assumed long-term investment earnings assumption from 7.50% to 7.40%, maintain the long-term wage inflation assumption at 3.50%, and lower the long-term consumer price inflation assumption from 3.00% to 2.75%. These economic assumptions were first effective for the July 1, 2018 actuarial valuation and were approved again by the Board for the July 1, 2019 actuarial valuation at their July 2019 meeting. The Board had previously lowered the long-term wage inflation assumption from 3.75% to 3.50% at its November 2017 meeting effective for the July 1, 2017 actuarial valuation. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

While employee contribution rates are mandated by the Charter, sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. Since July 1, 2011, substantially all employee groups have agreed through collective bargaining for employees to contribute all employee contributions through pre-tax payroll deductions.

Prospective purchasers of the City's debt obligations should carefully review and assess the assumptions regarding the performance of the Retirement System. Audited financials and actuarial reports may be found on the Retirement System's website, mysfers.org, under Publications. The information on such website is not incorporated herein by reference. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's debt obligations are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents and are therefore subject to change.

Employer Contribution History and Annual Valuations

Fiscal year 2016-17 total City employer contributions were $519.1 million, which included $230.1 million from the General Fund. Fiscal year 2017-18 total City employer contributions were $582.6 million, which included $315.3 million from the General Fund. For fiscal year 2018-19, total City employer contributions to the Retirement System are budgeted at $589.9 million, which includes $277.6 million from the General Fund. These budgeted amounts are based upon the fiscal year 2018-19 employer contribution rate of 23.31% (estimated to be 19.8% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2019-20 employer contribution rate is 25.19% (estimated to be 21.8% after cost-sharing). The increase in employer contribution rate from 23.31% to 25.19% reflects the decrease in discount rate from 7.50% to 7.40%, a new Supplemental COLA effective July 1, 2018, and the continued phase-in of the 2015 demographic assumption changes approved by the Retirement Board. The increase is offset by investment returns better than assumed. As discussed under "City Budget – Five-Year Financial Plan" increases in retirement costs are projected in the City's Five Year Financial Plan.

Table A-21 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2013-14 through 2017-18. Information is shown for all employers in the Retirement System (City & County, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the sum of mandated employee and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

[Remainder of Page Intentionally Left Blank]

TABLE A-21

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2013-14 through 2017-18
(000s)

As of July 1st	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2014	$21,122,567	$19,920,607	$18,012,088	94.3%	85.3%	$821,902	24.82%
2015	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2016	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2017	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40
2018	27,335,417	24,557,966	23,866,028	89.8	87.3	983,763	23.46

[1] Employer contribution rates for fiscal years 2018-19 and 2019-20 are 23.31% and 25.19%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information.
SFERS' annual Actuarial Valuation Report dated July 1st.
See http://mysfers.org/resources/publications/.The information on such website is not incorporated hereing by reference.

Note: Information above reflects entire Retirement System, not just the City and County of San Francisco.

As shown in the table above as of July 2018, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

The actuarial accrued liability is measured by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. In general, the City's funding of its pension obligations is not affected by the GASB 68 reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

Total Pension Liability reported under GASB Statements No. 67 and 68 differs from the Actuarial Liability calculated for funding purposes in several ways, including the following differences. First, Total Pension Liability measured at fiscal year-end is a roll-forward of liabilities calculated at the beginning of the year and is based upon a beginning of year census adjusted for significant events that occurred during the year. Second, Total Pension Liability is based upon a discount rate determined by a blend of the assumed investment return, to the extent the fiduciary net position is available to make payments, and a municipal bond rate, to the extent that the fiduciary net position is unavailable to make payments. Differences between the discount rate and assumed investment return have been small, ranging from zero to six basis points at the last five fiscal year-ends. The third distinct difference is that Total Pension Liability includes a provision for Supplemental COLAs that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAs that have already been granted as of the valuation date.

Supplemental COLAs do not occur every year as they are only granted after favorable investment experience and only to certain groups of retirees dependent upon the funded status of the pension plan. Supplemental COLAs are capped at 3.5% less any basic COLA. As the majority of retirees have annual basic COLAs capped at 2.0%, a Supplemental COLA when granted typically represents a 1.5% increase in benefit.

Table A-21A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-21A

City and County of San Francisco
Employees' Retirement System
GASB 67/68 Disclosures
Fiscal Years 2013-14 through 2017-18
(000s)

As of June 30th	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2014	$21,691,042	7.58 %	$19,920,607	91.8 %	$1,770,435	$1,660,365
2015	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2016	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2017	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131
2018	28,840,673	7.50	24,557,966	85.2	4,282,707	4,030,207

Sources: SFERS fiscal year-end GASB 67/68 Reports as of each June 30.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The decline in the City's net pension liability at the last two fiscal year-ends is due to investment returns during those fiscal years that exceeded the assumed 7.50%.

Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2018, see the City's CAFR.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2018 were 9.61%. For the ten-year and twenty-year periods ending June 30, 2018, annualized investment returns were 6.87% and 7.22% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the

Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7000. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

2011 Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. As detailed below, the most recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees.

Voters of San Francisco approved Proposition C in November 2011 which provided the following:

1. New SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

2. Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees hired on or after November 2, 1976 pay a Charter-mandated employee contribution rate of 7.5% before-cost-sharing. However, after cost-sharing those who earn between $50,000 and $100,000 per year pay a fluctuating rate in the range of 3.5% to 11.5 and those who earn $100,000 or more per year pay a fluctuating rate in the range of 2.5% to 12.5%. Similar fluctuating employee contributions are also required from Safety employees; and

4. Effective July 1, 2012, no Supplemental COLA will be paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

A retiree organization has brought a legal action against the requirement in Proposition C that SFERS be fully funded in order to pay the Supplemental COLA. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. This decision is now final and its implementation increased the July 1, 2016 unfunded actuarial liability by $429.3 million for Supplemental COLAs granted retroactive to July 1, 2013 and July 1, 2014.

On July 13, 2016, the SFERS Board adopted a Resolution to exempt members who retired before November 6, 1996, from the "fully funded" provision related to payment of Supplemental COLAs under Proposition C. The Resolution directed that retroactive payments for Supplemental COLAs be made to these retirees. After the SFERS Board adopted the Resolution, the Retirement System published an actuarial study on the cost to the Fund of payments to the pre-1996 retirees. The study reports that the two retroactive supplemental payments will trigger immediate payments of $34 million, create additional liability for continuing payments of $114 million, and cause a new unfunded liability of $148 million. This liability does not include the Supplemental COLA payments that may be triggered in the future. Under the cost sharing formulas in Proposition C, the City and its employees will pay for these costs in the form of higher yearly contribution rates. The Controller has projected the future cost to the City and its employees to be $260 million, with over $200 million to be paid in the next five fiscal years. The City obtained a permanent injunction to prevent SFERS from making Supplemental COLA payments to these members who retired before November 6, 1996. The Retirement Board appealed the Superior Court's injunction; however, the injunction was affirmed by the Court of Appeal reserving the power to take action for the City's voters.

In August 2012, then-Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2018, the audited market value of Retirement System assets was $24.6 billion. As of June 30, 2019, the unaudited market value of SFERS' portfolio was $25.8 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be lower or higher. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Section A8.510 of the Charter requires the City to pay the full amount required by the actuarial valuations. The estimated total employer contributions to CalPERS was $31.8 million in fiscal year 2016-17, $34.8 million in fiscal year 2017-18, and $39.4 million in fiscal year 2018-19. In addition to the required amounts, the City elected to pay an additional amount of $8.4 million in fiscal years 2017-18 and 2018-19 in order to reduce its unfunded liability. Further discussion of the City's CalPERS plan obligations is summarized in Note 9 to the City's CAFR, as of June 30, 2018. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 75 Reporting Requirements*."

Medical Benefits

Administration through San Francisco Health Service System; Audited System Financial Statements

Medical and COBRA benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the SFHSS also administers medical benefits to active and retired employees of SFUSD, SFCCD and the San Francisco Superior Court, however, the City is only required to fund medical benefits for City Beneficiaries.

The San Francisco Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the City Beneficiaries are funded. The San Francisco Health Service System issues an annual, publicly available, independently-audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained through the SFHSS website, by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1750. Audited annual financial statements for prior years are posted to the SFHSS website, however the information available on the SFHSS website is not incorporated in this Official Statement by reference.

Under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "Other Post-Employment Benefits Trust Fund"). Thus, GASB Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45") and GASB Statement Number 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, which apply to OPEB trust funds, do not apply to the Health Service Trust Fund. However, the City has been funding a Retiree Health Care Trust Fund for the purpose of prefunding future OPEB payments as described below.

Determination of Employer and Employee Contributions for Medical Benefits

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of an annual survey of the amount of premium contributions provided by the ten most populous counties in California (other than the City) for health care. The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." The "average contribution" is used to calculate the City's required contribution to the Health Service Trust Fund for retirees.

For unions representing approximately 93.3% of City employees, rather than applying the "average contribution" to determine the amount the City is required to contribute for active employees, a percentage-based employee premium contribution formula was negotiated through collective bargaining. The long-term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under *"– Post-Employment Health Care Benefits."*

[Remainder of Page Intentionally Left Blank]

City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009 pursuant to Charter Section A8.428. For retirees who were hired on or after January 10, 2009, the City contributes a portion of the medical coverage costs based on five coverage / employer contribution classifications that reflect certain criteria outlined in the table below.

Retiree Medical Coverage / Employer Contribution for Those Hired On or After January 10, 2009	
Years of Credited Service at Retirement	Percentage of Employer Contribution Established in Charter Section A8.428 Subsection (b)(3)
Less than 5 year of Credited Service with the Employers (except for the surviving spouses or surviving domestic partners of active employees who died in the line of duty)	No Retiree Medical Benefits Coverage
At least 5 but less than 10 years of Credited Service with the Employers; or greater than 10 years of Credited Service with the Employers but not eligible to receive benefits under Subsections (a)(4), (b)(5) **(A8.428 Subsection (b)(6))**	0% - Access to Retiree Medical Benefits Coverage. Including Access to Dependent Coverage
At least 10 but less than 15 years of Credited Service with the Employers **(AB.428 Subsection (b)(5))**	50%
At least 15 but less than 20 years pf Credited Service with the Employers **(AB.428 Subsection (b)(5))**	75%
At least 20 years of Credited Service with the Employer; Retired Persons who retired for disability; surviving spouses or surviving domestic partners of active employees who died in the line of duty **(AB.428 Subsection (b)(4))**	100%

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far.

Three ACA taxes impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**
  The Excise Tax on High-cost Employer-sponsored Health Plans (Cadillac Tax) is a 40% excise tax on high-cost coverage health plans. Implementation of the tax has been delayed twice and is now effective in 2022. SFHSS continues to evaluate the future impact of the cost of medical benefits for all coverage tiers and it is expected that the plans for pre-65 retirees will trigger the tax first.

- **Health Insurance Tax ("HIT")**
  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019. The HIT is in effect in 2020 and substantially impacted rates.

- **Medical Device Excise Tax**
  The ACA's medical device excise tax imposes a 2.3 percent tax on sales of medical devices (except certain devices sold at retail). Implementation of the tax is delayed until 2020.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax applied to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2. Statues 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The FY 2019-20 State budget included language that may reinstate the tax upon approval by the State legislator and the Federal Centers for Medicare and Medicaid Services.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2017-18, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $758.8 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $642.5 million; approximately $178.5 million of this $642.5 million amount was for health care benefits for approximately 21,970 retired City employees and their eligible dependents and approximately $464.0 million was for benefits for approximately 32,597 active City employees and their eligible dependents.

The 2019 aggregate (employee and employer) cost of benefits offered by SFHSS to the City increased by 2.47%, which is below national trends of 5% to 6%. This can be attributed to several factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The 2020 aggregate cost of benefits offered by SFHSS to the City increased 4.6% which is also less than the national trends.

Post-Employment Health Care Benefits

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by these employees equal to 2% of salary, with the City contributing an additional 1%, into a Retiree Health Care Trust Fund.

Under Proposition C, passed by San Francisco voters in November of 2011, employees hired on or before January 9, 2009, were required to contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning in fiscal year 2016-17. This contribution increased to 0.50% in fiscal year 2017-18, 0.75% in fiscal year 2018-19, and will reach the maximum contribution of 1.00% in fiscal year 2019-20. These contributions are matched by the City on a one-to-one basis.

Unlike employee pension contributions that are made to individual accounts, contributions to the Retiree Health Care Trust Fund are non-refundable, even if an employee separates from the City and does not receive retiree health care from the City.

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the Retiree Health Care Trust Fund. The restrictions allow payments from the fund only when certain conditions are met. The balance in the Retiree Health Care Trust Fund as of June 30, 2018 is approximately $240.1 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 75.

GASB 75 Reporting Requirements

In June 2015, GASB issued Statement No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions ("GASB 75"). GASB 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEBs. The new standard is effective for periods beginning after June 15, 2017. The City implemented the provisions of GASB 75 in its audited financial statements for Fiscal Year 2017-18. According to GASB's Summary of GASB 75, GASB 75 requires recognition of the entire OPEB liability, a more comprehensive measure of OPEB expense, and new note disclosures and required supplementary information to enhance decision-usefulness and accountability.

City's Estimated Liability

The City is required by GASB 75 to prepare a new actuarial study of its postemployment benefits obligation at least once every two years. As of June 30, 2016, the most recent actuarial valuation date, which was updated to June 30, 2017, the retiree health care fiduciary plan net position as a percentage of the total OPEB liability was 4.5%. As of June 30, 2018, the estimated covered payroll (annual payroll of active employees covered by the plan) was $3.39 billion and the ratio of the Net OPEB liability to the covered payroll was 109.5%.

While GASB 75 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB liability. See Note 9(b) and the Required Supplementary Information to the City's CAFR, as of June 30, 2018. Five-year trend information is displayed in Table A-22.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2013-14 to 2017-18
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2013-14	$353,251	47.2%	$1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	421,402	43.6%	2,384,938
2017-18	355,186	57.4%	3,717,209 [1]

1 Starting in FY2017-18, the liability amount reflects what is referred to as Net OPEB Liability due to the implementation of GASB Statement No. 75.

Total City Employee Benefits Costs

Table A-23 provides a six-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-23 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal year 2015-16 to fiscal year 2020-21.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2015-16 through 2020-21
(000s)

	2015-16 Actual[1]	2016-17 Actual[1]	2017-18 Actual[1]	2018-19 Budget[4]	2019-20 Budget[4]	2020-21 Budget[4]
SFERS and PERS Retirement Contributions	$531,821	$554,956	$621,055	$628,601	$733,385	$799,404
Social Security & Medicare	184,530	196,914	$212,782	$215,164	$229,342	$238,401
Health - Medical + Dental, active employees [2]	421,864	459,772	$501,831	$508,108	$525,511	$553,208
Health - Retiree Medical [2]	158,939	165,822	$178,378	$186,742	$195,607	$212,584
Other Benefits [3]	20,827	21,388	$44,564	$21,229	$23,308	$46,748
Total Benefit Costs	$1,317,981	$1,398,852	$1,558,609	$1,559,844	$1,707,153	$1,850,345

1 Fiscal year 2015-16 through fiscal year 2017-18 figures are audited actuals.
2 Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
3 "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
4 Figures for fiscal years 2018-19, 2019-20 and 2020-21 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. A complete copy of the Treasurer's Investment Policy, dated February 2018, is included as an Appendix to this Official Statement. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of July 31, 2019, the City's surplus investment fund consisted of the investments classified in Table A-24 and had the investment maturity distribution presented in Table A-25.

[Remainder of Page Intentionally Left Blank]

TABLE A-24

City and County of San Francisco
Investment Portfolio for Pooled Funds
As of July 31, 2019

Type of Investment	**Par Value**	**Book Value**	**Market Value**
U.S. Treasuries	$725,000,000	$719,134,974	$723,026,500
Federal Agencies	5,559,650,000	5,556,375,094	5,567,477,883
State and Local Obligations	89,231,641	90,519,038	89,496,780
Public Time Deposits	35,000,000	35,000,000	35,000,000
Negotiable Certificates of Deposit	2,190,000,000	2,190,000,000	2,193,952,523
Commercial Paper	763,000,000	755,201,993	760,311,299
Medium Term Notes	34,650,000	34,536,271	34,679,484
Money Market Funds	478,803,362	478,803,362	478,803,362
Supranationals	851,151,000	846,659,623	851,263,451
Total	$10,726,486,003	$10,706,230,355	$10,734,011,282

July 2019 Earned Income Yield: 2.376%

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-25

City and County of San Francisco
Investment Maturity Distribution of Pooled Funds
As of July 31, 2019

Maturity in Months			Par Value	Percentage
0	to	1	$1,323,263,362	12.34%
1	to	2	732,716,000	6.83%
2	to	3	864,300,000	8.06%
3	to	4	443,600,000	4.14%
4	to	5	506,360,000	4.72%
5	to	6	337,295,000	3.14%
6	to	12	1,711,035,000	15.95%
12	to	24	2,401,716,641	22.39%
24	to	36	1,456,200,000	13.58%
36	to	48	150,000,000	1.40%
48	to	60	800,000,000	7.46%
			$10,726,486,003	100.0%

Weighted Average Maturity: 468 Days

Sources: Office of the Treasurer and Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2018 are described in the City's CAFR, Notes 2(c) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a 10-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a 10-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure and other funding needs over 10 years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City's Five-Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2020-2029 Capital Plan was approved by the CPC on April 17, 2019 and was adopted by the Board of Supervisors on April 30, 2019. The Capital Plan contains $39.1 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $2.2 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of critical seismic projects and relocation of staff from seismically vulnerable facilities; upgrades to public health, police, and fire facilities; transportation and utility system improvements; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; and park improvements, among other capital projects. $3.5 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long- term obligations, subject to planning policy constraints. The balance is expected to be funded by federal and State funds, the General Fund and other sources

In addition to the City General Fund-supported capital spending, the Capital Plan recommends $20.3 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, the Sewer System Improvement Program, and building adequate facilities to support the City's growing transit fleet, among others. Approximately $10.2

billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.9 billion in capital needs including enhancements are deferred from the plan's horizon.

Failure to make the capital improvements and repairs recommended in the Capital Plan may have the following impacts: (i) failing to meet federal, State or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service – City General Obligation Bonds

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of June 30, 2019, the City had approximately $2.29 billion aggregate principal amount of general obligation bonds outstanding. In addition to the City's general obligation bonds, BART, SFUSD and SFCCD also have outstanding general obligation as shown in Table A-31.

Table A-26 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

[Remainder of Page Intentionally Left Blank]

TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
June 30, 2019 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2019-20[3]	$139,571,232	$97,182,913	$236,754,145
2020-21	137,850,457	90,516,358	228,366,815
2021-22	144,593,400	84,183,522	228,776,922
2022-23	149,075,251	77,455,698	226,530,949
2023-24	152,516,206	70,331,730	222,847,936
2024-25	154,256,476	63,008,608	217,265,084
2025-26	150,461,279	55,751,332	206,212,611
2026-27	156,635,840	49,033,182	205,669,022
2027-28	162,249,035	42,379,634	204,628,669
2028-29	163,376,751	35,914,335	199,291,086
2029-30	160,425,095	29,290,830	189,715,925
2030-31	123,171,950	22,903,517	146,075,467
2031-32	127,325,000	18,439,873	145,764,873
2032-33	93,645,000	13,887,254	107,532,254
2033-34	70,280,000	10,364,161	80,644,161
2034-35	62,675,000	7,774,741	70,449,741
2035-36	42,920,000	5,485,320	48,405,320
2036-37	31,275,000	3,969,479	35,244,479
2037-38	21,325,000	2,869,529	24,194,529
2038-39	1,660,000	2,089,767	3,749,767
2039-40	1,725,000	2,024,678	3,749,678
2040-41	1,795,000	1,954,971	3,749,971
2041-42	1,865,000	1,882,435	3,747,435
2042-43	1,940,000	1,807,070	3,747,070
2043-44	2,020,000	1,728,675	3,748,675
2044-45	2,100,000	1,647,047	3,747,047
2045-46	2,185,000	1,562,186	3,747,186
2046-47	2,275,000	1,473,890	3,748,890
2047-48	2,365,000	1,381,957	3,746,957
2048-49	2,460,000	1,286,387	3,746,387
2049-50	2,560,000	1,186,979	3,746,979
2050-51	2,670,000	1,076,361	3,746,361
2051-52	2,790,000	960,990	3,750,990
2052-53	2,910,000	840,435	3,750,435
2053-54	3,035,000	714,693	3,749,693
2054-55	3,165,000	583,551	3,748,551
2055-56	3,300,000	446,791	3,746,791
2056-57	3,445,000	304,198	3,749,198
2057-58	3,595,000	155,340	3,750,340
TOTAL [4]	**$2,293,487,972**	**$805,850,417**	**$3,099,338,389**

[1] This table includes the City's General Obligation Bonds shown in Table A-24 and does not include any overlapping debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Excludes payments made to date in current fiscal year

[4] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal

Source: Office of Public Finance, City and County of San Francisco.

Authorized but Unissued City General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

Approved by voters in November 1992, Proposition A authorized the issuance of up to $350.0 million in general obligation bonds to support San Francisco's Seismic Safety Loan Program ("SSLP"), which provides loans for the seismic strengthening of privately-owned unreinforced masonry affordable housing, market-rate residential, commercial and institutional buildings. Between 1994 and 2015 the City issued $89.3 million of bonds under the original Proposition A authorization. In November 2016 voters approved Proposition C, which amended the 1992 Proposition A authorization (the "Propositions") to broaden the scope of the remaining $260.7 million authorization by adding the eligibility to finance the acquisition, improvement, and rehabilitation to convert at-risk multi-unit residential buildings to affordable housing, as well as the needed seismic, fire, health, and safety upgrades and other major rehabilitation for habitability, and related costs. In early 2019, $72.4 million of bonds were issued under the Propositions. Currently $188.3 million remains authorized and unissued.

In November 2012, voters approved Proposition B (the "2012 Parks Proposition"), which authorized the issuance of up to $195.0 million in general obligation bonds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City has issued $191.9 million over three series of bonds between 2013 and 2018, leaving $3.1 million authorized and unissued.

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to $500.0 million in general obligation bonds for the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City has issued $241.5 million over two series of bonds in 2015 and 2018, leaving $258.5 million authorized and unissued.

In November 2015, voters approved Proposition A (the "2015 Affordable Housing Proposition") which authorized the issuance of up to $310.0 million in general obligation bonds for the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City has issued $217.3 million over two series of bonds in 2016 and 2018, leaving $92.7 million authorized and unissued.

In June 2016, voters approved Proposition A (the "2016 Public Health & Safety Proposition"), which authorized the issuance of up to $350.0 million in general obligation bonds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City has issued $223.1 million over two series of the bonds in 2017 and 2018, leaving $126.9 million authorized and unissued.

In November 2018, voters approved Proposition A ("the 2018 Seawall Proposition"), authorizing the issuance of up to $425.0 million in general obligation bonds for repair and improvement projects along the City's Embarcadero and Seawall to protect the waterfront, BART and Muni, buildings, historic piers, and roads from earthquakes, flooding, and sea level rise. Bonds have not been issued yet under this authorization.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the "2004 Resolution"). The 2004 Resolution authorized the issuance of $800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance $1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The following refunding bonds remain currently outstanding, under the Refunding Resolutions, as shown in Table A-27 below.

TABLE A-27

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of August 1, 2019

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$3,480,000
2011-R1	November 2011	339,475,000	149,240,000 [1]
2015-R1	February 2015	293,910,000	234,310,000 [2]

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015.

Table A-28 below lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued and does not refer to any particular series. As of August 1, 2019, the City had authorized and unissued general obligation bond authority of approximately $1.1 billion.

[Remainder of Page Intentionally Left Blank]

TABLE A-28

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of August 1, 2019

Description of Issue (Authorization Amount - Date of Authorization)	Authorization Amount	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (Prop A - 11/3/92)[2]	$350,000,000	1994A	$35,000,000	-	
		2007A	30,315,450	$18,657,973	
		2015A	24,000,000	-	
Repurposing for Affordable Housing (Prop C - 11/8/2016)		2019A	72,420,000	72,420,000	$188,264,550
Clean & Safe Neighborhood Parks (Prop A - 2/5/08)	$185,000,000	2008B	42,520,000	-	
		2010B	24,785,000	-	
		2010D	35,645,000	35,645,000	
		2012B	73,355,000	45,285,000	
		2016A	8,695,000	7,195,000	--
San Francisco General Hospital and Trauma Center (Prop A - 11/4/08)	$887,400,000	2009A	131,650,000	-	
		2010A	120,890,000	-	
		2010C	173,805,000	173,805,000	
		2012D	251,100,000	147,770,000	
		2014A	209,955,000	154,035,000	--
Earthquake Safety and Emergency Response Bond (Prop B - 6/8/10)	$412,300,000	2010E	79,520,000	38,335,000	
		2012A	183,330,000	114,990,000	
		2012E	38,265,000	28,380,000	
		2013B	31,020,000	16,720,000	
		2014C	54,950,000	40,095,000	
		2016C	25,215,000	21,435,000	--
Road Repaving & Street Safety (Prop B - 11/8/11)	$248,000,000	2012C	74,295,000	46,360,000	
		2013C	129,560,000	69,785,000	
		2016E	44,145,000	37,515,000	--
Clean & Safe Neighborhood Parks (Prop B - 11/6/12)	$195,000,000	2013A	71,970,000	38,780,000	
		2016B	43,220,000	23,355,000	
		2018A	76,710,000	44,855,000	3,100,000
Earthquake Safety and Emergency Response Bond (Prop A - 6/3/14)	$400,000,000	2014D	100,670,000	73,435,000	
		2016D	109,595,000	72,305,000	
		2018C	189,735,000	137,570,000	--
Transportation and Road Improvement (Prop A - 11/4/14)	$500,000,000	2015B	67,005,000	41,870,000	
		2018B	174,445,000	102,010,000	258,550,000
Affordable Housing Bond (Prop A - 11/3/15)	$248,000,000	2016F	75,130,000	48,485,000	
		2018D	142,145,000	102,070,000	92,725,000
Public Health and Safety Bond (Prop A - 6/7/16)	$350,000,000	2017A	173,120,000	116,925,000	
		2018E	49,955,000	36,370,000	126,925,000
Seawall Improvement (Prop A - 11/6/2018)	$425,000,000	n/a	-	-	425,000,000
SUBTOTAL			$3,168,135,450	$1,906,457,973	$1,094,564,550
General Obligation Refunding Bonds:					
Series 2008-R1 issued 5/29/08			$232,075,000	$3,480,000	n/a
Series 2011-R1 issued 11/9/12			339,475,000	149,240,000	n/a
Series 2015-R1 issued 2/25/15			293,910,000	234,310,000	n/a
SUBTOTAL			$865,460,000	$387,030,000	
TOTALS			$4,033,595,450	$2,293,487,973	$1,094,564,550

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

General Fund Lease Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-29 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding long-term lease revenue bonds and certificates of participation as of August 1, 2019.

[Remainder of Page Intentionally Left Blank]

TABLE A-29

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2019[1]

Fiscal Year[2]	Principal	Interest [3]	Annual Payment Obligation
2019-20[4]	$48,515,000	$58,564,205	$107,079,205
2020-21	57,210,000	56,216,292	113,426,292
2021-22	57,625,000	53,620,057	111,245,057
2022-23	60,210,000	50,974,336	111,184,336
2023-24	62,415,000	48,204,761	110,619,761
2024-25	62,750,000	45,307,931	108,057,931
2025-26	63,220,000	42,438,259	105,658,259
2026-27	66,205,000	39,423,728	105,628,728
2027-28	61,035,000	36,331,460	97,366,460
2028-29	65,915,000	33,281,225	99,196,225
2029-30	66,590,000	30,079,252	96,669,252
2030-31	62,040,000	27,098,252	89,138,252
2031-32	51,690,000	24,356,080	76,046,080
2032-33	52,545,000	22,185,304	74,730,304
2033-34	54,795,000	19,783,998	74,578,998
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL [5]	**$1,297,555,000**	**$674,175,658**	**$1,971,730,658**

[1] Excludes commercial Paper and the following private placements (with current outstanding amounts):
SFGH Emergency Backup Generators Project ($12,612,156)
Gsmart Citywide Emergency Radio Replacement Project ($26,154,039)
Transbay CCSF Lease Revenue Direct Placement Revolving COPs ($78,000,000)

[2] For the Series 2018A (Refunding Open Space LRBs), reflects the 7/1 payments as paid in the prior fiscal year, as budgeted.

[3] Totals reflect rounding to nearest dollar.

[4] Excludes payments made to date in current fiscal year.

[5] For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.50%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

Voter-Approved Lease Revenue Bonds

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, with such amount increasing by five percent each fiscal year. As of August 1, 2019, the total authorized and unissued amount for such financings was $82.3 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of Proposition B lease revenue bonds, respectively, leaving $14.1 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In March 2000, voters approved Proposition C, which extended a two- and one-half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. In August 2018 the City issued refunding lease revenues bonds, which are currently outstanding in the principal amount of $31.9 million, to refund the outstanding Series 2006 and Series 2007 Open Space Fund lease revenue bonds.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two- and one-half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. In August 2018 the City issued refunding lease revenues bonds, which are currently outstanding in the principal amount of $12.2 million, to refund the outstanding Series 2009A Branch Library Improvement Project lease revenue bonds.

Table A-30 below lists the City's outstanding certificates of participation and voter-authorized lease revenue bonds.

TABLE A-30

CITY AND COUNTY OF SAN FRANCISCO
Outstanding Certificates of Participation and Lease Revenue Bonds
As of August 1, 2019

Issue Name	Final Maturity	Original Par	Outstanding Principal
CERTIFICATES OF PARTICIPATION[1]			
Series 2009A (Multiple Capital Improvement)	2031	$163,335,000	$112,395,000
Series 2009B (Multiple Capital Improvement Projects)	2035	37,885,000	28,905,000
Series 2009C (525 Golden Gate Avenue - Tax Exempt)	2022	38,120,000	16,255,000
Series 2009D (525 Golden Gate Avenue - BABs)	2041	129,550,000	129,550,000
Refunding Series 2010A	2033	138,445,000	95,880,000
Refunding Series 2011A (Moscone)	2024	86,480,000	13,825,000
Series 2012A (Multiple Capital Improvement Projects)	2036	42,835,000	34,050,000
Series 2013B/C (Port Facilities Project)	2038/2043	37,700,000	30,010,000
Refunding Series 2014-R1/2014-R2 (Courthouse & Juvenile Hall)	2021/2034	47,220,000	31,790,000
Series 2015A/B (War Memorial Veterans Building)	2045/2024	134,325,000	122,705,000
Refunding Series 2015-R1 (City Office Buildings)	2040	123,600,000	115,140,000
Series 2016A (War Memorial Veterans Building)	2032	16,125,000	13,430,000
Series 2017A (Hope San Francisco) Taxable	2047	28,320,000	27,020,000
Series 2017B (Moscone Convention Center Expansion)	2042	412,355,000	402,550,000
Subtotal Certificates of Participation			**$1,173,505,000**
LEASE REVENUE BONDS/LEASE PURCHASE FINANCINGS			
Series 2008-1 (Refunding Moscone Center Expansion Project)[2]	2030	$72,670,000	$36,300,000
Series 2008-2 (Refunding Moscone Center Expansion Project)[2]	2030	72,670,000	36,300,000
Series 2010-R1 (Emergency Communication Refunding)	2024	22,280,000	7,320,000
Citywide Emergency Radio Replacement Project (Gsmart)[3]	2026	34,184,136	26,154,039
SFGH Emergency Backup Generators Project[3]	2025	22,549,489	12,612,156
Series 2018A (Refunding LRB's Open Space Fund)	2029	34,950,000	31,955,000
Series 2018B (Refunding LRB's Library Preservation Fund)	2028	13,355,000	12,175,000
Subtotal Lease Revenue Bonds			**$162,816,195**
Total General Fund Obligations			**$1,336,321,195**

[1] Excludes Commercial Paper and the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of $78,000,000.
[2] Variable rate
[3] Private placement

Board Authorized and Unissued Long-Term Certificates of Participation

Treasure Island Improvement Project: In October of 2013, the Board authorized, and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation to finance the cost of additions and improvements to the utility infrastructure at Treasure Island. At this time there is not an expected timeline for the issuance these certificates.

Animal Care and Control Renovation Project: In November 2016, the Board authorized, and the Mayor approved the issuance of not to exceed $60.5 million of City and County of San Francisco Certificates of Participation to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in Fiscal Year 2020-21.

Housing Trust Fund Project: In April of 2016, the Board authorized and the Mayor approved the issuance of not to exceed $95 million of City and County of San Francisco Certificates of Participation (Affordable Housing Projects) to provide funds to assist in the development, acquisition, construction or rehabilitation of affordable rental housing projects. The City anticipates issuing the certificates in multiple series, with the first issuance in Winter/Spring 2020.

49 South Van Ness Project: In June of 2017, the Board authorized and the Mayor approved the issuance of not to exceed $321.8 million of City and County of San Francisco Certificates of Participation (49 South Van Ness Project, formerly referred to as "1500 Mission Project") to finance a portion of the development costs, including construction and improvement, and related FF&E (furniture, fixture, or other equipment), technology, and moving costs for the 1500 Mission Street office building. The City anticipates issuing the certificates in late 2019.

Commercial Paper Program

In March of 2009, the Board authorized and the Mayor approved a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). In July of 2013, the Board authorized, and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million. Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project.

The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of $75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of $75 million). These credit facilities expire in May of 2021.

The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company initially scheduled to expire in February of 2019. In December 2018, the City extended the original letter of credit issued by State Street Bank and Trust Company by three years, expiring in February of 2022.

As of August 1, 2019, the outstanding principal amount of CP Notes is $120.5 million. The projects with Board Authorized and Unissued Certificates of Participation currently utilizing the CP Program include 49 South Van Ness, Animal Care and Control, and Housing Trust Fund. Other projects currently utilizing the CP Program are the San Francisco General Hospital and Trauma Project which is financing the costs of the acquisition of furniture, fixtures and equipment and the Hall of Justice Relocation Project which is interim financing the costs of the land acquisition, including demolition and related site preparation costs. The weighted average interest rate for the outstanding CP Notes is approximately 1.51%.

Transbay Transit Center Interim Financing

In May of 2016, the Board authorized, and the Mayor approved the establishment of a not-to-exceed $260.0 million Lease Revenue Commercial Paper Certificates of Participation (the "Short-Term Certificates") to meet cash flow needs during the construction of phase one of the Transbay Transit Center (now known as the Salesforce Transit Center). The Short-Term Certificates are expected to be repaid in part from Transbay Transit Center CFD bond proceeds (secured by special taxes) and tax increment. It is anticipated that long-term debt will be issued to retire the Short-Term Certificates, and such long-term debt is also expected to be repaid from such sources.

The Short-Term Certificates originally consisted of $160.0 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020, and $100.0 million of direct placement revolving certificates with Bay Area Toll Authority, which expired December 31, 2018.

As of August 1, 2019, the TJPA had a total of $78.0 million outstanding from the Wells Fargo financing facility, at a current interest rate of 2.79%.

Overlapping Debt

Table A-31 shows bonded debt and long-term obligations as of August 1, 2019 sold in the public capital markets, except for those financings otherwise noted in the table, by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

[Remainder of Page Intentionally Left Blank]

TABLE A-31

CITY AND COUNTY OF SAN FRANCISCO
Statement of Direct and Overlapping Debt and Long-Term Obligations
As of August 1, 2019

2019-20 Assessed Valuation (includes unitary utility valuation):	$281,683,409,781	1
GENERAL OBLIGATION BONDED DEBT		
San Francisco City and County	$2,293,487,973	
San Francisco Unified School District	898,785,000	
San Francisco Community College District	215,130,000	
TOTAL GENERAL OBLIGATION BONDS	$3,407,402,973	
LEASE OBLIGATIONS BONDS		
San Francisco City and County	$1,401,709,039	
LONG-TERM OBLIGATIONS	$1,401,709,039	2
TOTAL COMBINED DIRECT DEBT	$4,809,112,012	
OVERLAPPING TAX AND ASSESSMENT DEBT		
Bay Area Rapid Transit District General Obligation Bond (34.153%)[2]	$266,555,627	3
San Francisco Community Facilities District No. 4	19,565,000	
San Francisco Community Facilities District No. 6	123,466,726	
San Francisco Community Facilities District No. 7	35,585,000	
San Francisco Community Facilities District No. 2009-1, Improvement Areas 1 and 2	2,807,577	
San Francisco Community Facilities District No. 2014-1 Transbay Transit Center	397,895,000	
City of San Francisco Assessment District No. 95-1	470,000	
ABAG Community Facilities District No. 2004-1 Seismic Safety Improvements	9,795,000	
ABAG Community Facilities District No. 2006-1 San Francisco Rincon Hill	5,225,000	
ABAG Community Facilities District No. 2006-2 San Francisco Mint Plaza	2,965,000	
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT	$864,329,930	
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):	$800,377,447	
TOTAL DIRECT AND OVERLAPPING BONDED DEBT	$6,473,819,389	4

Ratios to 2019-20 Assessed Valuation:	**Actual Ratio**	
Direct General Obligation Bonded Debt ($3,407,402,973)	1.21%	5
Combined Direct Debt ($4,809,112,012)	1.71%	
Total Direct and Overlapping Bonded Debt	2.30%	
Ratio to 2019-20 Redevelopment Incremental Valuation ($34,366,733,708)		
Total Overlapping Tax Increment Debt	2.33%	

[1] Includes $610,103,200 homeowner's exemption for FY19-20.

[2] Includes the CCSF Lease Revenue Direct Placement Revolving COPs (Transbay), currently outstanding in the principal amount of $78,000,000. Excludes privately placed SFGH Emergency Backup Generators Project, currently outstanding in the principal amount of $12,612,156.

[3] 2018-19 ratio. Bay Area Rapid Transit District's 2019-20 assessed valuation is not available at this time.

[4] Excludes tax and revenue anticipation notes, enterprise revenue bonds and airport improvement corporation bonds

[5] The Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City. The City's general obligation debt as a percentage of FY19-20 AV is 0.81%.

Source: California Municipal Statistics Inc.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City in which there is City participation, generally in the form of a public/private partnership. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants and others, as well as the financial health of such buyers, tenants, and others. Completion and success of each development will also likely depend on other factors unknown to the City.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 404 acres on Treasure Island and 94 acres on adjoining Yerba Buena Island, plus approximately 540 acres of unfilled tidal and submerged lands adjacent to the Islands in San Francisco Bay. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; 140,000 sf of retail and entertainment venues; 311,000 sf of adaptive reuse of historic structures; and a world-class 300-acre parks and open space system including shoreline access and cultural uses such as a museum. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plan includes green building standard, best practices in low-impact development, and sea level rise adaptation strategies.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") occurred in May 2015 and included the northern half of Yerba Buena Island and more than half of the area of Treasure Island. This was followed by smaller transfers of additional parcels on Treasure Island in September 2016, August 2017, and September 2018, and a fifth transfer is expected in 2019. The developer, Treasure Island Community Development ("TICD"), received its first land transfer in February 2016. Demolition in these areas is complete, and initial infrastructure and geotechnical improvements are underway. The first phase of development will include extensive horizontal infrastructure improvements (utilities, ferry facilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over 15 to 20 years.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point Area

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 4.4 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 439 completed units and 66 units currently under construction. An additional 174 units will begin construction in 2020. At Candlestick Point (Phase 2 of the Project), 337 housing units are now complete which includes a mix of public housing replacement and new affordable units. In 2016, horizontal infrastructure construction commenced in Candlestick Point to support additional residential and commercial development; designs for the former Candlestick Point Stadium site for a mixed-use residential, office, retail, hotel and film and arts center are currently underway.

Mission Bay South Project Area

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 4.15 million square feet of building space and a 550-bed hospital on 65 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; 3.5 million square feet of office and lab space; 6,514 housing units, with 1,914 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a 18,000 seat event center; a new 500-student public school; and a new fire and police station and police headquarters.

Mission Bay South Blocks 29-32 – Warriors Multi-purpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, developed a multi-purpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site has restaurants, retail, office space, bike valet, public plazas and a limited amount of parking.

Salesforce Transit Center (formerly known as the "Transbay Transit Center")

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors and includes additional funding sources for the Salesforce Transit Center. The Salesforce Transit Center replaces the former Transbay Terminal at First and Mission streets with a modern transit hub and includes a future extension of the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and opened in August 2018.

The Pelli Clarke Pelli Architects-designed transit center was designed to serve more than 100,000 people per day through 11 transportation systems, including future California High Speed Rail, which connect San Francisco to Los Angeles in less than 2-1/2 hours. The center embraces the goals of green architecture and sustainability. The heart of the Salesforce Transit Center is Salesforce Park, a 5.4-acre public park atop the facility that serves as a living "green roof" for the transit facility. The Salesforce Transit Center will have a LEED rating of at least Silver due to its sustainable design features and its related facilities, including Salesforce Park. Construction and operation of the Salesforce Transit Center is funded by various public funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, AC Transit and the Successor Agency (OCII) among others.

OCII has land use jurisdiction over the 10 acres of property formerly owned by the State surrounding the Salesforce Transit Center, which is being redeveloped with plans for 3,300 new homes, of which 1,300 will be affordable below-market rate homes, 767,000 square feet of new office space, over three acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, five parcels are fully complete, and five parcels are in various stages of pre-development and development. Two of those parcels are currently under construction and will provide over 900 housing units within the next six months. The sale of various sites has generated more than $600 million in funding for construction of the Salesforce Transit Center.

In September 2018, construction crews discovered fissures in two steel beams in the ceiling of the third-level bus deck on the eastern side of the transit center near Fremont Street. After several inspections and out of an abundance of caution, the TJPA temporarily closed the transit center to repair the issue and conduct intensive inspections.

The agency reopened the transit center on July 1, 2019 after the TJPA repaired and reinforced the affected area, reinforced a similarly designed area of the transit center, conducted an eight-month exhaustive facility-wide review; and recommissioned the entire facility. This was all done with the oversight of an independent panel of experts requested by both Mayor Breed of San Francisco and Mayor Schaaf of Oakland who concluded that all necessary steps were taken to reopen the center to the public. The transit center is back to full transit operations and use of its rooftop park has been steadily increasing.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres of land and pier structures. The Port's development partner on the project is a partnership between the San Francisco Giants and Tishman Speyer (called Mission Rock Partners). The approved development for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of the San Francisco Giants' Ballpark as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the project site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. In April 2018, State Lands Commission made determinations required under California statutes to allow the Mission Rock development to move forward. Phase 1 infrastructure is planned to break ground in late 2019 and the four, phase 1 buildings (two primarily apartment buildings and two primarily office buildings) are planned for construction concurrent with the Phase 1 infrastructure. Full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial new development, new parks, and adaptive reuse of historic structures, on this 69-acre site. Goals of the plans are to preserve and reuse historic structures; retain ship repair operations; provide new open space; and reactivate the site. Achieving these goals requires site remediation and substantial new infrastructure. Some of the planning objectives have already been achieved – including the complete rehabilitation of 7 very significant historic buildings (through a Master Lease with Orton Development, Inc.) and site preparation of the new Crane Cove Park. Rehabilitation of a final historic building in the Orton lease is well underway and will be complete in mid-2020. Construction of Crane Cove Park, a new segment of 19th street, and a new 19th street surface parking lot are all underway and anticipated to be opened in phases between mid-2020 and early 2021.

Located on the largest undeveloped portion of the site, the Port, OEWD, and Brookfield Properties (formerly, Forest City), completed all project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018. The Special Use District for the neighborhood includes 9 acres of new parks, 1,600 to 3,000 residential units with 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, and 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Brookfield team completed site preparations in 2018 and began Phase 1 infrastructure construction in early 2019. The first buildings at the site are planned to be completed as early as 2021.

Moscone Convention Center Expansion Project

The Moscone Center Expansion Project added approximately 300,000 square feet and re-purposed an additional 120,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space was created by excavating and expanding the existing below- grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and re-purposed building support area.

The project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued $412.0 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project achieved substantial completion on December 31, 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIIIA of the California Constitution

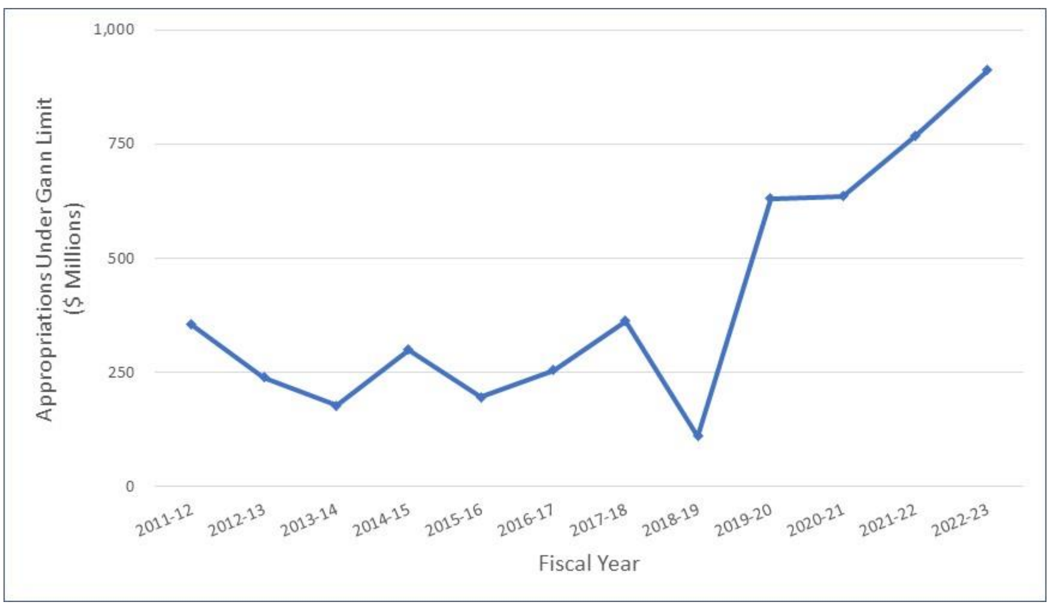
Article XIIIA of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIIIA) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the CPI or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII.

Article XIIIB of the California Constitution

Article XIIIB was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIIIB limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIIIB includes a requirement that if an entity's average revenues over two consecutive years exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the following two years. With voter approval, the appropriations limit can be raised for up to four years. See the graph below for appropriations available under the Gann Limit.



Articles XIIIC and XIIID of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XII C and XIIID to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIIIC requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIIIC addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIIIC, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness, and which could be reduced by initiative under Article XIIIC. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe State financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIII and XIII of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq*.) govern local tax and fee refund actions (absent another State statue governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2018. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on its General Fund lease obligations or other debt obligations, nor have an adverse impact on City finances.

Millennium Tower is a 58-story luxury residential building completed in 2009 and located at 301 Mission Street in downtown San Francisco. On August 17, 2016, some owners of condominiums in Millennium Tower filed a lawsuit, San Francisco Superior Court No. 16-553758 (the "Lehman Lawsuit") against the Transbay Joint Powers Authority ("TJPA") and the individual members of the TJPA, including the City. The TJPA is a joint exercise of powers authority created by the City, the Alameda-Contra Costa Transit District, the Peninsula Corridor Joint Powers Board, and Caltrans (ex officio). The TJPA is responsible under State law for developing and operating the Salesforce Transit Center, which will be a new regional transit hub located near the Millennium Tower. See "MAJOR ECONOMIC DEVELOPMENT PROJECTS – Salesforce Transit Center (formerly known as the "Transbay Transit Center")."

The TJPA began excavation and construction of the Salesforce Transit Center in 2010, after the Millennium Tower was completed. In brief, the Lehman Lawsuit claims that the construction of the Salesforce Transit Center harmed the Millennium Tower by causing it to settle into the soil more than planned and tilt toward the west/northwest, and the owners claim unspecified monetary damages for inverse condemnation and nuisance. The TJPA has asserted that the Millennium Tower was already sinking more than planned and tilting before the TJPA began construction of the Salesforce Transit Center and that the TJPA took precautionary efforts to avoid exacerbating the situation. In addition to the Lehman Lawsuit, several other lawsuits have been filed against the TJPA related to the subsidence and tilting of the Millennium Tower. The City is a defendant in four of these lawsuits.

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in two lawsuits filed by owners of multiple units, the Ying Lawsuit (Case No. 17-559210) and the Turgeon Lawsuit (Case No. 18-564417). The Montana, Ying and Turgeon Lawsuits contain similar claims as the Lehman Lawsuit. The parties have been participating in confidential mediation, and recently reached an agreement-in-principle as to the amounts to be paid and received pursuant to a global resolution of the litigation. The agreement is contingent on the negotiation, execution and approval of one or more documented global settlement agreements, as well as resolution of certain other contingencies. Discovery is stayed while the parties document the settlement, and the terms of the agreement-in-principle, including any contribution from the City or TJPA, remain subject to the mediation privilege. In the event that the settlement-in-principle is not finalized, the City cannot make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Retention Program

Citywide risk management is coordinated by the Risk Management Division which reports to the Office of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial liability insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City believes that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's decision to obtain commercial insurance depends on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory limits. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (i.e. the Airport, MTA, the PUC, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination between the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims, and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in some City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2018

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2018

TABLE OF CONTENTS

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2018

TABLE OF CONTENTS

CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2018

TABLE OF CONTENTS

This page has been intentionally left blank.

INTRODUCTORY SECTION

This page has been intentionally left blank.

March 25, 2019

The Honorable Mayor London N. Breed
The Honorable Members of the Board of Supervisors
Residents of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2018, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

The City is responsible for the accuracy of the data and for the completeness and fairness of its presentation. The existing comprehensive structure of internal accounting controls in the City provides reasonable assurance that the financial statements are free of any material misstatements. Because the cost of internal control should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of material misstatements. I believe that the reported data is accurate in all material respects and that its presentation fairly depicts the City's financial position and changes in its financial position as measured by the financial activity of its various funds. I am confident that the included disclosures provide the reader with an understanding of the City's financial affairs.

The City's Charter requires an annual audit of the Controller's records. The records have been audited by Macias Gini & O'Connell LLP and are presented in the Basic Financial Statements in this CAFR. The CAFR also incorporates financial statements of various City enterprise funds and component units, including the San Francisco International Airport, the San Francisco Water Enterprise, Hetch Hetchy Water and Power, the Municipal Transportation Agency, the San Francisco Wastewater Enterprise, the Port of San Francisco, the City and County of San Francisco Finance Corporation, the San Francisco County Transportation Authority, the City and County of San Francisco Health Service System, the San Francisco City and County Employees' Retirement System, and the Successor Agency to the San Francisco Redevelopment Agency.

This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD&A) section of the CAFR. The MD&A provides a narrative overview and analysis of the Basic Financial Statements and is presented after the independent auditor's report.

KEY FINANCIAL REPORT SECTIONS:

The **Introductory Section** includes information about the organizational structure of the City, the City's economy, major initiatives, status of City services, and cash management.

The **Financial Section** includes the MD&A, Basic Financial Statements, notes to the Basic Financial Statements, and required supplementary information. The Basic Financial Statements include the government-wide financial and other statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financial statements are blended with the City's, such as the San Francisco County Transportation Authority and the San Francisco Finance Corporation. The reason for this is that the primary government is financially accountable for the operations of these agencies. In other instances, namely, for the Treasure Island Development Authority, financial reporting is shown separately. Supplemental combining statements and schedules for nonmajor governmental funds, internal service funds and fiduciary funds are also presented in the financial section.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting statistical information. This section may be of special interest to citizens and prospective investors in our bonds.

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

A critical mass of innovative businesses, an enviable quality of life, and easy transit access for the Bay Area's highly-educated workforce continues to drive economic growth in the City. The last decade, following the last recession, has brought unprecedented growth to San Francisco. The City has re-emerged as the center of the Bay Area's regional economy and has been among the fastest growing large counties in the country. The City's unemployment rate in fiscal year 2017-18 averaged 2.6%, a drop of 0.5% from the prior fiscal year's rate of 3.1%, and one of the lowest of any city in the nation. In comparison, average unemployment rates for California and the nation for fiscal year 2017-18 stood at 4.4% and 4.1%, respectively.

The resident population also continued to grow, reaching a new historical high of 884,363 in 2017 according to the U.S. Census Bureau. This represents a 0.9% increase over the prior year, and a cumulative growth of approximately 120,000, or over 15%, over the last decade.

Key indicators of the City's real estate market have shown marked improvement over the past fiscal year. Commercial rents and median home prices increased to new historical highs. The monthly per square foot rental rates for commercial space grew to $74.85 in fiscal year 2017-18, a 1.5% increase from the prior year.

Infrastructure constraints reflected in rising housing prices, commercial rents, and transportation congestion and commute times have contributed to slowing growth in San Francisco despite its strong economic fundamentals and the generally good health of the U.S. economy. The very low rate of unemployment combined with challenges in increasing housing production have limited the City's ability to add new employed residents. The rate of total employment growth in the San Francisco metropolitan division from fiscal year 2016-17 to fiscal year 2017-18 was 2.3%. Earlier in the decade, annual job growth rates were more than double that figure.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

The City and County of San Francisco was established by Charter in 1850, and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

Elected officials include the Mayor, Members of the Board of Supervisors, Assessor-Recorder, City Attorney, District Attorney, Public Defender, Sheriff, Superior Court Judges, and Treasurer. Since November 2000, the eleven-member Board of Supervisors has been elected through district elections. The eleven district elections are staggered for five and six seats at a time, and held in even-numbered years. Board members serve four-year terms and vacancies are filled by Mayoral appointment.

San Francisco's Budgetary Process

The budget is adopted at the account or authority level of expenditure within each department, and the department level, fund, and account or authority is the legal level of budgetary control. The notes to the budgetary comparison schedule in the required supplementary information section summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2018-19 and 2019-20, there were five departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

As further required by these amendments, the Board of Supervisors and Mayor adopt a five-year financial plan every two years. The most recent plan was adopted in March 2017. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

Internal and Budgetary Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City maintains budgetary controls to ensure that legal provisions of the annual budget are in compliance and expenditures do not exceed budgeted amounts. Controls are exercised by integrating the budgetary accounts in fund ledgers for all budgeted funds. An encumbrance system is also used to account for purchase orders and other contractual commitments. Encumbered balances of appropriations at year-end are carried forward and are not reappropriated in the following year's budget.

Pension and Retiree Health Trust Fund Operations

The City has seven pension plans, with a substantial majority of full-time employees participating in the San Francisco Employees' Retirement System (SFERS), a defined benefit retirement plan. The City uses two different actuarial valuation studies – one for financial reporting purposes as required by the Governmental Accounting Standards Board and the other for funding purposes to determine the City's actuarially determined contributions to the plan.

As of June 30, 2018, for financial reporting purposes, the City's net pension liability for SFERS is $4.70 billion, a decrease of $0.78 billion from the previous year. SFERS's fiduciary net position as a percentage of total pension liability increased from 77.6% to 81.8%.

The City's net liability for employee retiree health benefits (other postemployment benefits, or OPEB) has been most recently calculated at $3.72 billion as of a June 30, 2017 measurement date. Voters have approved several amendments to the City Charter in the past decade to address this significant liability, including establishing mandatory employee and employer contributions to pre-fund these costs through contributions to an irrevocable trust, which can only be drawn once the plan is fully funded, with limited exceptions.

General Fund Financial Position Highlights

The City's General Fund financial position continued to post significant improvement during this most recent fiscal year, continuing trends from recent years. Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2017-18 at $2.22 billion, up $351 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2017-18, rising to a new year-end peak of $2.73 billion, up $583 million from the prior year. The General Fund rainy day and budget stabilization reserves grew to $514 million at the end of fiscal year 2017-18, an increase of $65 million compared to the prior year. The final fund balance available for appropriation on a budgetary basis is $45 million more than previously anticipated.

Key Government Initiatives

San Francisco's economy depends on investments in infrastructure and services that benefit City residents, workers, visitors, and businesses. These economic foundations range from housing and commercial development, to transportation infrastructure, investments in health and human services, and to maintain and improve the quality of life in the City. The City is taking steps to strengthen these services and infrastructure, to support San Francisco's economic recovery and long-term prosperity and attractiveness for residents, businesses, and visitors. Several critical initiatives related to the long-term economic and financial health of the City are described below.

Enhancements to the City's Transportation Systems

San Francisco is the cultural and economic center of the nine-county Bay Area, but population and job growth in the City and throughout the region present ongoing challenges for the efficient movement of people and goods. San Francisco is making sizable investments to alleviate some of this pressure by upgrading its aging transit infrastructure to improve service for residents and visitors to the City.

The San Francisco Municipal Transportation Agency (SFMTA) is in the final stages of construction for the Central Subway. Scheduled for completion in December 2019, the $1.6 billion rail project will extend the Muni Metro T Third Line through SoMa, Union Square and Chinatown, creating a direct, rapid transit link between downtown and the existing T Third Line on 3rd Street. The Central Subway will reduce bus traffic on congested streets, improve connectivity to regional transit services, including Bay Area Rapid Transit (BART) and Caltrain, and reduce travel times for approximately 35,000 passengers daily along one of the most congested transit routes in California.

The City is also currently constructing two major bus rapid transit (BRT) projects. Work is underway on Van Ness Avenue and Geary Boulevard, with completion for both projects scheduled in 2021. Together, the Van Ness Avenue and Geary Boulevard BRT projects are expected to improve transit reliability and reduce travel times for more than 37,000 daily riders.

In recent years, the City has also increased investments to modernize its aging transit system infrastructure. Implementation of a $500 million general obligation bond, approved by voters in November 2014, is providing funding for projects that improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately $100 million of bond revenues are allocated for improvements along Market Street.

The SFMTA is in the midst of a multi-year upgrade to its vehicle fleet. In 2017, the SFMTA began expanding its fleet of light rail vehicles. To date, 58 trains have been received and an additional 10 are scheduled to be delivered by the end of summer 2019. Beginning in 2020 and extending through 2025, the SFMTA will replace the entire fleet of 151 older Breda light rail vehicles. To accommodate new technologies and house its growing fleet, the City has also launched a capital program to replace and modernize its aging bus maintenance facilities.

Enhancements to the regional transit system are at various stages of planning and project delivery. Once it is re-opened, the Transbay Salesforce Transit Center will serve as a downtown hub for regional bus service to and from the East Bay and, ultimately, as the terminus for Caltrain and California's high-speed rail system. The electrification of Caltrain, scheduled for completion in 2022, will allow additional trains operating on the surface rail line to better meet regional demands and provide underground service into the Transbay Salesforce Transit Center. Service enhancements and extensions to the BART system are underway in both the South and East Bay Area.

Additionally, enhanced investments in street repaving, repair, and improvements have accelerated in recent years. Significantly higher levels of investments – primarily from a voter-approved 2011 general obligation bond, larger General Fund cash investments, and new revenues provided under the California Road Repair and Accountability Act of 2017 – have improved road conditions in the City, increasing pavement condition scores in 2018 to their highest levels in over two decades. These right-of-way investments have included enhancements for not just private and mass transit vehicles, but also improvements for pedestrians, bicyclists, and many designed to enhance neighborhood commercial districts throughout the City. During the last two years, the City has resurfaced 1,316 blocks, built 2,488 curb ramps, and inspected and repaired 522,000 square feet of sidewalk.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2017-18 as part of an approved $7.4 billion capital plan. Projects in construction include the $2.4 billion renovation of Terminal 1, a new long-term parking garage, a consolidated administrative campus, an on-Airport hotel and an extension of the AirTrain system. These projects are necessitated by the continued growth in passenger volumes at SFO, which has experienced nine consecutive years of passenger growth, and served a record number of passengers in fiscal year 2017-18. SFO accounts for 88% of international air travel and 68% of all air travel into the Bay Area.

Water, Power, and Sewer Service Upgrades

Service reliability and disaster preparedness are priorities of the City's Public Utilities Commission (PUC), as evidenced in the historic levels of infrastructure investment being deployed and planned in all three enterprises the PUC operates.

As of the end of fiscal year 2017-18, the City was over 96% complete with a $4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco counties, collectively serving some 2.7 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

The PUC is also underway with a $7.0 billion, three-phased 20-year program to upgrade the City's wastewater infrastructure, the Sewer System Improvement Program (SSIP). The first phase, totaling $2.9 billion, includes 70 projects to improve and update collection systems, treatment facilities and stormwater management efforts. The SSIP will upgrade the City's combined sewer system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

Hetch Hetchy Water and Power, which includes upcountry water operations and the City's power enterprise, is in the midst of an upcountry rehabilitation program for its aging reservoirs, powerhouses, switchyards, pipelines, tunnels and in-city power assets. Upcountry water and power facilities are being assessed and rehabilitated where needed, including investments in reservoirs, powerhouses, switchyards, and substations, 170 miles of pipelines and tunnels, 160 miles of transmission lines, watershed land, and right-of-way property. Improvements in San Francisco include piloted replacement of old, outdated streetlight fixtures and poles with modern, energy-efficient ones. These new fixtures will have wireless controls, enabling the City to achieve cost-efficiency and higher performance through the ability to monitor and control them remotely.

Over the next ten years, $1.1 billion of critical infrastructure investment is planned for SFPUC.

Investments in the City's Aging Infrastructure

Fueled by the financial benefits of this economic cycle and guided by the City's adopted ten-year capital plan, San Francisco has completed and is underway with a host of other investments in long-deferred public infrastructure, beyond those highlighted above. San Francisco's general obligation bonds program enables the financing of major infrastructure investments and enhancements with long useful lives and high upfront costs that the City would not be able to deliver with other means. This program is constrained - under current policy, voter approval of new bonds is only sought as old bonds are retired and the property tax base grows, resulting in tax rates for City-issued bonds that are at or below the rates for fiscal year 2005-06. Given voter-approval of bonds since the inception of the capital planning process and strong assessed value growth in recent years, the City has received approval for nearly $4 billion in general obligation bonds since 2008, more than the previous fifty years combined.

In June 2014, San Francisco voters approved a $400 million Earthquake Safety and Emergency Response Bond (ESER 2014) to continue vital work done in the ESER program and to pay for repairs and improvements that will allow the City to effectively respond to a major earthquake or disaster. The first phase of the ESER program was approved by voters in June 2010. Since the program began, the City has completed the new Public Safety Building, made improvements to a number of neighborhood firehouses, constructed a new headquarters for the Medical Examiner's Office, and completed upgrades to the emergency firefighting water system.

In June 2016, the voters of San Francisco approved a $350 million Public Health and Safety Bond to provide funds to improve critical public health infrastructure, including neighborhood fire stations as well as community and mental health care facilities. Major projects include the renovation and expansion of several neighborhood health clinics and the renovation of Building 5 at the Zuckerberg San Francisco General Hospital campus. The bond funds will also be used to build a seismically upgraded ambulance deployment center and make improvements to several homeless service sites.

San Francisco voters have approved a number of bond measures to fund capital improvements to the City's parks and libraries during the past decade, including the most recent approval in November 2012 of a $195 million general obligation bond for improvements to neighborhood parks. Once implemented, the City will have completed substantial renovations of 13 recreation centers, 52 playgrounds, 9 swimming pools, and 24 neighborhood libraries during a ten-year period.

The Port of San Francisco, a department of the City, is custodian to over seven miles of vibrant urban waterfront and historical maritime industrial public land. The Embarcadero Seawall Program is a major City and Port effort to improve safety and resilience of the over three miles of historic Embarcadero waterfront that supports critical regional transportation, City utility networks, and over $100 billion in assets and annual economic activity. The project's objective is to plan, design, and implement the most critical life safety improvements over the next decade, and, along with the Waterfront Land Use Plan, provide the framework for ensuring a disaster resilient waterfront for 2100 and beyond, a major goal of the City's Resilient San Francisco Plan. San Francisco voters approved $425 million in general obligation bonds at the November 2018 ballot to support Phase I of Embarcadero Seawall Program. The entire effort is estimated to cost up to $5 billion and expected to take decades to rebuild and repair the Seawall and enhance the waterfront for the over 24 million people that visit it each year.

Housing Production & Affordability

As outlined above, the strength of the local economy since the last recession has driven improvement across a broad array of economic measures, including significant reductions in unemployment and increases to household income among City residents. This economic strength has driven significant growth in property, business, and other local taxes that have, in part, led to the strengthening of the City's financial position while providing the resources to invest in these and other initiatives.

This economic growth, combined with a longstanding imbalance between the supply of and demand for housing, has led to very high housing prices in the City and the region. During fiscal year 2017-18, the median home value in San Francisco rose to $1.3 million, an annual increase of 10%. The median market rent for apartments was $4,296 per month in fiscal year 2017-18.

Meeting this demand with both market-rate and affordable housing has been a key City policy focus. A large amount of private construction was completed or underway by the end of the last fiscal year, with 3,385 housing units completed, and 7,079 additional units under construction at the end of the fiscal year. Much of this development is shaped by major area planning efforts that the City completed in prior years, including in the Eastern Neighborhoods, Market-Octavia, Mission Bay, and Transit Center District. The City has also more recently approved large-scale development project plans for Treasure Island, the Hunters Point Shipyard, and Park Merced. Additionally, the City recently approved the Central SOMA area plan, which will facilitate significant new residential and office construction in coming years.

This increase in construction has been matched with greater investments in subsidized affordable housing in the City for lower income families and individuals. A gradually increasing share of new private housing development will have to be constructed for low- and moderate-income households, as required by City development requirements adopted in 2017. The City, through the Mayor's Office on Housing and Community Development, issued approximately $153 million in loans to purchase, produce or preserve affordable housing in fiscal year 2017-18, and is implementing a $310 million general obligation bond approved by the voters in November 2015 to develop, acquire, and rehabilitate affordable housing in the City. Over the last five years, the City has produced or preserved approximately 7,500 units of affordable housing.

Other Long-Term Financial Challenges Remain

Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant initiatives outlined above, several long-term financial challenges and risks remain unresolved.

While significant investments are laid out in the City's proposed ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, nearly $11 billion in capital needs are deferred from the plan's horizon. More than half of these unfunded needs are for the City's transportation and waterfront infrastructure, where resource-intensive core maintenance investments persist.

The City has taken major steps to address long-term net liabilities for employee pension and other postemployment benefits, yet significant liabilities remain. The most recent actuarial analyses estimate the City's net liabilities of $8.82 billion for these benefits, comprised of $5.10 billion for employee pension benefits and $3.72 billion for retiree health benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded actuarial liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

Additionally, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, additional actions will be required to manage City finances in the next recession. Economic stabilization reserves have grown significantly during the last five fiscal years, and as of the end of fiscal year 2017-18 for the first time exceeded 9% of General Fund revenues. While these reserves are now approaching targeted levels of 10%, they are expected to offset but not fully cover

expected revenue losses in the next recession. These reserve balances totaled $514 million as of June 30, 2018, compared with tax revenue and expenditure increases that occur in a typical recession of approximately $1.1 billion, as estimated in the City's most recent five-year financial plan. Further policy choices will need to be developed to better weather inevitable negative variances that will be driven by future economic volatility.

Lastly, as the U.S. economy approaches its longest period of economic expansion in history, macro-economic issues such as rising interest rates could cool economic growth and may have particular impacts on locally-important industries such as technology, which has received large amounts of venture capital investment in the low-interest rate environment of the 2010s, and real estate, which could be adversely affected by rising mortgage rates. While San Francisco has retained a diverse economy compared to most other U.S. cities, its increasing reliance on the technology sector as a growth driver could create fiscal and economic risks in a recession that disproportionately affected that sector.

OTHER INFORMATION:

Independent Audit

The City's Charter requires an annual audit of the Controller's records. These records, represented in the basic financial statements included in the CAFR have been audited by the nationally recognized certified public accounting firm, Macias Gini & O'Connell LLP. The various enterprise funds, the Health Service System, the Employees' Retirement System, the Retiree Health Care Trust, the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the Successor Agency to the San Francisco Redevelopment Agency have been separately audited. The Independent Auditor's Report on our current year's financial statements is presented in the Financial Section.

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. This was the 36th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Acknowledgements

I would like to express my appreciation to the entire staff of the Controller's Office and the broader group of City financial staff whose professionalism, dedication, and efficiency are responsible for the preparation of this report. I would also like to thank Macias Gini & O'Connell LLP for their invaluable professional support in the preparation of the CAFR. Finally, I want to thank the Mayor and the Board of Supervisors for their leadership in planning and conducting the City's financial operations.

Respectfully submitted,

Ben Rosenfield
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco

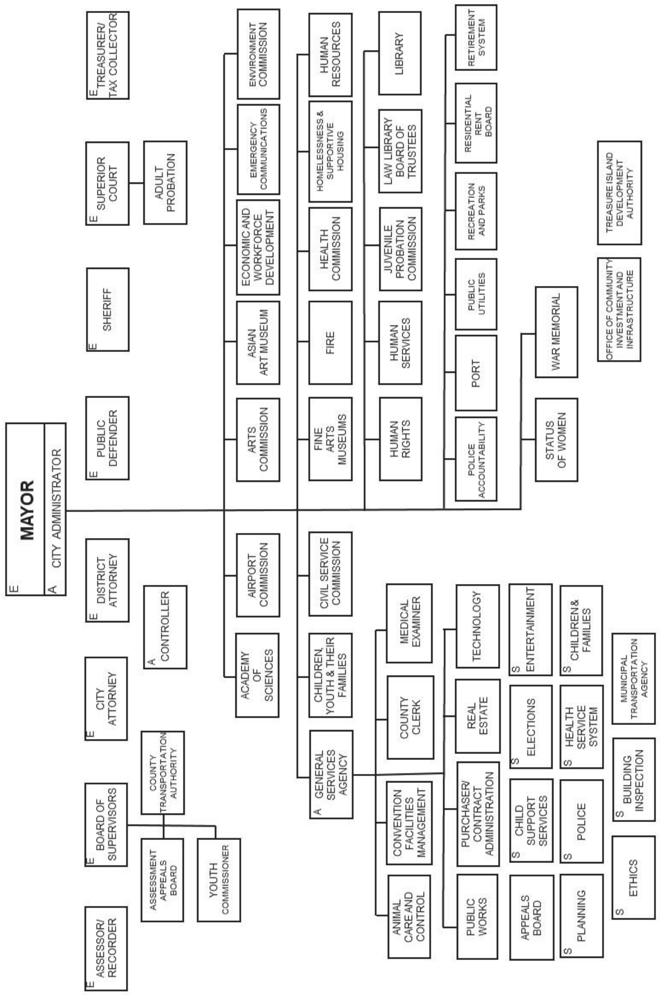
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Executive Director/CEO

City and County of San Francisco Organization Chart
(As of June 30, 2018)



A = Appointed / E = Elected / S = Shared – appointed by various elected officials.

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2018

Mayor	Mark Farrell (Interim)
Board of Supervisors:	
President	Malia Cohen
Supervisor	Sandra Lee Fewer
Supervisor	Catherine Stefani
Supervisor	Aaron Peskin
Supervisor	Katy Tang
Supervisor	London Breed
Supervisor	Jane Kim
Supervisor	Norman Yee
Supervisor	Jeff Sheehy
Supervisor	Hillary Ronen
Supervisor	Ahsha Safaí
Assessor/Recorder	Carmen Chu
City Attorney	Dennis J. Herrera
District Attorney	George Gascón
Public Defender	Jeff Adachi
Sheriff	Vicki Hennessy
Superior Courts	
Presiding Judge	Judge Teri L. Jackson
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Naomi Kelly
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	Ivar C. Satero
Appeals Board	Julie Rosenberg
Arts Commission	Tom DeCaigny
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	Tilly Chang
Building Inspection	Tom Hui
California Academy of Sciences	Jonathan Foley, Ph.D.
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Michael L. Brown
Economic and Workforce Development	Joaquin Torres, Ken Rich (Interim)
Elections	John Arntz
Emergency Management	Anne Kronenberg
Entertainment	Maggie Weiland (Acting)
Environment	Deborah Raphael
Ethics	LeeAnn Pelham
Fine Arts Museums	Max Hollein
Fire	Joanne Hayes-White

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2018

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Virginia Donohue
Convention Facilities Management	John Noguchi
County Clerk	Naomi Kelly (Interim)
Medical Examiner	Michael Hunter
Public Works	Mohammed Nuru
Purchaser/Contract Administration	Jaci Fong
Real Estate	Andrico Penick
Department of Technology	Linda Gerull
Health Service System	Abbie Yant
Homelessness and Supportive Housing	Jeff Kositsky
Human Resources	Micki Callahan
Human Rights	Sheryl Evans Davis
Human Services	Trent Rhorer
Aging and Adult Services	Shireen McSpadden
Juvenile Probation	Allen A. Nance
Law Library Board of Trustees	Marcia Bell
Library	Michael Lambert (Acting)
Municipal Transportation Agency	Ed Reiskin
Planning	John Rahaim
Police	William Scott
Police Accountability	Paul Henderson
Port	Elaine Forbes
Public Health	Barbara A. Garcia
Public Utilities	Harlan Kelly
Recreation and Park	Phil Ginsburg
Residential Rent Board	Robert Collins
Retirement System	Jay Huish
Small Business	Regina Dick-Endrizzi
Status of Women	Emily M. Murase
Successor Agency to the Redevelopment Agency	Nadia Sesay
Superior Court	T. Michael Yuen
Adult Probation	Karen L. Fletcher
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck

This page has been intentionally left blank.

FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Financial Statements
- Required Supplementary Information

This page has been intentionally left blank.

Independent Auditor's Report

Honorable Mayor and Members of the Board of Supervisors
City and County of San Francisco, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), Municipal Transportation Agency (major fund), San Francisco Wastewater Enterprise (major fund), and the Health Service System, which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.6%	7.5%	1.8%
Business-type activities	92.0%	100.0%	74.9%
Aggregate discretely presented component unit and remaining fund information	1.0%	0.8%	9.4%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and restated beginning net position for the retroactive application of this new accounting standard. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which such partial and summarized information was derived.

We have previously audited the City's 2017 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated December 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment healthcare benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule - General Fund, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Macias Gini & O'Connell LLP

San Francisco, California
March 25, 2019

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2016-17 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2017-18 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately $7.71 billion (net position). Of this balance, $9.19 billion represents the City's net investment in capital assets, $2.49 billion represents restricted net position, and unrestricted net position has a deficit of $3.97 billion. The City's total net position increased by $155.7 million, or 2.1 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by $871.0 million or 10.5 percent and $411.1 million or 19.8 percent, respectively, and unrestricted net position decreased by $1.12 billion or 39.6 percent.

The City's governmental funds reported total revenues of $6.41 billion, which is a $439.8 million or 7.4 percent increase over the prior year. Within this, revenues from property taxes, business taxes, intergovernmental sources, charges for services, hotel room tax, and other local taxes grew by approximately $233.9 million, $196.8 million, $65.2 million, $37.1 million, $11.8 million, and $12.6 million, respectively. At the same time, there was a decline in revenues from real property transfer tax, utility users tax, and other revenues of $130.1 million, $6.7 million, and $2.3 million, respectively. Governmental funds expenditures totaled $5.85 billion for this period, a $532.5 million or 10.0 percent increase, reflecting increases in demand for governmental services of $375.9 million, increased debt service of $115.9 million and increased capital outlay of $40.7 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $4.58 billion, an increase of $1.17 billion or 34.4 percent from prior year, primarily due to $1.37 billion in proceeds from issuance from bonds which offset the greater increase in expenditures over revenues as well as the increase in other financing uses.

The City's total short-term debt decreased by $237.8 million in this fiscal year. The decrease of $134.1 million in the governmental activities was due to the refinancing of commercial paper (CP) with certificates of participation, offset by the issuance of $54.0 million CP for the construction of Transbay Transit Center. The short-term debt in the enterprise activities decreased by $103.8 million mainly due to the Airport and the Water Enterprise refinancing $253.3 million in CP with revenue bonds, net of $151.4 million CP issued by the Wastewater Enterprise for improvements of its facilities.

The City's governmental activities long-term bonds, loans, and capital leases increased by $956.1 million. A total of $633.0 million in general obligation bonds were issued to fund: improvements to City's parks and waterfront open spaces; upgrades to streets and sidewalks; infrastructure and facility improvements to aid emergency response to earthquakes, focusing on water supply and fire and police stations; low- and middle-income housing programs; facility improvements to aid emergency response capacity, focusing on medical and mental health. The City issued $412.4 million certificates of participation to refinance short-term debt for the Moscone expansion project, issued $248.3 million sales tax revenue bonds for the SFCTA's transportation projects, and entered into a capital lease agreement for $1.6 million for hardware and peripherals for the City's mainframe computer. The increase in debt was offset by $415.3 million due to scheduled debt service payments of $300.3 million and repayment of $115.0 million of the revolving credit loan funded by the SFCTA's issuance of its sales tax revenue bonds.

The City's business-type activities long-term debt increased by $2.02 billion. The Airport issued $2.04 billion revenue bonds, of which $1.72 billion was used to finance and refinance the redevelopment of airport terminals, construct a long-term parking garage and administration building, extend the Air-Train service and improve security and technology structure and $310.2 million in revenue refunding bonds was issued to generate an economic gain. The Water Enterprise issued $781.7 million revenue bonds, comprised of $442.2 million refunding bonds to generate an economic gain and $339.5 million to finance and refinance the City's water system improvement projects. The Wastewater Enterprise obtained a loan of $22.6 million from the State of California for sewer system improvement projects. The Municipal Transportation Agency obtained a bank loan of $4.7 million for a garage renovation project. These new debt issuances were offset in the amount of $1.22 billion in refunded bonds and scheduled debt payments.

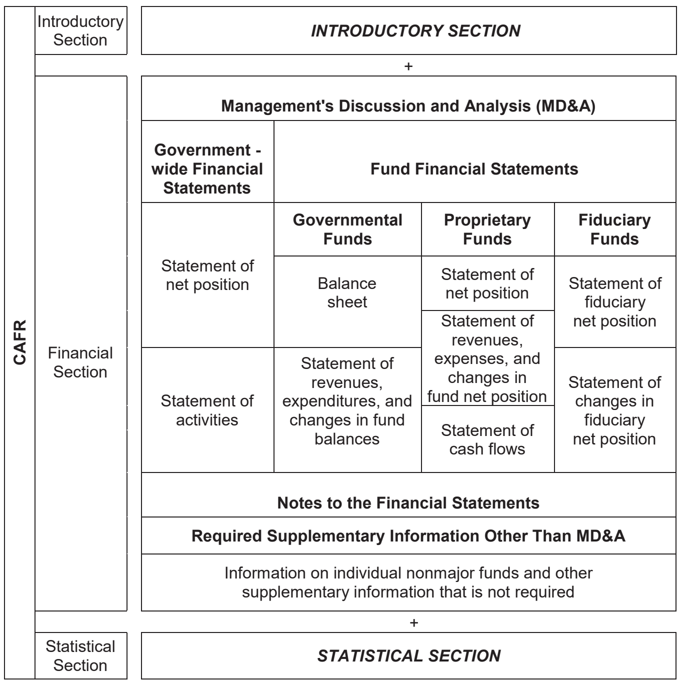
In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred Yerba Buena Gardens to the City at no cost in June 2018. The transfer consisted of the Gardens and related properties, leases and operating agreements necessary for ongoing operations, and cash held in a separate account for the Gardens. The City recorded a special item of $11.1 million for the transfer of cash in the Real Property Fund and in total assets (cash and capital assets) of $116.7 million in governmental activities (see Note 14).

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2017. GASB Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with postemployment benefits other than pensions (OPEB) and requires additional OPEB disclosures. The City restated the July 1, 2017 net position to include the net OPEB liability as well as deferred outflows of resources related to OPEB. The net effect of this change was a $1.04 billion reduction in the City's beginning net position. The fiscal year 2016-17 financial statements have not been restated in the MD&A for comparative purposes.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) **Government-wide** financial statements, (2) **Fund** financial statements, and (3) **Notes** to the financial statements. This report also contains other **supplementary information** in addition to the basic financial statements themselves. These various elements of the Comprehensive Annual Financial Report are related as shown in the graphic below.

Organization of City and County of San Francisco Comprehensive Annual Financial Report



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government - wide Statements	Fund Financial Statements		
		Governmental	**Proprietary**	**Fiduciary**
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The **statement of net position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The **statement of activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, transportation system (including parking), water and power operations, an acute care hospital, a long-term care hospital, and sewer operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority (Transportation Authority) and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency (Successor Agency) as a fiduciary component unit of the City.

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: **governmental** funds, **proprietary** funds, and **fiduciary** funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available and the constraints for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension, net OPEB liability, and OPEB contributions.

The City adopts a rolling two-year budget for its General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with this budget.

Combining Statements and Schedules

The combining statements and schedules referred to earlier in connection with nonmajor governmental funds, internal service funds, and fiduciary funds are presented immediately following the required supplementary information on pensions and other postemployment benefits.

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	$6,664,033	$5,097,048	$ 6,174,594	$ 4,903,634	$ 12,838,627	$ 10,000,682
Capital assets	5,803,025	5,307,676	18,505,656	16,761,881	24,308,681	22,069,557
Total assets	12,467,058	10,404,724	24,680,250	21,665,515	37,147,308	32,070,239
Deferred outflows of resources:	1,015,311	1,311,074	973,033	1,273,096	1,988,344	2,584,170
Liabilities:						
Current liabilities	2,041,116	1,811,708	2,201,736	1,911,931	4,242,852	3,723,639
Noncurrent liabilities	9,326,001	7,967,621	17,470,491	15,143,312	26,796,492	23,110,933
Total liabilities	11,367,117	9,779,329	19,672,227	17,055,243	31,039,344	26,834,572
Deferred inflows of resources:	223,275	150,058	158,974	111,466	382,249	261,524
Net position:						
Net investment in capital assets*	3,311,218	2,873,927	6,211,102	5,752,069	9,192,745	8,321,778
Restricted *	1,531,481	1,473,219	1,103,693	690,592	2,492,619	2,081,491
Unrestricted (deficit) *	(2,950,722)	(2,560,735)	(1,492,713)	(670,759)	(3,971,305)	(2,844,956)
Total net position	$1,891,977	$1,786,411	$ 5,822,082	$ 5,771,902	$ 7,714,059	$ 7,558,313

* See note 10(d) to the basic financial statements.

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $7.71 billion at the end of fiscal year 2017-18, a 2.1 percent increase over the prior year. The City's governmental activities account for $1.89 billion of this total and $5.82 billion stem from its business-type activities.

The largest portion of the City's net position is the $9.19 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $871.0 million or 10.5 percent increase over the prior year and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a $559.0 million increase at SFMTA offset by decreases of $67.7 million and $57.5 million at LHH and SFGH, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $2.49 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $3.97 billion, which consists of a $2.95 billion deficit in governmental activities and $1.49 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included $472.1 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

Condensed Statement of Activities
(in thousands)

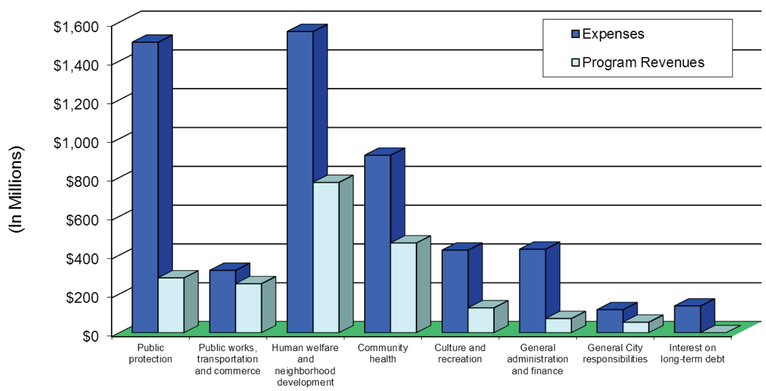
	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues:						
Charges for services	$ 685,437	$ 646,422	$ 3,686,189	$ 3,341,055	$ 4,371,626	$ 3,987,477
Operating grants and contributions	1,279,900	1,263,262	217,506	270,167	1,497,406	1,533,429
Capital grants and contributions	63,181	19,493	456,166	353,046	519,347	372,539
General revenues:						
Property taxes	2,363,863	1,951,696	-	-	2,363,863	1,951,696
Business taxes	899,142	702,331	-	-	899,142	702,331
Sales and use tax	293,916	291,395	-	-	293,916	291,395
Hotel room tax	382,176	370,344	-	-	382,176	370,344
Utility users tax	94,460	101,203	-	-	94,460	101,203
Other local taxes	424,187	542,567	-	-	424,187	542,567
Interest and investment income	46,020	35,240	39,010	28,547	85,030	63,787
Other	71,834	182,933	246,827	257,419	318,661	440,352
Total revenues	6,604,116	6,106,886	4,645,698	4,250,234	11,249,814	10,357,120
Expenses						
Public protection	1,496,749	1,692,224	-	-	1,496,749	1,692,224
Public works, transportation and commerce	321,577	387,423	-	-	321,577	387,423
Human welfare and neighborhood development	1,552,060	1,543,047	-	-	1,552,060	1,543,047
Community health	914,512	868,628	-	-	914,512	868,628
Culture and recreation	425,668	539,516	-	-	425,668	539,516
General administration and finance	430,711	337,209	-	-	430,711	337,209
General City responsibilities	118,956	145,247	-	-	118,956	145,247
Unallocated Interest on long-term debt	138,048	113,264	-	-	138,048	113,264
Airport	-	-	1,092,154	1,122,802	1,092,154	1,122,802
Transportation	-	-	1,304,254	1,468,586	1,304,254	1,468,586
Port	-	-	102,667	118,361	102,667	118,361
Water	-	-	536,068	572,509	536,068	572,509
Power	-	-	202,366	198,621	202,366	198,621
Hospitals	-	-	1,294,045	1,370,154	1,294,045	1,370,154
Sewer	-	-	235,985	273,077	235,985	273,077
Total expenses	5,398,281	5,626,558	4,767,539	5,124,110	10,165,820	10,750,668
Increase/(decrease) in net position before transfers and special items	1,205,835	480,328	(121,841)	(873,876)	1,083,994	(393,548)
Transfers	(753,283)	(647,942)	753,283	647,942	-	-
Special item:						
Receipt of Yerba Buena Garden assets	116,690	-	-	-	116,690	-
Change in net position	569,242	(167,614)	631,442	(225,934)	1,200,684	(393,548)
Net position at beginning of year, as previously reported	1,786,411	2,009,063	5,771,902	5,997,836	7,558,313	8,006,899
Cumulative effect of accounting change	(463,676)	(55,038)	(581,262)	-	(1,044,938)	(55,038)
Net position at beginning of year, as restated	1,322,735	1,954,025	5,190,640	5,997,836	6,513,375	7,951,861
Net position at end of year	$ 1,891,977	$ 1,786,411	$ 5,822,082	$ 5,771,902	$ 7,714,059	$ 7,558,313

Analysis of Changes in Net Position

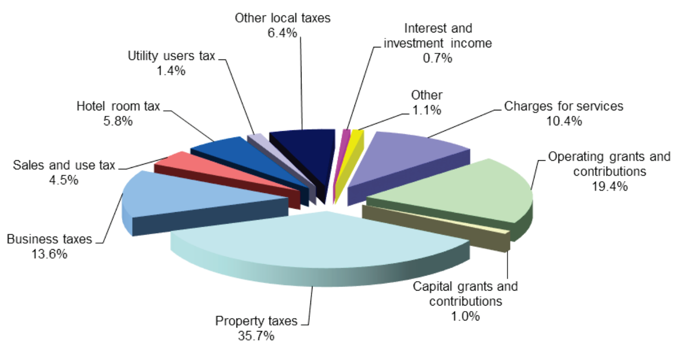
The City's change in net position increased by $1.59 billion in fiscal year 2017-18, due to a $393.5 million decrease in the prior fiscal year and a $1.20 billion increase in the current year. The increase in the change in net position was due to a $736.9 million increase from governmental activities and a $857.4 million increase from business-type activities.

The City's governmental activities experienced a $497.2 million or 8.1 percent growth in total revenues, as well as a decrease in total expenses of $228.3 million or 4.1 percent this fiscal year. Business-type activities revenues increased by $395.5 million or 9.3 percent, as well as a decrease in total expenses of $356.6 million, or 7.0 percent. The net transfer to business-type activities increased by $105.3 million. The major component of decreased expense Citywide is decreased pension expense of $1.07 billion . Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



Governmental activities. Governmental activities increased the City’s total net position by approximately $569.2 million before the cumulative effect of accounting change related to the implementation of GASB Statement No. 75. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $6.60 billion, a $497.2 million or 8.1 percent increase over the prior year. For the same period, expenses totaled $5.40 billion before transfers of $753.3 million.

Property tax revenues increased by $412.2 million or 21.1 percent. This growth was due in large part to regular annual tax and escape tax collections associated with higher assessed values of secured real property and unsecured property in San Francisco and also due to increase in supplemental property tax collections for both current year and prior year supplemental assessments. Additional increases in property tax revenues are related to the Educational Revenue Augmentation Fund (ERAF) windfall of $208.0 million. An increase in business taxes of $196.8 million or 28.0 percent was mainly driven by increases in the gross receipts tax mainly due to the increasing tax rates.

Revenues from sales and use tax and hotel room taxes totaled approximately $676.1 million, a growth of $14.4 million over the prior year. Sales and use tax increased by $2.5 million or 0.9 percent primarily due to an overall decline in the sales of general consumer goods offset by slow growth in the food and restaurant sector. Hotel room tax increased by approximately $11.8 million or 3.2 percent, due to a slight continuing decline in room rates, offset by the occupancy impact of the partial reopening of the Moscone Convention Center.

Other local taxes decreased by $118.4 million or 21.8 percent, mainly related to a decline in real property transfer tax. In November 2016, voters approved Proposition W which increased the real property transfer tax rate on properties over $5.0 million, which represents a small number of transactions but is typically the highest proportion of total transfer tax revenue. As the real estate market has slowed, revenue from real property transfer tax has decreased.

Other revenues also decreased by approximately $111.1 million or 60.7 percent. In the prior year, the City sold two properties for a gain on sale of approximately $97.3 million. There were no significant sales of properties that occurred during fiscal year 2017-18.

Total grants and contributions increased $60.3 million. This was largely due to increases in the General Fund from State sources, mainly related to health and welfare, capital projects, as well as mental health services. In fiscal year 2017-18, the City received an additional $2.2 million in State funds related to the Civic Center navigation center.

Total charges for services increased $39.0 million, or 6.0 percent. The increase is mainly due to a $28.1 million increase in General Fund charges for services, which includes enrollment fees in Healthy San Francisco which increased $13.0 million related to increases in the patient census. Additionally, the Department of Public Health received supplemental payments from the federal government in fiscal year 2017-18 to offset the cost of care related to Medi-Cal expansion. The department received two years’ worth of payments under the program during fiscal year 2017-18, which increased Medi-Cal settlement revenue by approximately $11.0 million.

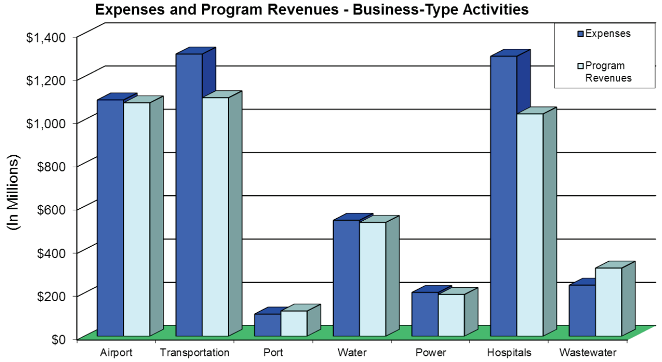
Interest and investment income revenue increased by $10.8 million, or 30.6 percent, due to increased interest rates as well as balances in the City’s investment pool, primarily due to an increase in property tax revenues, and business tax revenues.

Net transfers from the governmental activities to business-type activities were $753.3 million, a $105.3 million increase or 16.3 percent from the prior year. This was mainly due to an increase in operating subsidies to SFMTA of $37.3 million and SFGH of $34.7 million, as well as an increase of $13.3 million in Proposition B funding from the General Fund to SFMTA.

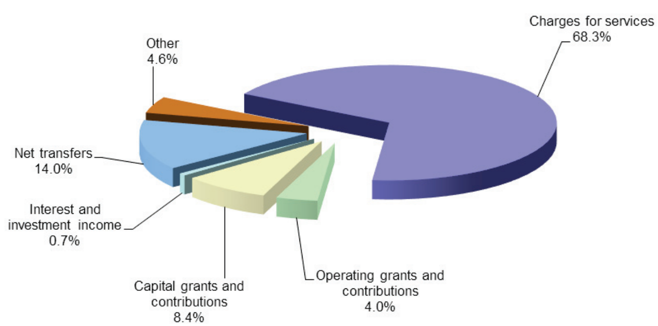
The decrease of total governmental expenses of $228.3 million, or 4.1 percent, was primarily due to a decrease in pension expense of $531.2 million related to better than expected investment returns as well as significant increases in prior year supplemental cost of living adjustments, which resulted from the Appeal Court's elimination of the full funding requirement for certain members that did not recur in fiscal year 2017-18, offset by increases in professional services spending as part of Community Health related to behavior health services and the Electronic Health Records system project, as well as increases related to General, Administration & Finance primarily due to increases in salaries. In total, the leading decreases were $195.5 million in Public Protection and $113.8 million in Culture and Recreation.

On June 27, 2018, the City acquired the Yerba Buena Gardens property and related assets used in its operations from the Successor Agency for a total book value of $116.7 million. The transaction is presented as a Special Item in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

Expenses and Program Revenues - Business-Type Activities



Revenues By Source - Business-type Activities



Business-type activities increased the City's net position by $631.4 million before cumulative effect of accounting change due to the implementation of GASB Statement No. 75, and by $50.2 million after cumulative effect of accounting change and key factors contributing to this increase are as follows:

- The San Francisco International Airport had an increase in net position at fiscal year-end of $65.2 million, compared to a $116.9 million decrease in the prior year, a $182.1 million difference. Operating revenues totaled $1.06 billion for fiscal year 2017-18, an increase of $137.0 million or 14.8 percent over the prior year and included increases of $125.0 million, $8.9 million, $1.2 million, and $1.9 million in aviation, concession, parking and transportation, and net sales and services, respectively, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses decreased by $38.7 million, or 4.8 percent, for a net operating income of $293.6 million for the period. Net nonoperating activities saw a deficit of $196.9 million versus $201.0 million deficit in the prior year, a $4.1 million decrease. The decrease in both operating and nonoperating expenses is due to decreases in personnel, depreciation, and other nonoperating expenses. Personnel costs decreased by $51.8 million due to a prior year significant pension expense increase related to supplemental cost of living adjustments, and additional positions that did not recur in fiscal year 2017-18. Capital contributions increased by $3.8 million due to an increase in federal grants received. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Airport restated its beginning net position with a decrease of $83.0 million.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $17.6 million at the end of fiscal year 2017-18, compared to a decrease of $121.4 million at the end of the previous year, a $139.0 million difference. Operating revenues totaled $525.6 million, operating expenses totaled $370.1 million, nonoperating activities totaled a net expense of $106.9 million and the net decrease from transfers was $29.0 million. Compared to the prior year, operating revenues increased $65.3 million, which included $56.9 million in charges for services. The enterprise reported a total decrease in operating expenses of $51.7 million in fiscal year 2017-18 due to a $53.7 million decrease in personnel services mainly due to pension expense, Nonoperating expenses increased by $15.9 million in interest expense mainly due to the issuance of additional bonds during the year. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Water Enterprise restated its beginning net position with a decrease of $29.4 million.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2017-18 with a net position increase of $33.4 million, compared to a $65.6 million increase the prior year, a difference of $32.2 million. This change consisted of a decrease in operating income of $1.5 million, a decrease in nonoperating income of $0.3 million, and a decrease in transfers from the City of $30.5 million. Additionally, due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, Hetch Hetchy Water and Power and CleanPowerSF restated its beginning net position with a decrease of $4.4 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $25.2 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $7.0 million increase in change in net position, and CleanPowerSF, which reported a $1.2 million increase in net position. Hetchy Water operating revenues decreased by $1.6 million, mainly due to a decrease of $2.0 million in water assessment fees from the Water Enterprise while operating expenses decreased by $10.3 million mainly due to a $7.5 million decrease in personnel services for lower pension and personnel costs. Hetchy Power's operating revenues decreased by $2.1 million mostly due to decreased sales of $7.6 million to non-City customers, offset by increases of $2.4 million in sales to other City departments, $1.7 million to other retail customers, mainly from San Francisco Port operations, and $1.5 million in sales of electricity to CleanPowerSF. On the operating expenses side, Hetchy Power reported an increase of $2.5 million due to increases of $7.7 million in energy supply purchases and $5.8 million in transmission and distribution power cost due to powerhouse shutdown, mainly offset by a decrease of $10.0 million in personnel costs mainly due to lower pension expense, and $0.9 million in legal services provided by the City Attorney. CleanPowerSF's operating revenues increased by $5.7 million due to $5.7 million increase in charges for services related to consumption increase. Operating expenses for CleanPowerSF increased by $11.3 million mainly due to $7.9 million increase in purchased electricity and transmission, distribution and other power costs, $1.0 million increase in professional services related to program development, and $0.9 million in personnel services.

- The City's Wastewater Enterprise's net position increased by $65.2 million, compared to a $9.7 million decrease in the prior year, a $74.9 million change. Operating revenues increased by $37.8 million due to a $35.4 million increase in charges for services as a result of an average 11 percent adopted rate increase, and a 2 percent increase in sanitary flow. Operating expenses decreased by $33.6 million mainly due to $23.3 million decrease in personnel services mainly from pension expense and a $13.0 million decrease in general and administrative operating expenses mainly due to increased capitalization of capital project spending, offset by an increase of $2.2 million in contractual services, particularly engineering, management, and system consulting services. Transfers out decreased by $3.8 million mainly due to a transfer to the City Real Estate Division for the Phase 1 construction work for the Central Shops Relocation Project. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Wastewater Enterprise restated its beginning net position with a decrease of $2.3 million.

- The Port ended fiscal year 2017-18 with a net position increase of $16.2 million, compared to a $2.1 million increase in the previous year, a $14.1 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2017-18, operating revenues decreased by $3.6 million, mostly due to construction and event permit fees, developer or other one-time transaction fees occurring in the prior year that did not recur in fiscal year 2017-18. Operating expenses decreased $17.2 million over the prior year. This was due in part to decreases of $7.1 million in personal services mainly due to decreases in pension expense, a reduction of $8.5 million in the pollution remediation liability related to Pier 70 development, and $6.4 million in depreciation and amortization related to fully depreciated assets still in use, offset by an increase of $6.4 million in contractual services mainly related to spending for the Mission Bay Ferry Landing Project, the Pier 70 shipyard, and the Seawall program. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Port restated its beginning net position with a decrease of $4.0 million.

- The SFMTA had an increase in net position of $559.0 million for fiscal year 2017-18, compared to an increase of $274.7 million in the prior year, a $284.3 million change. SFMTA's total operating revenues were $512.0 million, while total operating expenses reached $1.29 billion. Operating revenues increased by $11.9 million compared to the prior year and is mainly due to increase in passenger fare revenue by $6.4 million, charges for services by $3.1 million, penalties by $2.3 million, advertising revenue by $1.5 million, and permits revenue of $0.8 million, offset by decreases in parking fees of $1.6 million and tax revenues of $1.2 million. Operating expenses decreased by $114.5 million primarily due to personnel costs, which is attributable mainly to prior year COLA and hiring increases, and pension expense, offset by an increase in general and administrative costs, mainly related to an increase in claims liability. Net nonoperating revenue decreased by $68.1 million mostly from federal operating grants, development fees, and loss on disposal of assets, offset by increases in interest and investment income as well as in state operating grants. Capital contributions increased by $82.2 million due to an increase in capital expenditures incurred and billable to grantors mostly related to revenue and trolley vehicles procurement, and the Central Subway. Net transfers in increased by $143.7 million due to a $148.2 million increase in capital project support from the City's General Obligation Bonds, and $37.3 million from the City's General Fund for revenue baseline subsidy, offset by $28.5 decrease in transfers from other City departments. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the SFMTA restated its beginning net position with a decrease of $333.0 million.

- LHH, the City's skilled nursing care hospital, had a decrease in net position of $67.7 million at the end of fiscal year 2017-18, compared to a decrease of $69.5 million at the end of the previous year, a $1.8 million difference. The LHH's loss before transfers for the year was $118.0 million versus a loss of $132.6 million for the prior year. This change of $14.6 million was mostly due to a $20.2 million increase in operating revenues, a $8.1 million increase in operating expenses, and a $2.5 million increase in net nonoperating revenues. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the LHH restated its beginning net position with a decrease of $62.4 million.

- SFGH, the City's acute care hospital, ended fiscal year 2017-18 with a decrease in net position of $57.5 million, compared to a decrease of $250.9 million the prior year, a $193.4 million change. Operating revenues increased $74.5 million from prior year, mainly due to a $75.3 million increase in

net patient service revenue. Operating expenses decreased approximately $84.3 million, mainly due to a $101.7 million decrease in personal services, related to decreases in pension expense, offset by a $11.2 million increase in materials and supplies and a $4.4 million increase in general and administrative expense. Net nonoperating revenues decreased $7.9 million, mainly due to a decrease in State and other operating grants. Net transfers increased by approximately $42.5 million, due to a $34.6 million increase in transfers in and a $7.9 million decrease in transfers out. Additionally, due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, SFGH restated its beginning net position with a decrease of $62.8 million.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds statements is to provide information on near-term inflows, outflows, and balances of resources available for future spending. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and the Permanent Fund.

At the end of fiscal year 2017-18, the City governmental funds reported combined fund balances of $4.58 billion, an increase of $1.17 billion or 34.4 percent over the prior year. Of the total fund balances, $1.42 billion is assigned and $412.4 million is unassigned. The total of $1.83 billion or 39.9 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $1.29 billion. The remainder of the governmental fund balances includes $1.6 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, $2.38 billion restricted for programs at various levels and $371.7 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $1.70 billion while total fund balance reached $2.22 billion. Combined assigned and unassigned fund balances represent 45.6 percent of total expenditures, while total fund balance represents 59.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.25 billion, before transfers and other items of $898.6 million, resulting in total fund balance increasing by $351.2 million. Overall, the significant growth in revenues, particularly in property taxes, business taxes and state grant and subventions was partly offset by increased transfers to other funds to meet voter-mandated spending requirements, as well as expenditure growth, particularly in community health, due to growing demand for services. The net result was an increase in fund balance this fiscal year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements but with some additional detail.

At the end of fiscal year 2017-18, the unrestricted net position for the proprietary funds was as follows: Hetch Hetchy Water and Power: $184.0 million, Wastewater Enterprise: $0.2 million, and the Port: $75.6 million. In addition, the following funds had net deficits in unrestricted net position: Airport: $9.0 million, Water Enterprise: $70.9 million, SFMTA: $626.4 million, San Francisco General Hospital: $671.9 million, and Laguna Honda Hospital: $374.3 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $631.4 million due to the current year financial activities. The change in net position for the current year was offset by the restatement of beginning net position of $581.3 for the adoption of GASB Statement No. 75. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Position
Airport	$ 1,063,802	$ 770,186	$ 293,616	$ (196,910)	$ 15,051	$ (46,549)	65,208
Water	525,639	370,147	155,492	(106,869)	-	(30,986)	17,637
Hetch Hetchy	191,963	197,615	(5,652)	9,489	-	29,575	33,412
Municipal Transportation Agency	511,984	1,294,145	(782,161)	196,301	438,489	706,353	558,982
General Hospital	772,687	962,163	(189,476)	60,486	-	71,481	(57,509)
Wastewater Enterprise	315,096	210,593	104,503	(12,345)	-	(26,960)	65,198
Port	109,769	96,823	12,946	619	2,626	19	16,210
Laguna Honda Hospital	195,249	324,081	(128,832)	10,786	-	50,350	(67,696)
Total	$ 3,686,189	$ 4,225,753	$ (539,564)	$ (38,443)	$ 456,166	$ 753,283	$ 631,442

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2017-18, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled $24.91 billion, representing a $2.24 billion increase from the prior year, a 9.9 percent change. The increase is a result of strong investment returns which were slightly reduced by the net difference between contributions received by the Plan and increased benefit payments made from the Plan. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $462.8 million at year's end. This 17.3 percent, or $68.1 million, increase in the net deficit is due to the transfer of Yerba Buena Gardens to the City offset by decreases in program costs and interest expense. The Investment Trust Fund's net position was $706.9 million at year's end, and the 18.1 percent decrease represents the excess of distributions over contributions by external participants. The Retirement System and Successor Agency restated their beginning net position to be $3.0 million and $5.8 million less than previously reported, respectively, due to the cumulative effect of implementing GASB Statement No. 75.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were $248.3 million higher than the final budget. The City realized $146.3 million, $104.0 million, $31.8 million, $17.1 million, $11.7 million and $9.9 million more revenue than budgeted in business taxes, property taxes, interest and investment, state health and welfare realignment subventions, Medi-Cal, Medicare and health service charges and hotel room tax, respectively. These increases were partly offset by reductions of $25.8 million, $20.4 million, $19.6 million, and $8.4 million, in other resources, state social service subventions, real property transfer tax and federal grants and subventions, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2018

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $88.1 million in expenditure savings. Major factors include:

- $29.0 million in savings from the Human Services Agency, due largely to reductions in aid assistance and aid payments and lower than expected caseload levels, contracts and services needed by other departments. The Mayor's Office of Housing and Community Development has a saving of $18.3 million primarily in the Housing Trust Fund, as actual loan repayments were less than budgeted and therefore the amount of loan expenditures were also reduced.
- $15.1 million of savings in Treasurer's Office, City Attorney, City Planning, Assessor and Board of Supervisors and other departments in general administration and finance are mainly from salary and benefits and litigation expenses.
- $12.3 million savings in services needed from other departments and programmatic projects from project delays for developer agreement implementation by Office of Economic and Workforce Development. Department of Public Works also has net saving of $2.3 million in salaries and benefits, overhead costs and capital outlay due to lower than expected and delayed work on client projects.
- $4.4 million savings in salary and benefits in Adult Probation, Juvenile Department and Police Accountability, and other departments in the public protection service area.
- The remaining lower than budgeted expenditures are savings from general city responsibilities, community health and culture and recreation.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of $616.6 million at the end of fiscal year 2017-18. The City's fiscal year 2018-19 and 2019-20 Adopted Original Budget assumed an available balance of $411.8 million fully appropriated in fiscal year 2018-19 and fiscal year 2019-20 and contingency reserves of $160 million, leaving $44.8 million available for future appropriations. (See also Note to the Required Supplementary Information for additional budgetary fund balance details).

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018, increased by $2.24 billion, 10.1 percent, to $24.31 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $495.3 million or 22.1 percent to this total while $1.74 billion or 77.9 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 484,474	$ 360,602	$ 269,158	$ 240,187	$ 753,632	$ 600,789
Construction in progress	849,925	624,711	5,484,328	4,073,686	6,334,253	4,698,397
Facilities and improvements	3,407,411	3,262,136	10,528,058	10,473,740	13,935,469	13,735,876
Machinery and equipment	187,041	209,075	1,344,019	1,199,365	1,531,060	1,408,440
Infrastructure	775,405	753,919	830,084	722,116	1,605,489	1,476,035
Intangible assets	98,769	97,233	50,009	52,787	148,778	150,020
Total	$ 5,803,025	$ 5,307,676	$ 18,505,656	$ 16,761,881	$ 24,308,681	$ 22,069,557

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by $495.3 million or 9.3 percent. About $204.9 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about $74.9 million in the new Office of the Chief Medical Examiner and approximately $57.5 million for the Central Shops Relocation Project. The remaining completed projects include public works, intangible assets, and traffic signal projects.

- The Water Enterprise's net capital assets increased by $209.8 million or 4.2 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Recycled Water, Sunol Long Term Improvements, Regional Groundwater Storage and Recovery projects, Rollins Road Purchase, Habitat Reserve Program, San Francisco Groundwater Supply, and other upgrade and improvement programs. As of June 30, 2018, Water Enterprise's Water System Improvement Program was 96.0% completed with the construction of its multi-billion dollar, multi-year program to upgrade its regional and local water systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2018, 34 local projects are completed and the target completion date is December 2018. For regional projects, 40 are completed and the expected completion date is December 2021. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- SFMTA's net capital assets increased by $605.2 million or 16.7% mainly from construction in progress of $263.7 million for the Central Subway Project, procurement of new revenue vehicles, and other projects. The remaining $341.5 million is for rail replacement, system upgrade improvement, street improvement and various infrastructure work. Equipment costs of $307.2 million were incurred during the fiscal year for the procurement of new hybrid motor buses, trolley buses, and light rail vehicles. Facilities and improvements cost totaling $75.7 million was incurred in fiscal year 2018 for facility upgrades and Islais Creek annex renovation projects.

- LHH's net capital assets decreased by $14.0 million or 2.7 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets decreased by $20.8 million or 12.1 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.

- The Wastewater Enterprise net capital assets reported an increase of $274.5 million or 12.2 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2018, 17 projects were completed, with 32 projects in preconstruction phase, 18 projects in construction phase, and 3 projects in close-out phase. The Lake Merced Green Infrastructure Project was completed on April 24, 2018. The project is designed to manage stormwater runoff from 2.1 acres, starting at Aston Avenue intersection and extends along eight blocks to the Lee Avenue intersection, removing 1.0 million gallons of storm water in a typical year. The Oceanside Plant and the Westside Pump Station Improvements are on-going construction with reported completion in October 2018.

- Hetch Hetchy's net capital assets increased by $34.7 million or 7.8 percent to $479.4 million primarily due to additions of facilities, improvements, machinery, and equipment for Cherry Dam Outlet Works Rehabilitation, Moccasin Facilities New Construction, Mountain Tunnel Improvement, and 2018 Moccasin Storm projects.

- The Airport's net capital assets increased $647.4 million or 15.1 percent primarily due to the capitalization of capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects in design or under construction in fiscal year 2018-19 include the Terminal 1 (T1) Redevelopment Projects, which include the redevelopment of

Boarding Area B and the expansion of the T1 Central Area, as well as the Terminal 3 (T3) Redevelopment Projects, which include the redevelopment of the western portion of T3 and a new secure connector and office block between Terminal 2 (T2) and T3. Other notable ongoing projects include the on-airport hotel, upgrades and enhancements to the International Terminal, a second long-term parking garage, the extension of the AirTrain to the second long-term parking garage, replacement of the Superbay fire suppression system and a new industrial waste treatment plant, among others.

- The Port's net capital assets increased by $7.0 million or 1.6 percent due to capitalization and depreciation of capital improvements in 2018, including the Crane Cove Park a major new open space in the Union Iron Works National Historic District located at Pier 70, Pier 23 and 19 1/2 Roof Replacement project for removal and replacement of existing roof. Piers 19 and 23 are a contributing resource within the San Francisco Embarcadero Historic District listed in the National Register of Historic Places. The China Basin Ferry Landing Float Gangway Project provides for major maintenance work required the China Basin Ferry Landing's east float and gangway: drydock, sandblast and recoat surfaces and necessary repair to certain structural members.

At the end of the year, the City's business-type activities had approximately $1.46 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $290.9 million, MTA had $585.6 million, Wastewater had $226.0 million, Airport had $230.8 million, Hetch Hetchy had $113.4 million, Port had $12.8 million, Laguna Honda Hospital had $0.6 million and the General Hospital had $3.1 million.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditures.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At the end of June 30, 2018, the City had total long-term and commercial paper debt outstanding of $18.24 billion. Of this amount, $2.69 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and $15.55 billion is revenue bonds, commercial papers, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $2.74 billion or 17.7 percent during the fiscal year.

For the year ended June 30, 2018, the net increase in long-term debt in the governmental and business-type activities was $822.0 million and $2.02 billion, respectively, as discussed in the financial highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at $233.79 billion in value as of the close of the fiscal year. As of June 30, 2018, the City had $2.69 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2018, there were an additional $742.0 million in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.40 percent of gross (1.47 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2018 were:

Moody's Investors Service, Inc.	Aaa
Standard & Poor's	AA+
Fitch Ratings	AA+

During the fiscal year, Moody's Investors Service (Moody's) upgraded the City's rating from "Aa1" to "Aaa". Standard & Poor's and Fitch Ratings affirmed the City's ratings of "AA+" and "AA+", respectively. Moody's and Fitch Ratings maintained the "Stable" rating outlook and Standard & Poor's revised the rating outlook from "Stable" to "Positive" on all the City's outstanding general obligation bonds.

The City's enterprise activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+", respectively, each with Stable Rating Outlook. The Water Enterprise carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard and Poor's, respectively.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2018-19 and 2019-20. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, the Port of San Francisco and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2017-18 was 2.6 percent, a decrease of 0.5 percent from the average unemployment rate in fiscal year 2016-17.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2017-18 was $1.3 million, up 10.0 percent from the previous fiscal year.
- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to $74.85 in fiscal year 2017-18, a 1.5 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 884,363 in 2017 according to the U.S. Census Bureau. This represents a 1.5 percent increase versus the prior year, and cumulative growth of 120,000 or 15.0 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2018-19 and 2019-20 in July 2018, which assumes use of prior year fund balance from General Fund of $188.6 million and $223.2 million, respectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

Port of San Francisco
Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

Municipal Transportation Agency
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

Health Service System
Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

Zuckerberg San Francisco
General Hospital and Trauma Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

San Francisco
Employees' Retirement System
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Successor Agency to the
San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Retiree Health Care Trust
c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

San Francisco Finance Corporation
Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

WWW.SFGOV.ORG

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2018

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury	$ 4,952,776	2,394,027	$ 7,346,803	$ 1,991
Deposits and investments outside City Treasury	397,937	12,530	410,467	-
Receivables (net of allowance for uncollectible amounts of $296,053 for the primary government):				
Property taxes and penalties	302,479	-	302,479	-
Other local taxes	317,144	-	317,144	-
Federal and state grants and subventions	322,295	344,231	666,526	-
Charges for services	97,974	304,047	402,021	806
Interest and other	26,653	122,456	149,109	26
Due from component units	4,226	28	4,254	-
Inventories	-	104,617	104,617	-
Other assets	8,030	7,948	15,978	-
Restricted assets:				
Deposits and investments with City Treasury	-	436,332	436,332	-
Deposits and investments outside City Treasury	23,229	385,901	409,130	-
Grants and other receivables	-	35,378	35,378	-
Total current assets	6,452,743	4,147,495	10,600,238	2,823
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $1,376,217)	200,827	-	200,827	-
Advance to component units	8,214	2,599	10,813	-
Other assets	-	10,870	10,870	-
Restricted assets:				
Deposits and investments with City Treasury	-	1,458,455	1,458,455	-
Deposits and investments outside City Treasury	2,249	531,838	534,087	-
Grants and other receivables	-	23,337	23,337	-
Capital assets:				
Land and other assets not being depreciated	1,343,131	5,765,529	7,108,660	27,481
Facilities, infrastructure and equipment, net of depreciation	4,459,894	12,740,127	17,200,021	20
Total capital assets	5,803,025	18,505,656	24,308,681	27,501
Total noncurrent assets	6,014,315	20,532,755	26,547,070	27,501
Total assets	12,467,058	24,680,250	37,147,308	30,324
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	14,363	227,319	241,682	-
Deferred outflows on derivative instruments	-	29,245	29,245	-
Deferred outflows related to pensions	891,726	622,332	1,514,058	16
Deferred outflows related to OPEB	109,222	94,137	203,359	-
Total deferred outflows of resources	$ 1,015,311	$ 973,033	$ 1,988,344	$ 16

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)

June 30, 2018
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 437,789	$ 399,088	$ 836,877	$ 484
Accrued payroll	111,508	85,220	196,728	87
Accrued vacation and sick leave pay	98,233	68,784	167,017	-
Accrued workers' compensation	45,740	35,350	81,090	-
Estimated claims payable	100,867	48,182	149,049	-
Bonds, loans, capital leases, and other payables	412,949	645,179	1,058,128	-
Accrued interest payable	20,269	59,037	79,306	-
Unearned grant and subvention revenues	31,129	-	31,129	-
Due to primary government	-	-	-	1,032
Internal balances	28,697	(28,697)	-	-
Unearned revenues and other liabilities	753,935	454,935	1,208,870	1,747
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	65,195	65,195	-
Accrued interest payable	-	44,064	44,064	-
Other	-	325,399	325,399	-
Total current liabilities	2,041,116	2,201,736	4,242,852	3,350
Noncurrent liabilities:				
Accrued vacation and sick leave pay	66,419	44,904	111,323	-
Accrued workers' compensation	209,558	172,914	382,472	-
Estimated claims payable	173,813	62,149	235,962	-
Bonds, loans, capital leases, and other payables	3,907,885	13,209,415	17,117,300	-
Advance from primary government	-	-	-	2,599
Unearned revenues and other liabilities	1,744	131,243	132,987	-
Derivative instruments liabilities	-	37,558	37,558	-
Net pension liability	2,977,366	2,095,764	5,073,130	28
Net other postemployment benefits (OPEB) liability	1,989,216	1,716,544	3,705,760	-
Total noncurrent liabilities	9,326,001	17,470,491	26,796,492	2,627
Total liabilities	11,367,117	19,672,227	31,039,344	5,977
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	198	1,486	1,684	-
Unamortized gain on leaseback transaction	-	3,680	3,680	-
Deferred inflows related to pensions	219,839	151,039	370,878	3
Deferred inflows related to OPEB	3,238	2,769	6,007	-
Total deferred inflows of resources	223,275	158,974	382,249	3
NET POSITION				
Net investment in capital assets, Note 10(d)	3,311,218	6,211,102	9,192,745	27,501
Restricted for:				
Reserve for rainy day	143,977	-	143,977	-
Debt service	136,132	294,499	430,631	-
Capital projects, Note 10(d)	196,598	515,072	569,115	-
Community development	427,684	-	427,684	-
Transportation Authority activities	17,499	-	17,499	-
Building inspection programs	155,448	-	155,448	-
Children and families	134,548	-	134,548	-
Culture and recreation	151,544	-	151,544	-
Grants	97,945	-	97,945	-
Other purposes	70,106	294,122	364,228	-
Total restricted	1,531,481	1,103,693	2,492,619	-
Unrestricted (deficit), Note 10(d)	(2,950,722)	(1,492,713)	(3,971,305)	(3,141)
Total net position	$ 1,891,977	$ 5,822,082	$ 7,714,059	$ 24,360

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities

Year Ended June 30, 2018
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position: Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Primary government:								
Governmental activities:								
Public protection	$ 1,496,749	$ 87,614	$ 195,183	$ -	$ (1,213,952)	$ -	$ (1,213,952)	$ -
Public works, transportation and commerce	321,577	157,416	35,344	59,944	(68,873)	-	(68,873)	-
Human welfare and neighborhood development	1,552,060	82,925	691,657	-	(777,478)	-	(777,478)	-
Community health	914,512	104,335	357,488	750	(451,939)	-	(451,939)	-
Culture and recreation	425,668	125,776	-	2,487	(297,405)	-	(297,405)	-
General administration and finance	430,711	73,235	-	-	(357,476)	-	(357,476)	-
General City responsibilities	118,956	54,136	228	-	(64,592)	-	(64,592)	-
Unallocated interest on long-term debt and cost of issuance	138,048	-	-	-	(138,048)	-	(138,048)	-
Total governmental activities	5,398,281	685,437	1,279,900	63,181	(3,369,763)	-	(3,369,763)	-
Business-type activities:								
Airport	1,092,154	1,063,802	-	15,051	-	(13,301)	(13,301)	-
Transportation	1,304,254	511,984	151,939	438,489	-	(201,842)	(201,842)	-
Port	102,667	109,769	4,232	2,626	-	13,960	13,960	-
Water	536,068	525,639	597	-	-	(9,832)	(9,832)	-
Power	202,366	191,963	1,050	-	-	(9,353)	(9,353)	-
Hospitals	1,294,045	967,936	59,688	-	-	(266,421)	(266,421)	-
Sewer	235,985	315,096	-	-	-	79,111	79,111	-
Total business-type activities	4,767,539	3,686,189	217,506	456,166	-	(407,678)	(407,678)	-
Total primary government	$ 10,165,820	$ 4,371,626	$ 1,497,406	$ 519,347	(3,369,763)	(407,678)	(3,777,441)	-
Component unit:								
Treasure Island Development Authority	$ 15,813	$ 10,079	$ -	$ 7,090				$ 1,356
General Revenues								
Taxes:								
Property taxes					2,363,863	-	2,363,863	-
Business taxes					899,142	-	899,142	-
Sales and use tax					293,916	-	293,916	-
Hotel room tax					382,176	-	382,176	-
Utility users tax					94,460	-	94,460	-
Parking tax					83,484	-	83,484	-
Real property transfer tax					280,416	-	280,416	-
Other local taxes					60,287	-	60,287	-
Interest and investment income					46,020	39,010	85,030	107
Other					71,834	246,827	318,661	531
Transfers - internal activities of primary government					(753,283)	753,283	-	-
Total general revenues and transfers					3,822,315	1,039,120	4,861,435	638
Special item:								
Receipt of Yerba Buena Garden assets					116,690	-	116,690	-
Change in net position					569,242	631,442	1,200,684	1,994
Net position at beginning of year, as previously reported					1,786,411	5,771,902	7,558,313	22,366
Cumulative effect of accounting change					(463,676)	(581,262)	(1,044,938)	-
Net position at beginning of year, as restated					1,322,735	5,190,640	6,513,375	22,366
Net position at end of year					$ 1,891,977	$ 5,822,082	$ 7,714,059	$ 24,360

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds
June 30, 2018
(With comparative financial information as of June 30, 2017)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2018	2017	2018	2017	2018	2017
Assets:						
Deposits and investments with City Treasury	$ 2,727,607	$ 2,144,741	$ 2,188,574	$ 1,736,620	$ 4,916,181	$ 3,881,361
Deposits and investments outside City Treasury	4,623	5,923	393,314	149,433	397,937	155,356
Receivables (net of allowance for uncollectible amounts of $260,922 in 2018; $223,508 in 2017):						
Property taxes and penalties	286,586	78,519	15,893	21,432	302,479	99,951
Other local taxes	299,841	248,905	17,303	18,414	317,144	267,319
Federal and state grants and subventions	223,578	198,490	98,717	96,317	322,295	294,807
Charges for services	77,641	71,476	20,221	13,431	97,862	84,907
Interest and other	16,749	8,331	9,348	4,670	26,097	13,001
Due from other funds	8,601	10,926	11,101	6,624	19,702	17,550
Due from component unit	-	-	4,226	1,581	4,226	1,581
Advance to component unit	-	-	8,214	13,149	8,214	13,149
Loans receivable (net of allowance for uncollectible amounts of $1,376,217 in 2018; $1,263,252 in 2017)	11,694	9,666	189,133	128,557	200,827	138,223
Other assets	6,385	67,598	1,645	27,422	8,030	95,020
Total assets	$ 3,663,305	$ 2,844,575	$ 2,957,689	$ 2,217,650	$ 6,620,994	$ 5,062,225
Liabilities:						
Accounts payable	$ 256,870	$ 154,195	$ 172,506	$ 123,620	$ 429,376	$ 277,815
Accrued payroll	91,270	84,637	17,876	17,961	109,146	102,598
Unearned grant and subvention revenues	7,829	8,146	23,300	17,748	31,129	25,894
Due to other funds	1,423	560	44,914	50,393	46,337	50,953
Unearned revenues and other liabilities	693,082	520,366	60,819	53,042	753,901	573,408
Bonds, loans, capital leases, and other payables	-	-	121,868	255,939	121,868	255,939
Total liabilities	1,050,474	767,904	441,283	518,703	1,491,757	1,286,607
Deferred inflows of resources	390,890	205,968	161,112	164,877	552,002	370,845
Fund balances:						
Nonspendable	1,512	525	82	82	1,594	607
Restricted	143,977	125,689	2,232,040	1,701,020	2,376,017	1,826,709
Committed	371,698	327,607	-	-	371,698	327,607
Assigned	1,291,499	1,088,288	124,076	78,413	1,415,575	1,166,701
Unassigned	413,255	328,594	(904)	(245,445)	412,351	83,149
Total fund balances	2,221,941	1,870,703	2,355,294	1,534,070	4,577,235	3,404,773
Total liabilities, deferred inflows of resources and fund balances	$ 3,663,305	$ 2,844,575	$ 2,957,689	$ 2,217,650	$ 6,620,994	$ 5,062,225

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2018
(In Thousands)

Fund balances – total governmental funds	$ 4,577,235
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,791,482
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,717,206)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	552,002
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(19,116)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,232
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,259,845)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,841,249)
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	(204,558)
Net position of governmental activities	$ 1,891,977

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018
(With comparative financial information year ended June 30, 2017)
(In Thousands)

	General Fund 2018	General Fund 2017	Other Governmental Funds 2018	Other Governmental Funds 2017	Total Governmental Funds 2018	Total Governmental Funds 2017
Revenues:						
Property taxes	$ 1,673,950	$ 1,478,671	$ 497,651	$ 459,023	$ 2,171,601	$ 1,937,694
Business taxes	897,076	700,536	2,066	1,795	899,142	702,331
Sales and use tax	192,946	189,473	103,263	102,237	296,209	291,710
Hotel room tax	382,176	370,344	-	-	382,176	370,344
Utility users tax	94,460	101,203	-	-	94,460	101,203
Parking tax	83,484	84,278	-	-	83,484	84,278
Real property transfer tax	280,416	410,561	-	-	280,416	410,561
Other local taxes	60,287	47,728	-	-	60,287	47,728
Licenses, permits and franchises	28,803	29,336	14,377	15,061	43,180	44,397
Fines, forfeitures, and penalties	7,966	2,734	26,254	28,064	34,220	30,798
Interest and investment income	16,245	14,439	29,645	20,650	45,890	35,089
Rents and concessions	14,533	15,352	90,751	85,192	105,284	100,544
Intergovernmental:						
Federal	229,960	225,112	191,064	186,257	421,024	411,369
State	750,715	704,286	124,687	118,726	875,402	823,012
Other	3,134	3,178	13,859	10,636	16,993	13,814
Charges for services	248,926	220,877	166,643	157,560	415,569	378,437
Other	24,478	38,679	161,556	149,632	186,034	188,311
Total revenues	4,989,555	4,636,787	1,421,816	1,334,833	6,411,371	5,971,620
Expenditures:						
Current:						
Public protection	1,312,582	1,257,948	66,172	65,629	1,378,754	1,323,577
Public works, transportation and commerce	223,830	166,285	218,038	166,408	441,868	332,693
Human welfare and neighborhood development	999,048	956,478	500,168	467,947	1,499,216	1,424,425
Community health	706,322	600,067	109,440	112,428	815,762	712,495
Culture and recreation	142,215	139,368	282,579	250,670	424,794	390,038
General administration and finance	244,773	238,064	67,668	65,049	312,441	303,113
General City responsibilities	110,812	121,444	108	3	110,920	121,447
Debt service:						
Principal retirement	-	-	381,141	283,356	381,141	283,356
Interest and other fiscal charges	178	-	136,747	125,091	136,925	125,091
Bond issuance costs	-	-	8,934	2,695	8,934	2,695
Capital outlay	-	-	337,741	297,089	337,741	297,089
Total expenditures	3,739,760	3,479,654	2,108,736	1,836,365	5,848,496	5,316,019
Excess (deficiency) of revenues over (under) expenditures	1,249,795	1,157,133	(686,920)	(501,532)	562,875	655,601
Other financing sources (uses):						
Transfers in	112,228	140,272	512,919	500,851	625,147	641,123
Transfers out	(1,010,785)	(857,629)	(387,777)	(364,534)	(1,398,562)	(1,222,163)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	1,293,595	276,570	1,293,595	276,570
Face value of loans issued	-	-	-	46,000	-	46,000
Premium on issuance of bonds	-	-	76,243	12,432	76,243	12,432
Proceeds from sale of capital assets	-	-	-	122,000	-	122,000
Other financing sources - capital leases	-	1,765	2,027	35,971	2,027	37,736
Total other financing sources (uses)	(898,557)	(715,592)	1,497,007	629,290	598,450	(86,302)
Special item:						
Receipt of Yerba Buena Garden assets	-	-	11,137	-	11,137	-
Net changes in fund balances	351,238	441,541	821,224	127,758	1,172,462	569,299
Fund balances at beginning of year	1,870,703	1,429,162	1,534,070	1,406,312	3,404,773	2,835,474
Fund balances at end of year	$ 2,221,941	$ 1,870,703	$ 2,355,294	$ 1,534,070	$ 4,577,235	$ 3,404,773

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2018
(In Thousands)

Net changes in fund balances - total governmental funds	$1,172,462
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and gains and loss on disposal of capital assets in the current period.	495,407
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	(2,273,598)
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	192,262
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	(20,355)
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(9,402)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	139,005
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,841,249
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(912,454)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(76,243)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	12,792
The activities of internal service funds are reported with governmental activities.	8,117
Change in net position of governmental activities	$ 569,242

The notes to the financial statements are an integral part of this statement.

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

June 30, 2018

(With comparative financial information as of June 30, 2017)

(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2018	Total 2017	Governmental Activities - Internal Service Funds 2018	Governmental Activities - Internal Service Funds 2017
ASSETS												
Current Assets:												
Deposits and investments with City Treasury	$ 458,219	$ 358,768	$ 274,871	$ 647,731	$ 334,609	$ 164,107	$ 155,722	$ -	$ 2,394,027	$ 2,446,138	$ 36,595	$ 29,919
Deposits and investments outside City Treasury	6,408	274	10	5,559	10	262	5	2	12,530	15,576	-	-
Receivables (net of allowance for uncollectible amounts of $35,131 and $29,255 in 2018 and 2017, respectively):												
Federal and state grants and subventions	-	325	260	255,232	11	17,248	1,637	69,518	344,231	173,369	-	-
Charges for services	95,614	53,841	12,644	6,858	68,918	30,915	6,691	28,566	304,047	249,969	112	95
Interest and other	3,925	2,724	963	9,153	100,422	1,051	3,991	227	122,456	184,811	556	742
Lease receivable	-	-	-	-	-	-	-	-	-	-	12,934	11,233
Due from other funds	-	288	8,133	23,739	2	116	440	-	32,718	40,764	-	-
Due from component unit	-	-	28	-	-	-	-	-	28	568	-	-
Inventories	51	5,561	401	81,370	12,802	2,082	1,352	998	104,617	98,374	-	-
Other assets	3,713	-	3,988	131	-	116	-	-	7,948	6,156	-	-
Restricted assets:												
Deposits and investments with City Treasury	382,560	-	-	-	-	-	30,877	22,895	436,332	351,472	-	-
Deposits and investments outside City Treasury	215,026	143,739	2,777	-	-	14,282	10,077	-	385,901	291,800	23,229	21,617
Grants and other receivables	34,647	-	-	-	-	731	-	-	35,378	22,271	-	-
Total current assets	1,200,163	565,520	304,075	1,029,773	516,774	230,910	210,792	122,206	4,180,213	3,881,268	73,426	63,606
Noncurrent assets:												
Other assets	-	4,262	957	-	-	2,019	3,632	-	10,870	11,452	-	-
Capital leases receivable	-	-	-	-	-	-	-	-	-	-	148,338	167,710
Advance to component unit	-	-	2,599	-	-	-	-	-	2,599	2,627	-	-
Restricted assets:												
Deposits and investments with City Treasury	962,619	102,011	41,420	316,351	-	36,054	-	-	1,458,455	569,877	-	-
Deposits and investments outside City Treasury	495,659	-	1,038	21,832	454	-	-	12,855	531,838	443,145	2,249	-
Grants and other receivables	2,243	4,491	174	1,689	-	-	-	14,740	23,337	36,029	-	-
Capital assets:												
Land and other assets not being depreciated	1,353,507	1,430,759	115,135	1,965,236	42,276	726,384	130,380	1,852	5,765,529	4,325,916	239	-
Facilities, infrastructure, and equipment, net of depreciation	3,576,522	3,832,474	364,287	2,256,879	108,952	1,799,822	304,322	496,869	12,740,127	12,435,965	11,304	11,601
Total capital assets	4,930,029	5,263,233	479,422	4,222,115	151,228	2,526,206	434,702	498,721	18,505,656	16,761,881	11,543	11,601
Total noncurrent assets	6,390,550	5,373,997	525,610	4,561,987	151,682	2,564,279	438,334	526,316	20,532,755	17,825,011	162,130	179,311
Total assets	7,590,713	5,939,517	829,685	5,591,760	668,456	2,795,189	649,126	648,522	24,712,968	21,706,279	235,556	242,917
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt	76,564	150,255	-	-	-	500	-	-	227,319	204,299	933	1,012
Deferred outflows on derivative instruments	29,245	-	-	-	-	-	-	-	29,245	54,870	-	-
Deferred outflows related to pensions	91,596	62,062	16,963	214,182	137,266	29,984	12,986	57,293	622,332	1,013,927	17,485	25,906
Deferred outflows related to OPEB	13,387	9,122	1,974	36,034	19,426	3,264	1,686	9,244	94,137	-	2,432	-
Total deferred outflows of resources	210,792	221,439	18,937	250,216	156,692	33,748	14,672	66,537	973,033	1,273,096	20,850	26,918

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2018
(With comparative financial information as of June 30, 2017)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2018	Total 2017	Governmental Activities - Internal Service Funds 2018	Governmental Activities - Internal Service Funds 2017
LIABILITIES												
Current liabilities:												
Accounts payable	$ 68,643	$ 15,554	$ 19,385	$ 146,641	$ 62,303	$ 18,080	$ 9,551	$ 58,931	$ 399,088	$ 194,413	$ 8,413	$ 3,647
Accrued payroll	11,898	6,660	2,345	29,465	20,785	4,394	1,667	8,006	85,220	80,055	2,362	2,242
Accrued vacation and sick leave pay	10,699	6,125	2,385	23,891	14,745	3,766	1,346	5,827	68,784	65,212	1,997	1,853
Accrued workers' compensation	1,739	2,024	525	22,652	4,294	1,027	454	2,635	35,350	32,875	313	331
Estimated claims payable	22	4,656	837	36,091	-	6,376	200	-	48,182	39,424	-	-
Due to other funds	96	96	-	2,589	179	1,061	-	-	4,021	5,574	2,062	1,787
Unearned revenues and other liabilities	-	17,810	6,337	43,467	338,116	4,185	14,775	30,245	454,935	513,027	12,840	15,815
Accrued interest payable	-	38,769	525	5,119	81	11,528	1,535	1,480	59,037	55,187	1,153	1,224
Bonds, loans, capital leases, and other payables	178,925	119,533	23,108	10,132	19,212	284,841	2,693	6,735	645,179	546,565	12,904	10,880
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables	65,195	-	-	-	-	-	-	-	65,195	228,895	-	-
Accrued interest payable	44,064	-	-	-	-	-	-	-	44,064	36,062	-	-
Other	189,596	45,882	11,826	28,693	-	48,720	-	682	325,399	155,406	-	-
Total current liabilities	570,877	257,109	67,273	348,740	459,715	383,978	32,221	114,541	2,234,454	1,952,695	42,044	37,779
Noncurrent liabilities:												
Accrued vacation and sick leave pay	7,356	4,561	1,566	14,589	9,958	2,649	909	3,316	44,904	43,824	1,454	1,363
Accrued workers' compensation	6,254	8,933	2,424	108,163	25,223	4,757	2,546	14,614	172,914	161,053	1,446	1,469
Estimated claims payable	28	8,746	1,629	43,806	-	7,690	250	-	62,149	55,256	-	-
Unearned revenue and other liabilities	-	57,762	4,161	-	-	4,703	64,617	-	131,243	117,432	-	-
Bonds, loans, capital leases, and other payables	6,570,653	4,943,651	66,994	369,695	12,612	1,048,092	83,622	114,096	13,209,415	11,224,019	160,020	171,903
Derivative instruments liabilities	37,558	-	-	-	-	-	-	-	37,558	65,965	-	-
Net pension liability	308,459	209,003	57,122	721,282	462,256	100,973	43,730	192,939	2,095,764	2,501,732	58,876	63,919
Net other postemployment benefits (OPEB) liability	244,096	166,336	36,000	657,062	354,223	59,517	30,750	168,560	1,716,544	974,031	44,344	26,393
Total noncurrent liabilities	7,174,404	5,398,992	169,896	1,914,597	864,272	1,228,381	226,424	493,525	17,470,491	15,143,312	266,140	265,047
Total liabilities	7,745,281	5,656,101	237,169	2,263,337	1,323,987	1,612,359	258,645	608,066	19,704,945	17,096,007	308,184	302,826
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt	1,221	-	-	265	-	-	-	-	1,486	297	-	-
Unamortized gain on leaseback transaction	-	-	-	3,680	-	-	-	-	3,680	4,015	-	-
Deferred inflows related to pensions	22,230	15,063	4,119	51,981	33,313	7,277	3,151	13,905	151,039	107,154	4,243	2,737
Deferred inflows related to OPEB	394	268	58	1,060	571	96	50	272	2,769	-	71	-
Total deferred inflows of resources	23,845	15,331	4,177	56,986	33,884	7,373	3,201	14,177	158,974	111,466	4,314	2,737
NET POSITION												
Net investment in capital assets	(564,762)	504,476	410,717	3,836,904	119,810	1,207,703	305,609	390,645	6,211,102	5,752,069	10,286	11,601
Restricted:												
Debt service	186,655	22,933	834	19,707	-	1,312	-	63,058	294,499	202,262	-	-
Capital projects	419,486	32,978	11,712	-	19,399	-	20,738	10,759	515,072	394,634	-	-
Other purposes	-	-	-	291,472	-	-	-	2,650	294,122	93,696	-	-
Unrestricted (deficit)	(9,000)	(70,863)	184,013	(626,430)	(671,932)	190	75,605	(374,296)	(1,492,713)	(670,759)	(66,378)	(47,329)
Total net position	$ 32,379	$ 489,524	$ 607,276	$ 3,521,653	$ (532,723)	$ 1,209,205	$ 401,952	$ 92,816	$ 5,822,082	$ 5,771,902	$ (56,092)	$ (35,728)

The notes to the financial statements are an integral part of this statement.

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2018
(With comparative financial information year ended June 30, 2017)
(In Thousands)

	Business-Type Activities - Enterprise Funds: Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2018	Total 2017	Governmental Activities - Internal Service Funds 2018	Governmental Activities - Internal Service Funds 2017
Operating revenues:												
Aviation	$ 670,282	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 670,282	$ 545,310	$ -	$ -
Water and power service	-	495,138	191,667	-	-	-	-	-	686,805	627,871	-	-
Passenger fees	-	-	-	202,280	-	-	-	-	202,280	195,886	-	-
Net patient service revenue	-	-	-	-	765,464	-	-	193,694	959,158	863,559	-	-
Sewer service	-	-	-	-	-	303,037	-	-	303,037	267,601	-	-
Rents and concessions	158,594	12,906	296	8,111	2,587	611	80,605	-	263,710	244,975	436	176
Parking and transportation	151,731	-	-	228,304	-	-	22,281	-	402,316	400,072	-	-
Other charges for services	-	-	-	32,110	-	-	-	-	32,110	29,055	152,676	145,284
Other revenues	83,195	17,595	-	41,179	4,636	11,448	6,883	1,555	166,491	166,726	-	-
Total operating revenues	1,063,802	525,639	191,963	511,984	772,687	315,096	109,769	195,249	3,686,189	3,341,055	153,112	145,460
Operating expenses:												
Personal services	312,972	128,295	51,616	834,950	561,699	91,977	40,930	209,676	2,232,115	2,691,353	68,147	78,176
Contractual services	86,103	14,131	9,216	133,212	219,228	16,061	18,038	11,584	507,573	483,002	59,364	59,146
Light, heat and power	23,800	-	64,732	-	-	-	2,859	-	91,391	69,333	-	-
Materials and supplies	17,573	15,936	2,642	72,041	99,064	9,446	1,001	20,985	238,688	224,257	17,197	14,508
Depreciation and amortization	265,169	118,751	19,115	167,220	27,975	55,591	17,778	15,187	686,786	669,538	2,909	3,294
General and administrative	2,535	36,174	41,329	42,609	4,954	1,144	3,585	-	132,330	125,912	1,720	408
Services provided by other departments	23,369	56,860	8,965	69,261	50,212	36,374	19,310	10,741	275,092	272,050	7,977	9,590
Other	38,665	-	-	(25,148)	(969)	-	(6,678)	55,908	61,778	18,706	2,564	3,184
Total operating expenses	770,186	370,147	197,615	1,294,145	962,163	210,593	96,823	324,081	4,225,753	4,554,151	159,878	168,306
Operating income (loss)	293,616	155,492	(5,652)	(782,161)	(189,476)	104,503	12,946	(128,832)	(539,564)	(1,213,096)	(6,766)	(22,846)
Nonoperating revenues (expenses):												
Operating grants:												
Federal	-	597	1,050	11,464	-	-	4,232	403	17,746	72,053	-	-
State / other	-	-	-	140,475	59,285	-	-	-	199,760	198,114	-	-
Interest and investment income	11,316	6,448	2,929	10,122	2,896	2,317	2,231	751	39,010	28,547	4,498	4,470
Interest expense	(211,461)	(164,001)	(3,204)	(10,109)	(1,695)	(24,978)	(4,461)	(6,106)	(426,015)	(409,529)	(4,981)	(4,664)
Other nonoperating revenues	113,742	52,007	10,261	44,349	-	10,730	-	15,738	246,827	257,419	256	739
Other nonoperating expenses	(110,507)	(1,920)	(1,547)	-	-	(414)	(1,383)	-	(115,771)	(107,794)	-	-
Total nonoperating revenues (expenses)	(196,910)	(106,869)	9,489	196,301	60,486	(12,345)	619	10,786	(38,443)	38,810	(227)	545
Income (loss) before capital contributions and transfers	96,706	48,623	3,837	(585,860)	(128,990)	92,158	13,565	(118,046)	(578,007)	(1,174,286)	(6,993)	(22,301)
Capital contributions	15,051	-	-	438,489	-	-	2,626	-	456,166	369,327	-	-
Transfers in	-	382	30,087	726,090	97,373	-	19	57,668	911,619	751,924	414	2,153
Transfers out	(46,549)	(31,368)	(512)	(19,737)	(25,892)	(26,960)	-	(7,318)	(158,336)	(172,899)	-	(138)
Change in net position	65,208	17,637	33,412	558,982	(57,509)	65,198	16,210	(67,696)	631,442	(225,934)	(6,579)	(20,286)
Net position (deficit) at beginning of year, as previously reported	50,169	501,267	578,260	3,295,692	(412,424)	1,146,263	389,740	222,935	5,771,902	5,997,836	(35,728)	(15,442)
Cumulative effect of accounting change	(82,998)	(29,380)	(4,396)	(333,021)	(62,790)	(2,256)	(3,998)	(62,423)	(581,262)	-	(13,785)	-
Net position (deficit) at beginning of year, as restated	(32,829)	471,887	573,864	2,962,671	(475,214)	1,144,007	385,742	160,512	5,190,640	5,997,836	(49,513)	(15,442)
Net position (deficit) at end of year	$ 32,379	$ 489,524	$ 607,276	$ 3,521,653	$ (532,723)	$ 1,209,205	$ 401,952	$ 92,816	$ 5,822,082	$ 5,771,902	$ (56,092)	$ (35,728)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2018
(With comparative financial information year ended June 30, 2017)
(In Thousands)

	Business-Type Activities - Enterprise Funds: Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2018	Total 2017	Governmental Activities - Internal Service Funds 2018	Governmental Activities - Internal Service Funds 2017
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 988,320	$ 525,886	$ 198,412	$ 559,313	$ 857,275	$ 312,769	$ 27,625	$ 157,715	$ 3,627,315	$ 3,345,857	$ 175,852	$ 163,461
Cash received from tenants for rent	-	12,783	308	8,169	2,587	657	78,499	-	103,003	97,208	-	-
Cash paid for employees' services	(290,061)	(121,352)	(49,243)	(767,412)	(543,606)	(85,045)	(38,631)	(203,909)	(2,099,259)	(1,978,699)	(61,144)	(58,641)
Cash paid to suppliers for goods and services	(195,409)	(108,216)	(120,194)	(342,480)	(327,236)	(43,346)	(41,887)	(41,434)	(1,220,202)	(1,317,241)	(87,168)	(93,370)
Cash paid for judgments and claims	-	(2,925)	(3,551)	(11,554)	-	(2,124)	-	-	(20,154)	(25,549)	-	-
Net cash provided by (used in) operating activities	502,850	306,176	25,732	(553,964)	(10,980)	182,911	25,606	(87,628)	390,703	121,576	27,540	11,450
Cash flows from noncapital financing activities:												
Operating grants	-	422	1,034	155,009	59,326	891	730	403	217,815	267,459	-	-
Transfers in	-	382	30,087	678,791	97,373	-	-	57,668	864,301	652,101	414	2,153
Transfers out	(46,549)	(31,368)	(512)	(35,514)	(25,892)	(26,960)	-	(7,318)	(174,113)	(172,899)	-	(138)
Other noncapital financing sources	1,771	13,709	9,303	58,090	-	1,322	4,250	-	88,445	75,846	-	-
Other noncapital financing uses	(89,254)	(1,920)	(1,878)	-	(171)	(414)	-	-	(93,637)	(86,607)	-	-
Net cash provided by (used in) noncapital financing activities	(134,032)	(18,775)	38,034	856,376	130,636	(25,161)	4,980	50,753	902,811	735,900	414	2,015
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	4,945	-	-	293,609	-	-	443	29,260	328,257	297,434	-	-
Transfers in	-	-	-	83,837	-	-	19	-	83,856	99,589	-	-
Bond sale proceeds and loans received	1,023,750	928,694	-	4,689	-	-	-	-	1,957,133	1,822,183	-	-
Proceeds from sale/transfer of capital assets	-	3,231	136	139	-	21	30	-	3,557	6,736	-	-
Proceeds from commercial paper borrowings	557,700	15,664	222	-	1,088	151,448	-	-	726,122	477,604	-	-
Proceeds from passenger facility charges	111,379	-	-	-	-	-	-	-	111,379	97,287	-	-
Acquisition of capital assets	(807,048)	(257,777)	(48,606)	(732,397)	(7,200)	(287,297)	(15,498)	(1,015)	(2,156,838)	(1,712,583)	(1,279)	(3,910)
Retirement of capital leases, bonds and loans	(201,300)	(648,233)	(2,768)	(12,394)	(4,738)	(13,939)	(2,567)	(6,440)	(892,379)	(1,551,389)	(11,194)	(14,025)
Bond issue costs paid	-	(1,405)	-	(121)	-	(208)	-	-	(1,734)	(3,029)	-	-
Interest paid on debt	(253,077)	(279,114)	(3,524)	(10,477)	(1,703)	(47,360)	(4,587)	(6,311)	(606,153)	(501,341)	(4,739)	(4,753)
Federal interest income subsidy from Build America Bonds	-	24,042	756	-	-	4,008	-	-	28,806	28,688	-	-
Other capital financing sources	-	-	-	13,877	-	-	550	-	14,427	16,150	-	-
Other capital financing uses	-	-	-	-	-	-	(4,920)	-	(4,920)	(3,098)	-	-
Net cash provided by (used in) capital and related financing activities	436,349	(214,898)	(53,784)	(359,238)	(12,553)	(193,327)	(26,530)	15,494	(408,487)	(925,769)	(17,212)	(22,688)
Cash flows from investing activities:												
Purchases of investments with trustees	(619,746)	(436,878)	(3,446)	-	-	(77,977)	-	(12,733)	(1,150,780)	(1,305,756)	(2,260)	-
Proceeds from sale of investments with trustees	666,304	485,074	4,990	-	-	85,012	-	-	1,241,380	1,206,922	-	-
Interest and investment income	23,419	5,204	3,810	8,489	2,896	1,828	1,709	656	48,011	36,125	119	148
Other investing activities	-	-	-	-	-	-	-	-	-	-	(313)	(2)
Net cash provided by (used in) investing activities	69,977	53,400	5,354	8,489	2,896	8,863	1,709	(12,077)	138,611	(62,709)	(2,454)	146
Net increase (decrease) in cash and cash equivalents	875,144	125,903	15,336	(48,337)	109,999	(26,714)	5,765	(33,458)	1,023,638	(131,002)	8,288	(9,077)
Cash and cash equivalents-beginning of year	971,852	461,701	305,521	1,039,810	225,074	240,531	190,651	56,477	3,491,617	3,622,619	51,536	60,613
Cash and cash equivalents-end of year	$ 1,846,996	$ 587,604	$ 320,857	$ 991,473	$ 335,073	$ 213,817	$ 196,416	$ 23,019	$ 4,515,255	$ 3,491,617	$ 59,824	$ 51,536

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2018
(With comparative financial information year ended June 30, 2017)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2018	Total 2017	2018	2017
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	$ 293,616	$ 155,492	$ (5,652)	$ (782,161)	$ (189,476)	$ 104,503	$ 12,946	$ (128,832)	$ (539,564)	$ (1,213,096)	$ (6,766)	$ (22,846)
Adjustments for non-cash and other activities:												
Depreciation and amortization	265,169	118,751	19,115	167,220	27,975	55,591	17,778	15,187	686,786	669,538	2,909	3,294
Provision for uncollectibles	(198)	(37)	308	3	-	(248)	(180)	-	(352)	1,503	-	-
Write-off of capital assets	-	910	58	-	-	4,729	-	-	5,697	5,890	-	-
Other	4,150	-	-	-	-	-	-	-	4,150	1,912	99	409
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net	(42,331)	454	991	(259)	64,056	(1,575)	763	(6,756)	15,343	1,575	17,363	12,609
Due from other funds	-	338	2,026	225	-	44	-	(31,404)	(28,771)	34,048	-	-
Inventories	7	1,875	-	(4,250)	(4,302)	(36)	240	223	(6,243)	4,200	-	-
Other assets	(779)	-	(2,864)	589	-	-	428	-	(2,626)	(4,943)	-	-
Accounts payable	13,870	8,286	8,568	(10,380)	49,556	12,563	1,580	57,562	141,605	(60,448)	4,750	(3,803)
Accrued payroll	1,421	177	(23)	1,554	1,433	(184)	55	816	5,249	8,769	120	380
Accrued vacation and sick leave pay	1,038	(325)	328	1,949	1,105	466	88	2	4,651	423	235	114
Accrued workers' compensation	657	1,868	(20)	9,442	856	204	94	1,236	14,337	4,325	(41)	(64)
Estimated claims payable	-	2,664	28	14,522	-	(83)	(675)	-	16,456	(21,766)	-	-
Due to other funds	-	89	(2,054)	(887)	-	(84)	-	-	(2,936)	(82)	-	(24)
Unearned revenue and other liabilities	(54,459)	12,592	3,432	(1,084)	23,119	2,140	(9,756)	625	(23,391)	(6,321)	2,182	2,276
Net pension liability and pension related deferred outflows and inflows of resources	9,835	(3,730)	25	22,803	(81,368)	2,458	993	(3,149)	(52,133)	600,608	4,884	16,230
Net OPEB liability and OPEB related deferred outflows and inflows of resources	10,854	6,772	1,466	26,750	96,066	2,423	1,252	6,862	152,445	95,441	1,805	2,875
Total adjustments	209,234	150,684	31,384	228,197	178,496	78,408	12,660	41,204	930,267	1,334,672	34,306	34,296
Net cash provided by (used in) operating activities	$ 502,850	$ 306,176	$ 25,732	$ (553,964)	$ (10,980)	$ 182,911	$ 25,606	$ (87,628)	$ 390,703	$ 121,576	$ 27,540	$ 11,450
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted	$ 458,219	$ 358,768	$ 274,871	$ 647,731	$ 334,609	$ 164,107	$ 155,722	$ -	$ 2,394,027	$ 2,446,138	$ 36,595	$ 29,919
Restricted	1,345,179	102,011	41,420	316,351	-	36,054	30,877	22,895	1,894,787	921,349	-	-
Deposits and investments outside City Treasury:												
Unrestricted	6,408	274	10	5,559	10	262	5	2	12,530	15,576	-	-
Restricted	710,685	143,739	3,815	21,832	454	14,282	10,077	12,855	917,739	734,945	25,478	21,617
Total deposits and investments	2,520,491	604,792	320,116	991,473	335,073	214,705	196,681	35,752	5,219,083	4,118,008	62,073	51,536
Less: Investments outside City Treasury not meeting the definition of cash equivalents	(673,495)	(17,188)	741	-	-	(888)	(265)	(12,733)	(703,828)	(626,391)	(2,249)	-
Cash and cash equivalents at end of year on statement of cash flows	$ 1,846,996	$ 587,604	$ 320,857	$ 991,473	$ 335,073	$ 213,817	$ 196,416	$ 23,019	$ 4,515,255	$ 3,491,617	$ 59,824	$ 51,536
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease	$ 189,596	$ 45,882	$ 11,826	$ -	$ -	$ 48,720	$ 5,033	$ 175	$ 301,232	$ 156,712	$ 3,599	$ 1,997
Tenant improvements financed by rent credits	-	-	-	-	-	-	2,590	-	2,590	613	-	-
Net capitalized interest	28,756	59,855	413	4,536	-	22,415	18	-	115,993	80,311	-	-
Donated inventory	-	-	-	-	1,490	-	-	-	1,490	1,910	-	-
Capital contributions and other noncash capital items	-	-	-	-	-	-	1,413	-	1,413	749	-	-
Bond refunding through fiscal agent	26,789	-	-	-	-	-	-	-	26,789	184,536	-	-
Bond proceeds held by fiscal agent	802,338	-	-	-	-	-	-	-	802,338	434,287	-	-
Commercial paper repaid through fiscal agent	706,285	-	-	-	-	-	-	-	706,285	343,050	-	-
Interfund loan	-	96	-	-	-	1,061	-	-	1,157	1,257	-	-

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position

Fiduciary Funds
June 30, 2018
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Agency Funds
ASSETS				
Deposits and investments with City Treasury	$ 113,538	$ 703,920	$ 257,093	$ 196,472
Deposits and investments outside City Treasury:				
Cash and deposits	105,525	-	5,870	676
Short-term investments	533,189	-	-	-
Debt securities	3,373,593	-	-	-
Equity securities	9,658,386	-	-	-
Real assets	3,578,379	-	-	-
Private equity and other alternative investments	7,423,881	-	-	-
Foreign currency contracts, net	(1,157)	-	-	-
Receivables:				
Employer and employee contributions	39,632	-	-	139,037
Brokers, general partners and others	185,436	-	-	-
Federal and state grants and subventions	-	-	404	-
Interest and other	31,865	2,935	8,059	586,784
Loans (net of allowance for uncollectible amounts)	-	-	1,554	-
Other assets	2,488	-	1,767	45,538
Restricted asset:				
Deposits and investments outside City Treasury	-	-	319,895	-
Capital assets:				
Land and other assets not being depreciated	-	-	18,525	-
Facilities, infrastructure and equipment, net of depreciation	-	-	20,697	-
Total assets	25,044,755	706,855	633,864	968,507
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	-	-	46,774	-
Deferred outflows related to pensions	-	-	7,725	-
Deferred outflows related to OPEB	641	-	2,932	-
Total deferred outflows of resources	641	-	57,431	-
LIABILITIES				
Accounts payable	31,636	-	27,795	92,452
Estimated claims payable	27,825	-	-	-
Due to the primary government	-	-	3,222	-
Agency obligations	-	-	-	876,055
Accrued interest payable	-	-	15,492	-
Payable to brokers	60,662	-	-	-
Deferred Retirement Option Program	313	-	-	-
Other liabilities	2,941	-	1,304	-
Advance from primary government	-	-	8,214	-
Long-term obligations	-	-	1,057,990	-
Net pension liability	-	-	27,280	-
Net other postemployment benefits (OPEB) liability	11,694	-	6,337	-
Total liabilities	135,071	-	1,147,634	968,507
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	-	6,458	-
Deferred inflows related to OPEB	19	-	-	-
Total deferred inflows of resources	19	-	6,458	-
NET POSITION				
Restricted for pension and other employee benefits	24,910,306	-	-	-
Held for external pool participants	-	706,855	-	-
Held for Redevelopment Agency dissolution	-	-	(462,797)	-
Total net position	$ 24,910,306	$ 706,855	$ (462,797)	$ -

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2018
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues	$ -	$ -	$ 152,567
Charges for services	-	-	70,416
Contributions:			
Employee contributions	550,795	-	-
Employer contributions	1,595,079	-	-
Contributions to pooled investments	-	4,329,894	-
Total contributions	2,145,874	4,329,894	222,983
Investment income:			
Interest	138,551	7,643	4,730
Dividends	244,721	-	-
Net appreciation in fair value of investments	2,232,122	-	-
Securities lending income	393	-	-
Total investment income	2,615,787	7,643	4,730
Less investment expenses:			
Other investment expenses	(50,273)	-	-
Net investment income	2,565,514	7,643	4,730
Other additions	-	-	3,832
Total additions, net	4,711,388	4,337,537	231,545
Deductions:			
Neighborhood development	-	-	235,982
Depreciation	-	-	5,044
Interest on debt	-	-	47,064
Benefit payments	2,435,434	-	-
Refunds of contributions	14,578	-	-
Distribution from pooled investments	-	4,493,298	-
Administrative expenses	18,376	-	11,569
Total deductions	2,468,388	4,493,298	299,659
Change in net position	2,243,000	(155,761)	(68,114)
Net position at beginning of year, as previously reported	22,670,302	862,616	(388,849)
Cumulative effect of accounting change	(2,996)	-	(5,834)
Net position at beginning of year, as restated	22,667,306	862,616	(394,683)
Net position at end of year	$ 24,910,306	$ 706,855	$ (462,797)

The notes to the financial statements are an integral part of this statement.

Notes to Basic Financial Statements
June 30, 2018
(Dollars in Thousands)

(1) The Financial Reporting Entity

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20.0 million (plus 5.0% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8th Floor, San Francisco, CA 94103.

Discretely Presented Component Unit

Treasure Island Development Authority (TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2017, from which the summarized information was derived.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was

established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Debt Service Funds*** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water

Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer, who reports on a monthly basis to the Board of Supervisors, manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System and of the Retiree Health Care Trust Fund are held by trustees.

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2018, involuntary participants accounted for approximately 97.1% of the pool. Voluntary participants accounted for 2.9% of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2018, $704.0 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 6.7%. Internal participants accounted for 93.3% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposit and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

Retirement System – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities

that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of real estate investments are based on net asset values (NAV) provided by the investment managers. Private equity and private credit investments represent interest in limited partnerships. The fair values of private equity and private credit investments are also based on net asset values provided by the general partners.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. These investments are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, LHH, SFGH, and the Internal Service Funds.

(Dollars in Thousands)

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis, are recorded as other income instead of transfer in the GAAP basis. This is the case for certain Agency Funds.

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2018, it was determined that $1,376.2 million of the $1,577.0 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

(e) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(f) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for resale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(g) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization.

Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(h) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(i) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

(j) Fund Equity

Governmental Fund Balance

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

(k) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(l) Refunding of Debt

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(m) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(o) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

(p) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments measured at fair value.

(q) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

(r) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

(s) Special Item

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

In accordance with the Redevelopment Dissolution Law, the Successor Agency transferred the Yerba Buena Gardens properties and other assets to the City during the year ended June 30, 2018. This transaction qualifies as a special item since this action was under the control of OCII's Board of Commissioners and met the criteria of infrequent (see Note 14).

(t) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, \$4,577,235, differs from net position of governmental activities, \$1,891,977 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities [1]	Internal Service Funds [2]	Reclassi-fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury	$ 4,916,181	$ -	$ 36,595	$ -	$ 4,952,776
Deposits and investments outside City Treasury	397,937	-	25,478	-	423,415
Receivables, net					
Property taxes and penalties	302,479	-	-	-	302,479
Other local taxes	317,144	-	-	-	317,144
Federal and state grants and subventions	322,295	-	-	-	322,295
Charges for services	97,862	-	112	-	97,974
Interest and other	26,097	-	556	-	26,653
Due from other funds	19,702	-	-	(19,702)	-
Due from component unit	4,226	-	-	-	4,226
Advance to component unit	8,214	-	-	-	8,214
Loans receivable, net	200,827	-	-	-	200,827
Capital assets, net	-	5,791,482	11,543	-	5,803,025
Other assets	8,030	-	-	-	8,030
Total assets	6,620,994	5,791,482	74,284	(19,702)	12,467,058
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	13,430	933	-	14,363
Deferred outflows related to pensions	-	874,241	17,485	-	891,726
Deferred outflows related to OPEB	-	106,790	2,432	-	109,222
Total deferred outflows of resources	-	994,461	20,850	-	1,015,311
Liabilities					
Accounts payable	429,376	-	8,413	-	437,789
Accrued payroll	109,146	-	2,362	-	111,508
Accrued vacation and sick leave pay	-	161,201	3,451	-	164,652
Accrued workers' compensation	-	253,539	1,759	-	255,298
Estimated claims payable	-	274,680	-	-	274,680
Accrued interest payable	-	19,116	1,153	-	20,269
Unearned grant and subvention revenues	31,129	-	-	-	31,129
Due to other funds	46,337	-	2,062	(19,702)	28,697
Unearned revenue and other liabilities	753,901	1,744	34	-	755,679
Bonds, loans, capital leases, and other payables	121,868	4,026,042	172,924	-	4,320,834
Net pension liability	-	2,918,490	58,876	-	2,977,366
Net OPEB liability	-	1,944,872	44,344	-	1,989,216
Total liabilities	1,491,757	9,599,684	295,378	(19,702)	11,367,117
Deferred inflows of resources					
Unavailable revenue	552,002	(552,002)	-	-	-
Unamortized gain on refunding of debt	-	198	-	-	198
Deferred inflows related to pensions	-	215,596	4,243	-	219,839
Deferred inflows related to OPEB	-	3,167	71	-	3,238
Total deferred inflows of resources	552,002	(333,041)	4,314	-	223,275
Fund balances/ net position					
Total fund balances/ net position	$ 4,577,235	$ (2,480,700)	$ (204,558)	$ -	$ 1,891,977

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 7,605,267
Accumulated depreciation	(1,813,785)
	$ 5,791,482

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued vacation and sick leave pay	$ (161,201)
Accrued workers' compensation	(253,539)
Estimated claims payable	(274,680)
Unearned revenue and other liabilities	(1,744)
Bonds, loans, capital leases, and other payables	(4,026,042)
	$(4,717,206)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	$ (19,116)

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt	$ 13,430
Unamortized gain on refunding of debt	(198)
	$ 13,232

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability	$(2,918,490)
Deferred outflows of resources related to pensions	874,241
Deferred inflows of resources related to pensions	(215,596)
	$(2,259,845)

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

Net OPEB liability	$(1,944,872)
Deferred outflows of resources related to OPEB	106,790
Deferred inflows of resources related to OPEB	(3,167)
	$(1,841,249)

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 60 days of the end of the current fiscal period	$ 552,002

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position before adjustments	$ (56,092)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(161,272)
Unearned revenue and other liabilities	12,806
	$ (204,558)

(Dollars in Thousands)

(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, $1,172,462, differs from the change in net position for governmental activities, $569,242, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes	$ 2,171,601	$ 192,262	$ -	$ -	$ -	$ 2,363,863
Business taxes	899,142	-	-	-	-	899,142
Sales and use tax	296,209	(2,293)	-	-	-	293,916
Hotel room tax	382,176	-	-	-	-	382,176
Utility users tax	94,460	-	-	-	-	94,460
Parking tax	83,484	-	-	-	-	83,484
Real property transfer tax	280,416	-	-	-	-	280,416
Other local taxes	60,287	-	-	-	-	60,287
Licenses, permits and franchises	43,180	888	-	-	-	44,068
Fines, forfeitures, and penalties	34,220	25	-	-	-	34,245
Interest and investment income	45,890	-	-	130	-	46,020
Rents and concessions	105,284	(81)	-	-	-	105,203
Intergovernmental:						
Federal	421,024	2,742	-	-	-	423,766
State	875,402	(20,072)	-	-	-	855,330
Other	16,993	(4,197)	-	-	-	12,796
Charges for services	415,569	1,073	-	-	-	416,642
Other	186,034	1,560	20,452	256	-	208,302
Total revenues	6,411,371	171,907	20,452	386	-	6,604,116
Expenditures/ Expenses						
Current:						
Public protection	1,378,754	107,672	12,958	(2,635)	-	1,496,749
Public works, transportation and commerce	441,868	(1,554)	(118,737)	-	-	321,577
Human welfare and neighborhood development	1,499,216	51,510	1,334	-	-	1,552,060
Community health	815,762	62,666	36,084	-	-	914,512
Culture and recreation	424,794	17,521	3,178	(19,825)	-	425,668
General administration and finance	312,441	63,661	53,240	1,369	-	430,711
General City responsibilities	110,920	1,270	-	6,766	-	118,956
Debt service:						
Principal retirement	381,141	-	-	-	(381,141)	-
Interest and other fiscal charges	136,925	-	-	4,981	(12,792)	129,114
Bond issuance costs	8,934	-	-	-	-	8,934
Capital outlay	337,741	-	(337,741)	-	-	-
Total expenditures	5,848,496	302,746	(349,684)	(9,344)	(393,933)	5,398,281
Excess (deficiency) of revenues over (under) expenditures	562,875	(130,839)	370,136	9,730	393,933	1,205,835
Other financing sources (uses) / changes in net position						
Net transfers in (out)	(773,415)	-	19,718	414	-	(753,283)
Issuance of bonds and loans:						
Face value of bonds issued	1,293,595	-	-	-	(1,293,595)	-
Premium on issuance of bonds	76,243	-	-	-	(76,243)	-
Other financing sources - capital leases	2,027	-	-	(2,027)	-	-
Total other financing sources (uses)	598,450	-	19,718	(1,613)	(1,369,838)	(753,283)
Special item: receipt of Yerba Buena Garden assets	11,137	-	105,553	-	-	116,690
Net change for the year	$ 1,172,462	$ (130,839)	$ 495,407	$ 8,117	$ (975,905)	$ 569,242

(3) Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred outflows of resources increased in the governmental funds..	$ 192,262
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	(20,355)
	$ 171,907
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	$(2,273,598)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	139,005
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	1,841,249
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(9,402)
	$ (302,746)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 536,944
Depreciation expense	(187,220)
Gain on disposal of capital assets	1,127
Loss on disposal of capital assets	(40)
Transfer of assets to enterprise fund	(19)
Transfer of assets from enterprise fund	19,737
Transfer of capital assets from the Successor Agency	105,553
Capital assets acquired by donation or funded by other revenues	21,200
Proceeds from sale of capital assets	(1,875)
Difference	$ 495,407

(Dollars in Thousands)

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	$ 8,117
(6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period.	$ (76,243)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 381,141

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

General obligation bonds	$ (632,990)
Certificates of participation	(412,355)
Sales tax revenue bonds	(248,250)
	(1,293,595)
	$ (912,454)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest	$ (8,100)
Amortization of bond premiums	22,770
Amortization of bond refunding losses and gains	(1,878)
	$ 12,792

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2018, the City implemented the following accounting standards:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with other postemployment benefits (OPEB) and requires additional OPEB disclosures. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017. As of July 1, 2017, the City restated its net position to record beginning OPEB liabilities and beginning deferred outflows of resources as follows:

	Net Position, Beginning of Year		
	As Previously Reported	Change in Accounting Principle	As Restated
Primary Government:			
Governmental Activities	$ 1,786,411	$ (463,676)	$ 1,322,735
Business-type Activities	5,771,902	(581,262)	5,190,640
Total Primary Government	$ 7,558,313	$ (1,044,938)	$ 6,513,375
San Francisco International Airport	$ 50,169	$ (82,998)	$ (32,829)
San Francisco Water Enterprise	501,267	(29,380)	471,887
Hetch Hetchy Water and Power	578,260	(4,396)	573,864
Municipal Transportation Agency	3,295,692	(333,021)	2,962,671
General Hospital Medical Center	(412,424)	(62,790)	(475,214)
San Francisco Wastewater Enterprise	1,146,263	(2,256)	1,144,007
Port of San Francisco	389,740	(3,998)	385,742
Laguna Honda Hospital	222,935	(62,423)	160,512
Total Business-type Activities	$ 5,771,902	$ (581,262)	$ 5,190,640
Internal Service Funds	$ (35,728)	$ (13,785)	$ (49,513)
Fiduciary Funds:			
Private-Purpose Trust Fund - Successor Agency	$ (388,849)	$ (5,834)	$ (394,683)
Pension Trust Fund - Employees' Retirement System	$ 22,410,350	$ (2,996)	$ 22,407,354

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 clarifies accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

(Dollars in Thousands)

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations (AROs.) The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2019.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 4,952,776	$ 2,394,027	$ 1,271,023	$ 8,617,826	$ 1,991
Deposits and investments outside City Treasury	397,937	12,530	24,678,342	25,088,809	-
Restricted assets:					
Deposits and investments with City Treasury	-	1,894,787	-	1,894,787	-
Deposits and investments outside City Treasury	25,478	917,739	319,895	1,263,112	-
Total deposits & investments	$ 5,376,191	$ 5,219,083	$ 26,269,260	$ 36,864,534	$ 1,991
Cash and deposits				$ 219,759	$ -
Investments				36,644,775	1,991
Total deposits and investments				$ 36,864,534	$ 1,991

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated February 2018.

(Dollars in Thousands)

The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20% *	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities, real estate, securities lending, foreign currency contracts, derivative instruments, and private equity investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2018, are as follows:

Asset Class	Target Allocation since September 2017
Global Equity	31.0%
Treasuries	6.0%
Liquid Credit	3.0%
Private Credit	10.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	15.0%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains its cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation since November 2017
Equities	
U.S. Equity	41.0%
Developed Market Equity (Non-U.S.)	20.0%
Emerging Market Equity	16.0%
Credit	
High Yield Bonds	3.0%
Bank Loans	3.0%
Emerging Market Bonds	3.0%
Rate Securities	
Treasury Inflation-Protected Securities (TIPS)	5.0%
Investment Grade Bonds	9.0%
	100.0%

Asset Class	Target Allocation through October 2017	Range
Domestic Equity	37.0%	32.0-42.0%
International Equity	37.0%	32.0-42.0%
Investment Grade Bonds	26.0%	21.0-31.0%
	100.0%	

(Dollars in Thousands)

(c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2018:

		Fair Value Measurements Using		
	Fair Value 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	$ 1,069,988	$ 1,069,988	$ -	$ -
U.S. Agencies - Discount	85,129	-	85,129	-
U.S. Agencies - Coupon (no call option)	2,984,716	-	2,984,716	-
U.S. Agencies - Coupon (callable option)	1,852,649	-	1,852,649	-
State and Local Agencies	189,487	-	189,487	-
Negotiable Certificates of Deposits	2,188,512	-	2,188,512	-
Corporate Notes	98,174	-	98,174	-
Supranationals	773,680	-	773,680	-
Commercial Paper	922,171	-	922,171	-
Public Time Deposits	25,240 *	-	-	-
Money Market Mutual Funds	407,023 *	-	-	-
Subtotal	10,596,769	$ 1,069,988	$ 9,094,518	$ -
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	356,465	$ 356,465	$ -	$ -
U.S. Agencies	355,435	70,605	284,830	-
State and Local Agencies	850	-	850	-
Corporate Notes	6,130	-	6,130	-
Supranationals	4,521	-	4,521	-
Commercial Paper	26,759	-	26,759	-
Negotiable Certificates of Deposit	4,999	-	4,999	-
Commercial Paper	73,661 *	-	-	-
Money Market Mutual Funds	654,641 *	-	-	-
Certificates of Deposit	265 *	-	-	-
Subtotal Investments Outside City Treasury	1,483,726	$ 427,070	$ 328,089	$ -

* Not subject to fair value hierarchy

		Fair Value Measurements Using		
	Fair Value 6/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short-term Investments	499,570	$ (39)	$ 3,068	$ 496,541
Debt Securities:				
U.S. Government and Agency Securities	1,593,955	1,519,716	74,239	-
Other Debt Securities	1,367,798	233,610	1,019,807	114,381
Equity Securities:				
Domestic	4,342,015	4,334,396	7,371	248
International	4,237,691	4,234,440	3,242	9
Foreign Currency Contracts, net	(1,157)	-	-	(1,157)
Subtotal Employees' Retirement System Investments	12,039,872	$ 10,322,123	$ 1,107,727	$ 610,022
Investments measured at the net asset value (NAV)				
Short-term Investments	22,300			
Fixed Income invested in:				
Other debt securities	344,247			
Equity funds invested in:				
Domestic	891,509			
International	2,627			
Real Assets	3,578,379			
Private Equity	4,344,306			
Private Credit	454,199			
Absolute Return	2,625,376			
Total investments measured at the NAV	12,262,943			
Total investments measured at fair value	24,302,815			
Retiree Health Care Trust Investments measured at the NAV				
Short-term Investments	11,319			
Fixed Income:				
U.S. Debt Index Fund	67,593			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	97,073			
International:				
EAFE Equity Index Fund	87,471			
Subtotal Investments in Retiree Health Care Trust	263,456			
Total Investments	**$36,646,766**			

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, State and Local Agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds and Public Time Deposits have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72.

(Dollars in Thousands)

Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to fair value hierarchy.

Employees' Retirement System Investments

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private credit investments, opportunistic public equity, real assets, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset values are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to,

appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private Credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. Two opportunistic public equity investments, valued at $2.4 million, are currently being liquidated. These proceeds are expected to be received over the next 2-4 years. The remaining five opportunistic public equity investments are subject to varying lock-up periods, notice requirements and withdrawal windows. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships, but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2018

% of NAV	Redemption Frequency	Redemption Notice Period
80%	Monthly	60-95 Days
16%	Quarterly	30-180 Days
<1%	Semi-annually	60 Days
4%	Greater Than Annually	90 Days
100%		

% of NAV in Lock Up	As of Fiscal Year End
13%	2018
11%	2019
11%	2020
0%	2021

(Dollars in Thousands)

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2018, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, equity and debt commingled index funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2018, there are no redemption restrictions on the commingled index funds.

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2018, $3.5 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

			Investment Maturities	
	S & P Rating	Fair Value	Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	$ 1,069,988	$ 754,034	$ 315,954
U.S. Agencies	NR - AA+	4,922,494	1,099,271	3,823,223
Negotiable certificates of deposits	A-1 - A-1+	2,188,512	2,188,512	-
Money Market Mutual Funds	AAAm	407,023	407,023	-
Public time deposits	NR	25,240	25,240	-
State and Local Agencies	A-1+, AA- - AA+	189,487	80,410	109,077
Supranationals	AAA	773,680	274,994	498,686
Corporate notes	A+ - AA-	98,174	68,808	29,366
Commercial Paper	A-1-A-1+	922,171	922,171	-
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(1,991)	-	(1,991)
Less: Employees' Retirement System				
Investments with City Treasury		(24,275)	-	(24,275)
Less: Retiree Health Care Trust				
Investments with City Treasury	n/a	(2,269)	-	(2,269)
Subtotal pooled investments		10,568,234	$ 5,820,463	$ 4,747,771
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	$ 356,465	$ 113,647	$ 242,818
U.S. Agencies - Coupon	AA+, A+	297,563	22,116	275,447
U.S. Agencies - Discount	AA+	57,872	-	57,872
State and Local Agencies	AA, AA-	850	-	850
Supranationals	AAA	4,521	-	4,521
Corporate notes	AA+-AA-,AAA,A	6,130	718	5,412
Money Market Mutual Funds	AAAm	572,748	572,748	-
U.S. Treasury Money Market Funds	AAAm	81,893	81,893	-
Commercial Paper	A-1+,A-1,AAAm	100,420	100,420	-
Certificates of Deposit	NR,A-1,A-1+,A+,AA-	5,264	3,761	1,503
Subtotal investments outside City Treasury		1,483,726	$ 895,303	$ 588,423
Retiree Health Care Trust Investments		265,725		
Employees' Retirement System investments		24,327,090		
Total Primary Government		$ 36,644,775		
Component Unit:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	1,991	$ -	$ -
Total Investments		**$ 36,646,766**		

As of June 30, 2018, the investments in the City Treasury had a weighted average maturity of 469 days.

(Dollars in Thousands)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2018, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Home Loan Mortgage Corporation	14.3%
Federal Farm Credit Bank	12.9%
Federal Home Loan Bank	12.8%

In addition, the following major funds hold investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2018:

Airport:	
Federal National Mortgage Association	14.0%
Federal Home Loan Bank	12.0%
Federal Home Loan Mortgage Corporation	11.7%
Hetch Hetchy:	
Federal Home Loan Bank	27.2%
Wastewater:	
Federal Home Loan Bank	14.1%
Water:	
Federal Home Loan Bank	5.3%
Port:	
Federal Home Loan Bank	28.8%
Laguna Honda Hospital:	
Federal Home Loan Bank	99.8%

(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2018:

Statement of Net Position	
Net position held in trust for all pool participants	$10,514,604
Equity of internal pool participants	$9,807,749
Equity of external pool participants	706,855
Total equity	$10,514,604
Statement of Changes in Net Position	
Net position at July 1, 2017	$8,628,146
Net change in investments by pool participants	1,886,458
Net position at June 30, 2018	$10,514,604

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2018:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries	1.36% - 2.47%	08/06/18 - 06/30/22	$ 1,085,000	$ 1,069,988
U.S. Agencies	0.89% - 3.32%	07/02/18 - 06/14/23	4,976,915	4,922,494
State and local agencies	0.90% - 2.80%	08/01/18 - 05/15/21	191,080	189,487
Public time deposits	1.91% - 2.59%	09/12/18 - 05/16/19	25,240	25,240
Negotiable certificates of deposit	1.48% - 2.69%	07/02/18 - 06/07/19	2,187,838	2,188,512
Commercial paper	1.85% - 2.59%	07/02/18 - 02/20/19	927,000	922,171
Corporate notes	2.25% - 2.62%	01/09/19 - 01/10/20	98,463	98,174
Money market mutual funds	1.65% - 1.73%	07/01/18 - 07/01/18	407,023	407,023
Supranationals	1.07% - 2.88%	07/02/18 - 07/20/21	782,262	773,680
			$10,680,821	10,596,769
Carrying amount of deposits with Treasurer				(82,165)
Total cash and investments with Treasurer				$ 10,514,604

(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2018, are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 521,870
Investments in City Treasury	24,275
Debt securities:	
U.S. Government and agencies	1,593,955
Other debt securities	1,712,045
Subtotal debt securities	3,306,000
Total fixed income investments	3,852,145
Equity securities:	
Domestic	5,233,524
International	4,240,318
Total equity securities	9,473,842
Real assets	3,578,379
Private credit	454,199
Private equity	4,344,306
Absolute return	2,625,376
Foreign currency contracts, net	(1,157)
Total Retirement System Investments	$ 24,327,090

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2018:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset-Backed Securities	$ 43,499	$ -	$ 9,771	$ 4,212	$ 29,516
Bank Loans	93,935	378	34,210	59,347	-
City Investment Pool	24,275	13,333	10,942	-	-
Commercial Mortgage-Backed	187,451	420	4,682	2,756	179,593
Commingled and Other Fixed Income Funds	592,013	14,401	-	344,247	233,365
Corporate Bonds	442,037	21,175	146,323	204,160	70,379
Corporate Convertible Bonds	223,175	11,399	115,464	70,313	25,999
Government Bonds	1,611,076	14,064	1,044,367	479,202	73,443
Government Mortgage-Backed Securities	60,858	-	-	7,475	53,383
Municipal/Provincial Bonds	4,558	-	-	118	4,440
Non-Government Backed Collateralized Mortgage Obligations	48,725	-	579	-	48,146
Options	(2)	(2)	-	-	-
Short Term Investment Funds	521,910	521,910	-	-	-
Swaps	(155)	(1,033)	897	(15)	(4)
Total	$ 3,853,355	$ 596,045	$ 1,367,235	$ 1,171,815	$ 718,260

Credit Risk

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2018. Investments issued or explicitly guaranteed by the U.S. government of $1.53 billion as of June 30, 2018, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 47,859	2.1%
AA	77,040	3.3%
A	81,394	3.5%
BBB	295,078	12.7%
BB	175,659	7.6%
B	162,248	7.0%
CCC	35,781	1.5%
CC	1,318	0.1%
C	389	0.0%
D	5,502	0.2%
Not Rated	1,437,553	62.0%
Total	$ 2,319,821	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 21% for 2018.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2018, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2018, $157.1 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

(Dollars in Thousands)

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, and real assets. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2018, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentine peso	$ 3,008	$ -	$ 2,543	$ -	$ -	$ -	$ (3,843)	$ 1,708
Australian dollar	-	93,034	(344)	3,384	-	-	32,083	128,157
Brazil real	-	30,672	6,930	-	-	-	4,651	42,253
Canadian dollar	-	81,863	-	-	-	-	110,296	192,159
Chilean peso	-	-	2,718	-	-	-	205	2,923
Chinese yuan renminbi	27,377	231,085	991	-	-	-	-	259,453
Colombian peso	-	-	9,465	-	-	-	171	9,636
Czech koruna	-	1,504	876	-	-	-	5,768	8,148
Danish krone	-	29,746	-	-	-	-	(1,528)	28,218
Egyptian pound	-	-	-	-	-	-	2,805	2,805
Euro	-	697,571	38,262	130,278	201,576	31,870	(103,680)	995,877
Hong Kong dollar	-	170,960	76	-	-	-	1,533	172,569
Hungarian forint	-	2,129	454	-	-	-	649	3,232
Indian rupee	-	-	-	-	-	-	645	645
Indonesian rupiah	-	4,741	10,965	-	-	-	(480)	15,226
Israeli shekel	-	10,225	-	-	-	-	3,157	13,382
Japanese yen	-	558,795	(1,455)	-	63,266	-	79,314	699,920
Kazakhstan tenge	-	-	314	-	-	-	-	314
Malaysian ringgit	-	8,825	5,581	-	-	-	658	15,064
Mexican peso	-	6,981	1,078	-	-	-	12,300	20,359
New Taiwan dollar	-	47,126	-	-	-	-	(969)	46,157
New Zealand dollar	-	299	-	-	-	-	18,841	19,140
Norwegian krone	-	12,570	-	-	-	-	(48,471)	(35,901)
Peruvian sol	-	-	5,431	-	-	-	(1,891)	3,540
Philippines peso	-	1,979	456	-	-	-	(1,349)	1,086
Polish zloty	-	400	13,259	-	-	-	1,424	15,083
Pound sterling	-	507,461	3,034	17,374	12,221	-	35,695	575,785
Qatari riyal	-	3,156	-	-	-	-	-	3,156
Romanian leu	-	-	628	-	-	-	794	1,422
New Russian ruble	-	-	9,575	-	-	-	767	10,342
Singapore dollar	-	14,001	-	-	-	-	3,208	17,209
South African rand	-	16,345	14,790	-	-	-	(2,907)	28,228
South Korean won	-	86,791	-	-	-	-	34	86,825
Swedish krona	-	65,639	69	-	-	-	(66,631)	(923)
Swiss franc	-	166,744	452	-	-	-	(96,530)	70,666
Thailand baht	-	7,471	1,661	-	-	-	8,226	17,358
Turkish lira	-	10,301	7,135	-	-	-	964	18,400
United Arab Emirate dirham	-	4,967	-	-	-	-	-	4,967
Ukraine hryvana	-	-	230	-	-	-	-	230
Uruguayan peso	-	-	373	-	-	-	-	373
Total	$ 30,385	$ 2,873,381	$ 135,547	$ 151,036	$ 277,063	$ 31,870	$ (4,091)	$ 3,495,191

Derivative Instruments

As of June 30, 2018, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2018:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	$ 1,382,441	$ (1,157)	$ (1,321)
Futures			
Currency Futures Long	2,742	(39)	(39)
Equity Index Futures Long	201,613	(3,824)	1,169
Equity Index Futures Short	(99,762)	443	(1,444)
Treasury Futures Long	47,329	391	391
Options			
Foreign Exchange Contracts	(700)	(2)	(69)
Swaps			
Credit Contracts	3,100	(23)	12
Equity Index Contracts	27,438	(1,561)	(1,409)
Total Return Contracts	101	(220)	(1,453)
Interest Rate Contracts	64,646	88	(225)
Rights/Warrants			
Equity Contracts	45,291 shares	86,250	(11,268)
Total		$ 80,346	$ (15,656)

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

(Dollars in Thousands)

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2018, the fair value of forward currency contracts in asset positions (including foreign exchange contract options) to purchase and sell international currencies were $1.7 million and $2.8 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 53.6% and credit ratings of B on 46.4% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's).

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2018, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2018.

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Forwards					
Foreign Exchange Contracts	$ (1,157)	$ (1,157)	$ -	$ -	$ -
Options					
Foreign Exchange Contracts	(2)	(2)	-	-	-
Swaps					
Credit Contracts	(23)	(5)	(18)	-	-
Total Return Contracts	(220)	(220)	-	-	-
Interest Rate Contracts	88	(808)	915	(15)	(4)
Total	$ (1,314)	$ (2,192)	$ 897	$ (15)	$ (4)

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2018:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	$ 319	$ 2
Interest Rate Swap	Receive Fixed 10.30%, Payable Variable 1-Day BIDOR	390	(8)
Interest Rate Swap	Receive Fixed 10.33%, Payable Variable 1-Day BIDOR	2,157	(44)
Interest Rate Swap	Receive Fixed 11.33%, Payable Variable 1-Day BIDOR	2,261	36
Interest Rate Swap	Receive Fixed 11.35%, Payable Variable 1-Day BIDOR	2,729	185
Interest Rate Swap	Receive Fixed 11.38%, Payable Variable 1-Day BIDOR	182	11
Interest Rate Swap	Receive Fixed 12.06%, Payable Variable 1-Day BIDOR	725	49
Interest Rate Swap	Receive Fixed 12.20%, Payable Variable 1-Day BIDOR	1,349	110
Interest Rate Swap	Receive Fixed 12.29%, Payable Variable 1-Day BIDOR	182	8
Interest Rate Swap	Receive Fixed 15.96%, Payable Variable 1-Day BIDOR	4,237	(581)
Interest Rate Swap	Receive Fixed 16.40%, Payable Variable 1-Day BIDOR	3,119	634
Interest Rate Swap	Receive Fixed 2.00%, Payable Variable 6-Month WIBOR	641	-
Interest Rate Swap	Receive Fixed 2.01%, Payable Variable 6-Month THB	1,078	(5)
Interest Rate Swap	Receive Fixed 2.02%, Payable Variable 6-Month THB	604	5
Interest Rate Swap	Receive Fixed 2.12%, Payable Variable 6-Month THB	1,053	7
Interest Rate Swap	Receive Fixed 2.19%, Payable Variable 6-Month THB	211	2
Interest Rate Swap	Receive Fixed 2.22%, Payable Variable 6-Month THB	423	5
Interest Rate Swap	Receive Fixed 2.25%, Payable Variable 6-Month BUBOR	3,260	(11)
Interest Rate Swap	Receive Fixed 2.51%, Payable Variable 6-Month THB	329	4
Interest Rate Swap	Receive Fixed 2.56%, Payable Variable 6-Month THB	706	5
Interest Rate Swap	Receive Fixed 2.58%, Payable Variable 6-Month THB	395	6
Interest Rate Swap	Receive Fixed 2.63%, Payable Variable 6-Month THB	661	12
Interest Rate Swap	Receive Fixed 2.78%, Payable Variable 6-Month THB	28	1
Interest Rate Swap	Receive Fixed 2.81%, Payable Variable 6-Month THB	556	17
Interest Rate Swap	Receive Fixed 3.54%, Payable Variable 6-Month CLP	762	(7)
Interest Rate Swap	Receive Fixed 4.84%, Payable Variable 1-Day CIBR	876	(5)
Interest Rate Swap	Receive Fixed 4.91%, Payable Variable 1-Day CIBR	935	(2)
Interest Rate Swap	Receive Fixed 5.23%, Payable Variable 1-Day CIBR	123	1
Interest Rate Swap	Receive Fixed 5.31%, Payable Variable 1-Day CIBR	48	-
Interest Rate Swap	Receive Fixed 5.32%, Payable Variable 1-Day CIBR	562	5
Interest Rate Swap	Receive Fixed 5.33%, Payable Variable 1-Day CIBR	569	6
Interest Rate Swap	Receive Fixed 5.61%, Payable Variable 28-Day MXIBR	397	(26)
Interest Rate Swap	Receive Fixed 5.63%, Payable Variable 28-Day MXIBR	946	(64)
Interest Rate Swap	Receive Fixed 5.84%, Payable Variable 28-Day MXIBR	321	(19)
Interest Rate Swap	Receive Fixed 6.12%, Payable Variable 1-Day CIBR	111	2
Interest Rate Swap	Receive Fixed 6.20%, Payable Variable 1-Day CIBR	102	2
Interest Rate Swap	Receive Fixed 6.43%, Payable Variable 1-Day CIBR	32	(1)
Interest Rate Swap	Receive Fixed 6.49%, Payable Variable 28-Day MXIBR	290	(27)
Interest Rate Swap	Receive Fixed 6.80%, Payable Variable 28-Day MXIBR	122	(6)
Interest Rate Swap	Receive Fixed 7.25%, Payable Variable 3-Month JIBAR	540	(14)

(Dollars in Thousands)

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 7.38%, Payable Variable 28-Day MXIBR	1,190	(45)
Interest Rate Swap	Receive Fixed 7.65%, Payable Variable 28-Day MXIBR	2,915	(27)
Interest Rate Swap	Receive Fixed 7.83%, Payable Variable 28-Day MXIBR	621	(1)
Interest Rate Swap	Receive Fixed 7.86%, Payable Variable 28-Day MXIBR	870	(1)
Interest Rate Swap	Receive Fixed 7.88%, Payable Variable 28-Day MXIBR	1,262	-
Interest Rate Swap	Receive Fixed 7.92%, Payable Variable 28-Day MXIBR	2,015	4
Interest Rate Swap	Receive Fixed 8.04%, Payable Variable 28-Day MXIBR	2,081	(54)
Interest Rate Swap	Receive Fixed 8.28%, Payable Variable 28-Day MXIBR	198	-
Interest Rate Swap	Receive Fixed 8.31%, Payable Variable 28-Day MXIBR	81	-
Interest Rate Swap	Receive Fixed 8.32%, Payable Variable 28-Day MXIBR	412	6
Interest Rate Swap	Receive Fixed 9.65%, Payable Variable 1-Day BIDOR	624	(28)
Interest Rate Swap	Receive Fixed 9.76%, Payable Variable 1-Day BIDOR	26	(1)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.44%	3,743	(229)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.54%	6,444	1
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 9.60%	1,066	81
Interest Rate Swap	Receive Variable 1-Day CIBR, Pay Fixed 5.28%	472	(6)
Interest Rate Swap	Receive Variable 1-Day CIBR, Pay Fixed 6.42%	72	(2)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.71%	148	16
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.87%	2,330	56
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.00%	580	(3)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.02%	376	(2)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.20%	575	(7)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.75%	679	28
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.74%	594	3
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.75%	941	4
Total Interest Rate Swaps		$ 64,646	$ 88

Foreign Currency Risk

At June 30, 2018, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps and futures denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2018:

Currency	Forwards	Rights/ Warrants	Swaps	Futures	Total
Argentina peso	$ (3,843)	$ -	$ -	$ -	$ (3,843)
Australian dollar	32,083	-	(344)	(213)	31,526
Brazil real	4,651	-	224	-	4,875
Canadian dollar	110,296	-	-	23	110,319
Chilean peso	205	-	(7)	-	198
Colombian peso	171	-	1	-	172
Czech koruna	5,768	-	-	-	5,768
Danish krone	(1,528)	-	-	-	(1,528)
Egyptian pound	2,805	-	-	-	2,805
Euro	(103,680)	244	(171)	(390)	(103,997)
Hong Kong dollar	1,533	-	76	18	1,627
Hungarian forint	649	-	(11)	-	638
Indian rupee	645	-	-	-	645
Indonesian rupiah	(480)	-	-	-	(480)
Israeli shekel	3,157	-	-	-	3,157
Japanese yen	79,314	-	(1,455)	(427)	77,432
Malaysian ringgit	658	-	6	-	664
Mexican peso	12,300	-	(200)	-	12,100
New Taiwan dollar	(969)	-	-	-	(969)
New Zealand dollar	18,841	-	-	-	18,841
Norwegian krone	(48,471)	-	-	-	(48,471)
Peruvian sol	(1,891)	-	-	-	(1,891)
Philippines peso	(1,349)	-	-	-	(1,349)
Polish zloty	1,424	-	-	-	1,424
Pound sterling	35,695	-	-	263	35,958
Romanian leu	794	-	-	-	794
New Russian ruble	767	-	-	-	767
Singapore dollar	3,208	-	-	7	3,215
South African rand	(2,907)	-	14	-	(2,893)
South Korean won	34	-	-	-	34
Swedish krona	(66,631)	-	69	8	(66,554)
Swiss franc	(96,530)	-	44	-	(96,486)
Thailand baht	8,226	-	61	-	8,287
Turkish lira	964	-	-	-	964
Total	$ (4,091)	$ 244	$ (1,693)	$ (711)	$ (6,251)

Contingent Features

At June 30, 2018, the Retirement System held no positions in derivatives containing contingent features.

(Dollars in Thousands)

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2018, are summarized as follows:

Beginning of the year	$ 2,975,974
Capital investments	748,528
Equity in net earnings	76,834
Net appreciation in fair value	391,107
Capital distributions	(614,064)
End of the year	$ 3,578,379

The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40.0% and 65.0%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were none as of June 30, 2018. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a purchase and sale transaction.

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk.

As of June 30, 2018, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years
US Debt Index Fund	8.23
Emerging Markets Debt Fund	11.7
City Investment Pool	1.29
Treasury Money Market Fund	0.13

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, Emerging Markets Debt Fund, City's investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2018, the RHCTF held investments issued by Blackrock, Inc. and Northern Trust Company that exceeded 5% of the RHCTF's fiduciary net position.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2018, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the counterparty's trust department or agent but not in the RHCTF's name.

Foreign Currency Risk

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the exchange rates provided by WM/Reuters. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(Dollars in Thousands)

(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $283.0 million for the year ended June 30, 2018.

Taxable valuation for the year ended June 30, 2018, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $212.4 billion, an increase of 9.1%. The secured tax rate was $1.1723 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and $0.1723 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.58% and 4.97%, respectively, of the current year tax levy, for an average delinquency rate of 0.86% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2018, was $25.6 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2018, was as follows:

Governmental Activities:	**Balance July 1, 2017**	**Increases ***	**Decreases ***	**Balance June 30, 2018**
Capital assets, not being depreciated:				
Land	$ 360,602	$ 124,620	$ (748)	$ 484,474
Intangible assets	54,762	3,836	(49,866)	8,732
Construction in progress	624,711	430,069	(204,855)	849,925
Total capital assets, not being depreciated	1,040,075	558,525	(255,469)	1,343,131
Capital assets, being depreciated:				
Facilities and improvements	4,361,139	251,411	-	4,612,550
Machinery and equipment	576,843	17,511	(1,200)	593,154
Infrastructure	954,733	61,895	-	1,016,628
Intangible assets	55,816	51,645	-	107,461
Total capital assets, being depreciated	5,948,531	382,462	(1,200)	6,329,793
Less accumulated depreciation for:				
Facilities and improvements	1,099,003	106,136	-	1,205,139
Machinery and equipment	367,768	39,505	(1,160)	406,113
Infrastructure	200,814	40,409	-	241,223
Intangible assets	13,345	4,079	-	17,424
Total accumulated depreciation	1,680,930	190,129	(1,160)	1,869,899
Total capital assets, being depreciated, net	4,267,601	192,333	(40)	4,459,894
Governmental activities capital asssets, net	$ 5,307,676	$ 750,858	$ (255,509)	$ 5,803,025
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 240,187	$ 32,888	$ (3,917)	$ 269,158
Intangible assets	12,043	-	-	12,043
Construction in progress	4,073,686	2,582,229	(1,171,587)	5,484,328
Total capital assets, not being depreciated	4,325,916	2,615,117	(1,175,504)	5,765,529
Capital assets, being depreciated:				
Facilities and improvements	16,628,911	539,308	(152,721)	17,015,498
Machinery and equipment	2,689,986	335,072	(59,210)	2,965,848
Infrastructure	1,349,120	151,194	-	1,500,314
Property held under Lease	697	-	-	697
Intangible assets	199,933	7,988	-	207,921
Total capital assets, being depreciated	20,868,647	1,033,562	(211,931)	21,690,278
Less accumulated depreciation for:				
Facilities and improvements	6,155,171	446,633	(114,364)	6,487,440
Machinery and equipment	1,490,621	185,927	(54,719)	1,621,829
Infrastructure	627,004	43,460	(234)	670,230
Property held under lease	697	-	-	697
Intangible assets	159,189	10,766	-	169,955
Total accumulated depreciation	8,432,682	686,786	(169,317)	8,950,151
Total capital assets, being depreciated, net	12,435,965	346,776	(42,614)	12,740,127
Business-type activities capital assets, net	$ 16,761,881	$ 2,961,893	$ (1,218,118)	$ 18,505,656

* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

(Dollars in Thousands)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public protection	$ 27,556
Public works transportation and commerce	36,146
Human welfare and neighborhood development	665
Community Health	38,388
Culture and recreation	52,583
General administration and finance	31,882
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	2,909
Total depreciation expense - governmental activities	$ 190,129
Business-type activities:	
Airport	$ 265,169
Water	118,751
Power	19,115
Transportation	167,220
Hospitals	43,162
Wastewater	55,591
Port	17,778
Total depreciation expense - business-type activities	$ 686,786

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $3.90 billion as of June 30, 2018. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2018. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2018.

During the year ended June 30, 2018, the City's enterprise funds incurred total interest expense and interest income of approximately $541.9 million and $35.4 million, respectively. Of these amounts, net interest expense of approximately $116.0 million was capitalized. The Airport had write-offs and loss on disposal in the amount of $21.3 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $0.9 million, $0.1 million, and $4.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2018 was as follows:

Treasure Island Development Authority:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land	$ 20,390	$ 7,091	$ -	$ 27,481
Total capital assets, not being depreciated	20,390	7,091	-	27,481
Capital assets, being depreciated:				
Machinery and equipment	22	14	-	36
Total capital assets, being depreciated	22	14	-	36
Less accumulated depreciation for:				
Machinery and equipment	10	6	-	16
Total accumulated depreciation	10	6	-	16
Total capital assets, being depreciated, net	12	8	-	20
Component unit capital asssets, net	$ 20,402	$ 7,099	$ -	$ 27,501

During the year ended June 30, 2018, the Navy transferred approximately 19 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) Bonds, Loans, Capital Leases and Other Payables

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2018, are as follows:

Type of Obligation	July 1, 2017	Additional Obligation	Current Maturities	June 30, 2018
Governmental activities:				
Commercial paper				
Multiple Capital Projects	$ 206,939	$ 144,750	$ (332,821)	$ 18,868
Direct placement revolving certificates of participation				
Transbay Transit Center Project	49,000	54,000	-	103,000
Governmental activities short-term obligations	$ 255,939	$ 198,750	$ (332,821)	$ 121,868
Business-type activities:				
Commercial paper				
San Francisco General Hospital	$ 19,802	$ 1,088	$ (3,250)	$ 17,640
San Francisco International Airport	178,000	557,700	(706,290)	29,410
San Francisco Water Enterprise	145,000	40,312	(145,000)	40,312
Hetch Hetchy Water and Power	20,058	20,280	(20,058)	20,280
San Francisco Wastewater Enterprise	111,411	262,859	(111,411)	262,859
Business-type activities short-term obligations	$ 474,271	$ 882,239	$ (986,009)	$ 370,501

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a $150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from $150.0 million to $250.0 million. The City currently has letters of credit supporting the $250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued, and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures between 30 to 90 days. The CP notes are supported by two Revolving Credit Agreements (RCA) issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A. with both fees of 0.45% on the commitment amounts, and a Letter of Credit Agreement (LOC) issued by State Street Bank with a fee of 0.50%. The State Street Bank and US Bank N.A. RCAs are scheduled to expire in May 2021 and the State Street Bank LOC is scheduled to expire in February 2019 (see Note 19).

In fiscal year 2018, the City retired $332.8 million and issued $144.8 million CP to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building and related furniture, fixtures and equipment, technology and moving costs; and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2018, the outstanding principal of taxable and tax-exempt CP was $13.7 million and $5.2 million, respectively, with interest rates ranging from 2.35% to 2.40% and 1.15% to 1.27%, respectively.

Transbay Transit Center Project Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning financing, design, development, construction, and operation of the Transbay Transit Center. In order to address a temporary cash flow shortfall during the construction of the Transbay Transit Center (now called the Salesforce Transit Center), the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed $260.0 million. The City has entered into a Certificate Purchase Agreement with Wells Fargo to establish a credit facility in an amount not to exceed $160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. In partnership with the MTC, the City also entered into a Certificate Purchase Agreement with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed $100.0 million with an annualized floating rate based on LIBOR plus a spread of 0.61%. The floating interest rates for the facilities reset monthly. The City has issued short term variable rate notes at times and in amounts necessary to meet construction funding needs for the project. As of June 30, 2018, the TJPA had drawn a total of $103.0 million from the Wells Fargo financing facility, with an interest rate ranging from 1.79% to 2.54% throughout fiscal year 2018. As of June 30, 2018, the TJPA had not drawn on the BATA financing facility. The City has recorded a receivable, in the amount of $102.2 million, from the TJPA along with a loan payable related to this financing activity. The short-term notes are expected to be repaid in part from Community Facilities District special taxes and tax increment. It is anticipated that long-term debt will be issued to retire the notes, and such long-term debt is also expected to be repaid from such sources (see Note 19).

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed $41.0 million to provide financing for the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 2018, the outstanding principal amount of CP (tax-exempt) was $17.6 million with interest rate of 1.15% and 1.27%.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the "Note Resolution"), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $400.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the Note Resolution to increase the authorized maximum amount by $100.0 million, from $400.0 million to $500.0 million.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

During fiscal year 2018, the CP program was supported by two $100.0 million principal amount direct-pay LOC issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, which, as of June 30, 2018 had expiration dates of May 2, 2019, and May 31 2019, respectively; and a third LOC issued by Royal Bank of Canada acting through a branch located in New York in the principal amount of $200.0 million had expiration date of May 1, 2020, as of June 30, 2018; and a LOC issued on June 22, 2017 by Sumitomo Mitsui Banking Corporation acting through its New York Branch, in the principal amount of $100.0 million and with expiration date of June 21, 2022. Each of the LOC supports separate subseries of CP. In the aggregate, the LOC permit the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2018.

As of June 30, 2018, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2018, the Airport issued new money CP notes in the aggregate principal amount of $390.1 million (AMT) and $167.6 million (Non-AMT) to fund capital improvement projects. As of June 30, 2018, the interest rates on AMT and Non-AMT CP were 0.85% to 1.88%, and 0.82% to 1.68%, respectively.

(Dollars in Thousands)

San Francisco Water Enterprise

The Board of Supervisors and the San Francisco Public Utilities Commission (SFPUC) have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2018, the amount outstanding under Proposition E was $40.3 million. CP interest rates ranged from 0.8% to 2.2%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

Hetch Hetchy Water and Power

Effective December 2015, under Charter Sections 9.107(6) and 9.107(8), the Board of Supervisors and the SFPUC authorized the issuance of up to $90.0 million in CP for the reconstruction or replacement of existing generation, transmission and distribution facilities of the Hetchy Power. Interest rates for the CP ranged from 0.85% to 1.64% in fiscal year 2018. The Hetch Hetchy Water and Power had $20.3 million CP outstanding as of June 30, 2018.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, in fiscal year 2017 the Board of Supervisors and the SFPUC authorized an increase in the CP authorization from $500.0 million to $750.0 million for reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had $262.9 million CP outstanding as June 30, 2018.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed $100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) in an aggregate principal amount not to exceed $100.0 million for a term of five years. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. The CP will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. SFMTA has no CP outstanding as of June 30, 2018.

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2018:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates		Amount
GENERAL OBLIGATION BONDS [(a)]:				
Affordable housing	2038	2.00% - 3.95%	$	192,940
Earthquake safety and emergency response	2038	2.25% - 5.00%		616,180
Parks and playgrounds	2037	2.00% - 6.26%		205,375
Public health and safety	2038	3.00% - 5.00%		171,405
Road repaving and street safety	2035	2.00% - 5.00%		161,535
San Francisco General Hospital	2033	3.25% - 6.26%		509,620
Seismic safety loan program	2035	2.563% - 5.83%*		44,094
Transportation and road improvement	2037	2.75% - 5.00%		149,380
Refunding	2030	4.00% - 5.00%		429,505
General obligation bonds				2,480,034
LEASE REVENUE BONDS:				
San Francisco Finance Corporation [(b), (e) & (f)]	2034	1.125% - 5.75% **		171,150
SALES TAX REVENUE BONDS				
SFCTA revenue bonds [(g)]	2034	3.0% - 4.0%		248,250
CERTIFICATES OF PARTICIPATION:				
Certificates of participation [(c) & (d)]	2047	1.674% - 5.00%		924,405
OTHER LONG TERM OBLIGATIONS:				
Loans [(d), (f) & (g)]	2045	2.00% - 4.5% ***		47,462
Lease Purchase Financing - Public Safety Radio Replacement [(d)]	2027	1.6991%		29,397
Capital Lease [(d)]	2023	1.080%		1,257
Governmental activities total long-term obligations			$	3,901,955

* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2018 was 2.563%.

** Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2018 for Series 2008 -1 & 2 averaged to 1.125%.

*** Includes SFCTA revolving credit loan of $24.7 million with interest rate of 2.074%

Debt service payments are made from the following sources:

(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
(g) Sales tax revenues recorded by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2058	1.72% - 6.00%*	$ 6,244,840
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,514,070
Certificates of participation	2042	2.00% - 6.49%	106,661
Accreted interest	2019	-	6,725
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	4.00% - 5.00%	51,182
Certificates of participation	2042	2.00% - 6.49%	14,521
Municipal Transportation Agency:			
Revenue bonds	2047	3.00% - 5.00%	343,675
Loans	2047	3.30%	5,495
San Francisco General Hospital:			
Certificates of participation	2026	5.55%	14,184
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	937,250
Certificates of participation	2042	2.00% - 6.49%	28,203
Loans	2051	1.60% - 1.80%	22,607
Port of San Francisco:			
Revenue bonds	2044	2.60% - 7.408%	51,535
Certificates of participation	2043	4.75% - 5.25%	31,170
Loans	2029	4.50%	1,976
Laguna Honda Hospital:			
Certificates of participation	2031	4.40% - 5.25%	119,130
Business-type activities total long-term obligations			$ 12,493,224

* Includes Second Series Revenue Bonds Issue 37C, 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2018, the average interest rates on Issue 37C, and 2010A were 1.07%, and 1.08%, respectively. For Issue 2018B and 2018C, the average interest rates were 1.13%, and 1.20%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it is in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2018, the City's general obligation bond debt limit (3% of valuation subject to taxation) was $7.01 billion. The total amount of debt applicable to the debt limit was $2.69 billion. The resulting legal debt margin was $4.32 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds and certificates of participation issued and the Finance Corporation has evaluated each series of tax-exempt lease revenue bonds. The City and the Finance Corporation do not have a rebatable arbitrage liability as of June 30, 2018. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2018.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgage for first time homebuyers to facilitate affordable housing and the construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes. These obligations are not considered obligations of the City. As of June 30, 2018, the total obligation outstanding was $2.10 billion.

Community Facilities District No. 2014-1 (Transbay Transit Center)

In November 2017, the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District") issued Special Tax Bonds, Series 2017A and Series 2017B (the "2017 Bonds") with a par amount of $36.1 million and $171.4 million, respectively, in order to facilitate the construction of the Transbay Transit Center (now called the Salesforce Transit Center) and adjacent infrastructure. The 2017 Bonds bear interest rates ranging from 1.5% to 4.0% with principal amortizing from September 2018 through September 2048. At June 30, 2018, the total outstanding balance for the 2017 Bonds was $207.5 million. The City has no obligation for these bonds as the bonds are secured under the provisions of the Indenture and will be payable solely from Special Tax Revenues and funds pledged under the Fiscal Agent Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof are pledged for the payment of the principal or interest on the 2017 Bonds.

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2018	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,069,872	$ 632,990	$ (222,828)	$ 2,480,034	$ 235,391
Lease revenue bonds	182,030	-	(10,880)	171,150	12,595
Sales tax revenue bonds	-	248,250	-	248,250	-
Certificates of participation	551,760	412,355	(39,710)	924,405	39,110
Subtotal	2,803,662	1,293,595	(273,418)	3,823,839	287,096
Issuance premiums / discounts:					
Add: unamortized premiums	243,914	76,243	(23,014)	297,143	-
Less: unamortized discounts	(140)	-	8	(132)	-
Total bonds payable, net	3,047,436	1,369,838	(296,424)	4,120,850	287,096
Loans	162,876	-	(115,414)	47,462	433
Capital leases	32,586	1,572	(3,504)	30,654	3,552
Accrued vacation and sick leave pay	156,140	128,447	(119,935)	164,652	98,233
Accrued w orkers' compensation	241,823	64,865	(51,390)	255,298	45,740
Estimated claims payable	202,489	95,870	(23,679)	274,680	100,867
Governmental activities long-term obligations	$ 3,843,350	$ 1,660,592	$ (610,346)	$ 4,893,596	$ 535,921

	July 1, 2017	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2018	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$10,381,479	$ 2,816,725	$ (1,106,834)	$ 12,091,370	$ 318,830
Clean renew able energy bonds	53,615	-	(2,433)	51,182	2,480
Certificates of participation	326,308	-	(12,439)	313,869	13,047
Subtotal	10,761,402	2,816,725	(1,121,706)	12,456,421	334,357
Issuance premiums / discounts:					
Add: unamortized premiums	755,284	395,823	(94,370)	1,056,737	-
Less: unamortized discounts	(719)	-	46	(673)	-
Total bonds payable, net	11,515,967	3,212,548	(1,216,030)	13,512,485	334,357
Accreted interest payable	6,278	447	-	6,725	5,000
Notes, loans, and other payables	2,963	27,296	(181)	30,078	516
Accrued vacation and sick leave pay	109,036	66,094	(61,442)	113,688	68,784
Accrued w orkers' compensation	193,928	54,309	(39,973)	208,264	35,350
Estimated claims payable	94,680	38,574	(22,923)	110,331	48,182
Business-type activities long-term obligations	$11,922,852	$ 3,399,268	$ (1,340,549)	$ 13,981,571	$ 492,189

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers' compensation, and compensated absences are generally liquidated by the General Fund.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2018 for governmental and business-type activities are as follows:

Governmental Activities [(1)]

Fiscal Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest [(2)]	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest [(3)]	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2019	$ 235,391	$ 106,639	$ 12,595	$ 4,919	$ 43,095	$ 48,881	$ 291,081	$ 160,439
2020	139,126	94,934	6,110	4,598	72,983	47,692	218,219	147,224
2021	138,365	88,279	12,740	4,313	49,727	45,279	200,832	137,871
2022	145,103	81,932	13,380	3,961	49,346	43,327	207,829	129,220
2023	149,576	75,192	13,845	3,582	50,959	41,381	214,380	120,155
2024-2028	778,414	269,042	73,905	11,797	270,307	174,395	1,122,626	455,234
2029-2033	669,704	108,907	36,240	3,037	290,196	113,091	996,140	225,035
2034-2038	224,355	19,251	2,335	134	235,902	61,406	462,592	80,791
2039-2043	-	-	-	-	165,052	21,659	165,052	21,659
2044-2048	-	-	-	-	23,204	1,665	23,204	1,665
Total	$ 2,480,034	$ 844,176	$ 171,150	$ 36,341	$1,250,771	$ 598,776	$ 3,901,955	$ 1,479,293

Business-Type Activities [(1)]

Fiscal Year Ending June 30	Revenue Bonds [(4) (5)] Principal	Revenue Bonds Interest	Certificates of Participation [(5)] Principal	Certificates of Participation Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2019	$ 321,310	$ 588,781	$ 13,047	$ 17,617	$ 516	$ 383	$ 334,873	$ 606,781
2020	355,813	578,703	13,700	16,958	685	468	370,198	596,129
2021	375,384	562,162	14,399	16,262	761	542	390,544	578,966
2022	386,025	544,094	15,128	15,531	894	615	402,047	560,240
2023	405,378	525,366	15,908	14,759	917	592	422,203	540,717
2024-2028	2,135,355	2,325,493	81,753	60,646	3,958	1,871	2,221,066	2,388,010
2029-2033	1,724,287	1,833,501	70,434	37,505	4,536	1,813	1,799,257	1,872,819
2034-2038	1,715,580	1,402,311	44,476	21,309	3,924	1,159	1,763,980	1,424,779
2039-2043	2,476,340	881,695	45,024	6,185	4,281	802	2,525,645	888,682
2044-2048	2,028,780	341,805	-	-	8,621	364	2,037,401	342,169
2049-2053	139,880	27,194	-	-	985	48	140,865	27,242
2054-2058	78,420	7,839	-	-	-	-	78,420	7,839
Total	$ 12,142,552	$ 9,618,944	$ 313,869	$ 206,772	$ 30,078	$ 8,657	$ 12,486,499	$ 9,834,373

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately $25.5 million and $5.2 million, respectively, through the fiscal year ending 2030. The federal sequester reduction was 6.6% in fiscal year 2018 and will be 6.2% in fiscal year 2019. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bear interest at a weekly rate. An assumed rate of 1.125%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $313.7 million less.

(5) The interest is before federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power of $427.1 million, $60.4 million and $6.0 million through the fiscal year ending 2051, respectively. The federal sequester reduction was 6.6% in fiscal year 2018 and will be 6.2% in fiscal year 2019. Future interest subsidy may be reduced as well.

(Dollars in Thousands)

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2018 are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2017	$ 1,374,975
Bonds issued:	
Series 2018A Clean and Safe Neighborhood Parks	(76,710)
Series 2018B Transportation and Road Improvement	(174,445)
Series 2018C Earthquake Safety and Emergency Response	(189,735)
Series 2018D Affordable Housing	(142,145)
Series 2018E Public Health & Safety	(49,955)
Net authorized and unissued as of June 30, 2018	$ 741,985

In April 2018, the City issued General Obligation Bonds Series 2018A (Clean and Safe Neighborhood Parks) and Series 2018B (Transportation and Road Improvement) in the amount of $76.7 million and $174.4 million, respectively. Both series bear interest rates ranging from 3.0% to 5.0% with principal amortizing from June 2018 to June 2037. The proceeds of the Series 2018A bonds will be used to improve the safety and quality of the City's neighborhood parks and waterfront open spaces, enhancing water quality and cleaning up environmental contamination along the Bay, replacing unsafe playgrounds, fixing restrooms, improving access for the disabled, and ensuring the seismic safety of park and recreational facilities and to pay certain costs related to the issuance of the Series 2018A bonds. The proceeds of the Series 2018B bonds will be used to construct and rebuild streets and sidewalks, make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, improve disabled access and to pay the cost of issuance of the Series 2018B bonds.

In May 2018, the City issued General Obligation Bonds Series 2018C (Earthquake Safety and Emergency Response), Series 2018D (Affordable Housing), and Series 2018E (Public Health and Safety) in the amount of $189.7 million, $142.1 million and $50.0 million, respectively. The Series 2018C, 2018D, and 2018E bonds bear interest rates ranging from 2.5% to 5.0% with maturities from June 2019 through June 2038. The proceeds of the Series 2018C bonds will be used to improve fire, earthquake and emergency response by improving and/or replacing deteriorating cisterns, pipes, and tunnels and related facilities to ensure firefighters a reliable water supply for fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically-unsafe police and medical examiner facilities with earthquake-safe buildings. The proceeds of the Series 2018D bonds will be used to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings; to repair or reconstruct dilapidated public housing; to fund middle-income rental program; and to provide homeownership down payment assistance opportunities for educators and middle-income households. The Series 2018E will be used to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety, and emergency medical response; to seismically improve and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility. The proceeds of Series 2018C, 2018D and 2018E bonds will also be used to pay certain costs related to the issuance of the respective series.

The general obligation bonds' debt service payments are funded through ad valorem taxes on property.

Certificates of Participation

In July 2017, the City issued Certificates of Participation, Series 2017B (Moscone Convention Center Expansion Project) in the amount of $412.4 million to finance or refinance a portion of the costs of additions and improvements to the existing site and facilities of Moscone Center; fund capitalized interest payable with respect to the Certificates through April 1, 2018; fund the Reserve Fund established under the Trust Agreement for the Certificates; and pay costs of issuance of the Certificates. The Series 2017B Certificates bear interest rates ranging from 3.0% to 5.0% with principal amortizing from April 2019 through April 2042.

As of June 30, 2018, the City has a total of $924.4 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. The total debt service requirement on the certificates of participation is $1.42 billion payable through April 1, 2047. For the year ended June 30, 2018, principal and interest paid by the City totaled $39.7 million and $35.7 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2018 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2017	$ 183,263
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	3,556
Current year maturities in Finance Corporation's equipment program	1,115
Net authorized and unissued as of June 30, 2018	$ 187,934

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $207.5 million payable through June 2034. For the year ended June 30, 2018, principal and interest paid by the Finance Corporation in the form of lease payments made by the City totaled $10.9 million and $4.7 million, respectively.

Equipment Lease Program - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2018, the amount authorized and outstanding was $74.7 million and $0.9 million, respectively.

Sales Tax Revenue Bonds - San Francisco County Transportation Authority

In June 2015, the Transportation Authority substituted its $200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a $140.0 million tax-exempt Revolving Credit Agreement. The CP provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan (see Note 12). In June 2018, the Transportation Authority entered into a new Revolving Credit (loan) Agreement with State Street Public Lending Corporation and US Bank for a total amount of $140.0 million for the next three years and has a rate of interest equal to the sum of 80% of 1-month LIBOR plus 0.40%. As of June 30, 2018, the Transportation Authority has $24.7 million outstanding in the Revolving Credit Agreement. The interest payments are due the first business day of each month and have an interest rate of 2.074%. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax revenues.

In November 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds, Series 2017 with a par value of $248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects described in the Expenditure Plan, repay a portion of the revolving loan, pay a portion of the capitalized interest and costs of issuance. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and will mature in February 2034. At June 30, 2018, the Transportation Authority has $248.3 million of bonds outstanding. The Series 2017 bonds are limited obligations of the Transportation Authority payable solely from and secured exclusively by sales tax revenue and capitalized interest held by the trustee pursuant to the indenture.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted in fiscal years 2009, 2013, 2015, 2017 and 2018, the Airport has authorized the issuance of up to $7.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2018, $3.8 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2017A/B/C

In October 2017, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2017A (AMT), 2017B (Non-AMT/Governmental Purpose), and 2017C (Federally Taxable) in aggregate principal amount of $602.4 million to finance and refinance (through the repayment of CP) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal, (d) construction of a new long-term parking garage and extension of AirTrain service to that garage, (e) improvements to the Airport's security infrastructure, (f) certain airfield improvements, and (g) the construction of a new administration campus to consolidate some Airport administrative departments, to fund deposits to the Issue 1 Reserve Account and the 2017 Reserve Account, to fund a deposit to the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance.

Second Series Revenue Bonds, Series 2018D/E/F

In May 2018, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2018D (AMT), Series 2018E (Non-AMT/Governmental Purpose), and Series 2018F (Federally Taxable) in aggregate principal amount of $846.1 million to finance and refinance (through the repayment of CP) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal departures level, (d) extension of AirTrain service to the long-term parking garages, (e) improvements to the Airport's security and technology infrastructure, (f) certain airfield improvements, (g) and the completion of a new administration campus to consolidate some Airport administrative departments, to fund a deposit to the Issue 1 Reserve Account, to fund a deposit to the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance.

Second Series Revenue Bonds, Series 2018B/C

In June 2018, the Airport issued its Second Series Variable Rate Revenue Bonds, Series 2018B (Non-AMT/Governmental Purpose) and 2018C (Non-AMT/Governmental Purpose) in aggregate principal amount of $276.3 million to purchase $260.0 million of Hotel Special Facility Bonds (described below), to finance the development and construction of an AirTrain station adjacent to the on-Airport hotel being constructed, and to pay costs of issuance.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2018, the Airport has authorized the issuance of up to $11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate CP notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. The Board has authorized the issuance of up to $8.4 billion of such refunding bonds. As of June 30, 2018, $730.5 million of the Board-approved refunding bonds remained authorized but unissued.

During the fiscal year 2018, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Bonds, Series 2017C and Second Series Revenue Refunding Bonds, Series 2017D

In October 2017, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2017D (AMT), in the aggregate principal amount of $144.8 million to refund $93.1 million of its Issue 36A, $37.8 million of its Issue 36B, and $33.7 million of its Issue 36C variable rate bonds and to fund a deposit to the 2017 Reserve Account. In addition, the Airport issued its $14.3 million fixed rate Second Series Revenue Bonds, Series 2017C (Federally Taxable), which was used for refunding purposes, including to make swap termination payments in conjunction with the refunded bonds, to fund a deposit to the 2017 Reserve Account, and to pay costs of issuance.

(Dollars in Thousands)

The net proceeds of the Series 2017D Bonds (consisting of $144.8 million par amount of the Series 2017D Bonds and original issue premium of $25.5 million), together with $9.3 million accumulated in the debt service fund and $0.1 million accumulated in the holding account relating to the refunded bonds were used to deposit $15.0 million into the 2017 Reserve Account and $164.7 million into irrevocable escrow funds with the Senior Trustee to refund $164.6 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
Issue 36A (Non-AMT/Private Activity)	$ 93,130	Variable rate	100%
Issue 36B (Non-AMT/Private Activity)	37,820	Variable rate	100%
Issue 36C (Non-AMT/Private Activity)	33,655	Variable rate	100%
Total	$ 164,605		

The refunded bonds were redeemed on November 1, 2017. In aggregate, the Series 2017C/D refundings resulted in the recognition of a deferred accounting loss of $14.5 million for the year ended June 30, 2018. In aggregate, the Series 2017C/D refundings increased the Airport's aggregate gross debt service payments by approximately $17.2 million over the next ten years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $7.0 million.

Second Series Revenue Refunding Bonds, Series 2018A

In February 2018, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2018A (AMT) in the aggregate principal amount of $115.4 million to refund $140.1 million of its Issue 34E fixed rate bonds, to fund a deposit to the 2017 Reserve Account, and to pay costs of issuance.

The net proceeds of the Series 2018A Bonds (consisting of $115.4 million par amount of the Series 2018A Bonds and original issue premium of $12.5 million), together with $2.0 million accumulated in the debt service fund relating to the refunded bonds, and a $26.3 million release from the Issue 1 Reserve Account relating to the refunded bonds, were used to pay $0.3 million in costs of issuance and $0.2 million underwriter's discount and deposit $11.5 million into the 2017 Reserve Account and $144.1 million into irrevocable escrow funds with the Senior Trustee to refund $140.1 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
Issue 34E (AMT)	$ 140,090	5.75%	100%
Total	$ 140,090		

The refunded bonds were redeemed on May 1, 2018. The Series 2018A refunding resulted in the recognition of a deferred accounting loss of $3.5 million for the year ended June 30, 2018. The Series 2018A refunding reduced the Airport's aggregate gross debt service payments by approximately $33.5 million over the next six years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $16.6 million.

Second Series Revenue Bonds, Series 2018G

In May 2018, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2018G (AMT) in the aggregate principal amount of $35.7 million to refund $41.7 million of its Series 2013A fixed rate bonds and to pay costs of issuance. The net proceeds of the Series 2018G Bonds (consisting of $35.7 million par amount of the Series 2018G Bonds and original issue premium of $6.2 million), together with $0.2 million accumulated in the debt service fund relating to the refunded bonds, were used to pay $0.1 million in costs of issuance and $0.1 million underwriter's discount and deposit $41.9 million into irrevocable escrow funds with the Senior Trustee to refund $41.7 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
2013A (AMT)	$ 41,705	5.50%	100%
Total	$ 41,705		

The refunded bonds were redeemed on June 1, 2018. The Series 2018G refunding resulted in the recognition of a deferred accounting gain of $ 1.2 million for the year ended June 30, 2018. The Series 2018G refunding reduced the Airport's aggregate gross debt service payments by approximately $10.6 million over the next eight years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $8.7 million.

Variable Rate Demand Bonds

As of June 30, 2018, the Airport had outstanding an aggregate principal amount of $567.3 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 37C, Series 2010A, Series 2018B, and Series 2018C (collectively, the "Variable Rate Bonds"), with final maturity dates of May 1, 2029 (Issue 37C), May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit (LOC) issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.39% and 0.63% per annum. As of June 30, 2018, there were no unreimbursed draws under these facilities.

The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2018, are as follows:

	Issue 37C	Series 2010A	Series 2018B	Series 2018C
Principal amount	$ 85,135	$ 205,865	$ 138,170	$ 138,170
Expiration date	January 28, 2019	June 29, 2020	June 3, 2022	June 3, 2022
Credit provider	MUFG Union Bank N.A. (1)	Bank of America (2)	Barclays (3)	SMBC (4)

(1) Formerly Union Bank, N.A.
(2) Bank of America, National Association
(3) Barclays Bank PLC
(4) Sumitomo Mitsui Banking Corporation, acting through it's New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2016, 2017 and 2018, the Airport authorized the issuance of $260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a “Special Facility” under the 1991 Master Bond Resolution, which will allow the hotel revenues to be segregated from the Airport’s other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the “Hotel Special Facility Bonds”), in the aggregate principal amount of $260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (the “Hotel Trust Agreement”). The maximum principal amount of such bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are not payable from or secured by the Airport’s Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel.

Interest Rate Swaps

As of June 30, 2018, the Airport’s derivative instruments were comprised of three interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps continued to be effective as of June 30, 2018.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2018	Effective date
1	2010A (37B)*	$ 79,684	$ 75,473	5/15/2008
2	37C	89,856	85,107	5/15/2008
3	2010A**	143,947	137,980	2/1/2010
	Total	$ 313,487	$ 298,560	

* The Issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.
** Hedges Series 2010A-1 and 2010A-2.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market’s best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps to arrive

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

at the so-called “settlement amount”, i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB Statement No. 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. For each swap, the nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB Statement No. 72 fair value hierarchy.

As of June 30, 2018, the fair value of the Airport’s three outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are shown in the following table. Where a swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P’s Long-Term Local Issuer Credit Rating, Moody’s Long-Term Counterparty Rating for Merrill Lynch Derivative Products AG, Moody’s Long-Term Senior Unsecured Rating for JP Morgan Chase Bank N.A. and Goldman Sachs Group, Inc., and Fitch’s Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A (37B)**	Merrill Lynch Capital Services, Inc./			
		Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	$ (9,080)
2	Issue 37C	JP Morgan Chase Bank, NA	A+/Aa3/AA	3.898%	(10,211)
3	2010A***	Goldman Sachs Bank USA/			
		Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(18,267)
		Total			$ (37,558)

* Reflects ratings of the guarantor.
** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.
*** Hedges Series 2010A-1 and 2010A-2.

In June 2018, Fitch upgraded the credit rating of J.P. Morgan Chase Bank N.A., the swap counterparty on the Issue 37C Bonds, from “AA-” to “AA”.

Fair Value Hierarchy

	Fair Value June 30,2018	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	$ (37,558)	$ (37,558)

(Dollars in Thousands)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2018 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2017	$ 54,870	$ 65,965
Change in fair value to year-end	(25,625)	(28,407)
Balance as of June 30, 2018	$ 29,245	$ 37,558

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statements of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflows of resources (if a termination payment would be due to the counterparty) or deferred inflows of resources (if a termination payment would be due to the Airport). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2018.

Basis Risk – During the year ended June 30, 2018, the Airport paid a total of $0.89 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2018, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

Counterparty Risk –As of June 30, 2018, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

Termination Risk – The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers, which are rated as to their claims-paying ability and financial strength as follows as of June 30, 2018:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2018 (S&P/Moody's/Fitch)
1	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
2	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
3	Series 2010A	None	N/A

As of June 30, 2018, the fair value of each swap was negative to the Airport as shown above.

Water Enterprise

Water Revenue Bonds 2017 Series ABC

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 ABC in the aggregate amount of $339.5 million. The purpose of the 2017 Series ABC Bonds was to refund approximately $120.5 million aggregate principal amount of CP and to provide $230.5 million new money for WSIP capital projects, other various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2017 Series ABC bonds include serial bonds with coupon rates of 5.0% and have final maturity in 2045, and four term bonds with coupons of 5.0% and final maturities from 2045 to 2047.

The $121.1 million 2017 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $60.3 million of commercial paper notes and to provide $65.5 million in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons of 5.0% and a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series A bonds outstanding was $121.1 million.

The $147.7 million 2017 Series B bonds were issued as tax-exempt bonds to provide $150.0 million in new money for Water Enterprise capital projects (non-WSIP). The Series B bonds were issued as serial and term bonds with coupons of 5.0% and have a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series B bonds outstanding was $147.7 million

The $70.7 million 2017 Series C bonds were issued as tax-exempt bonds to refund approximately $60.3 million of CP and to provide $15.0 million in new money for Hetch Hetchy Water capital projects. The Series C bonds were issued as serial bonds and a term bond with coupons of 5.0% and have a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series C bonds outstanding was $70.7 million.

Water Revenue Refunding Bonds 2017 Series DEFG

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 Series DEF, and taxable 2017 Series G refunding bonds in the aggregate amount of $442.2 million. The 2017 Series D (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2022, and a portion of the outstanding 2012 Series A bonds maturing on and after November 1, 2031.

The 2017 Series E bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2022, a portion of the outstanding 2011 Series D bonds maturing on and after November 1, 2022, and a portion of 2012 Series C1 bonds maturing on or after November 1, 2029.

The 2017 Series F bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2022.

The taxable 2017 Series G (WSIP, Green) bonds were issued to refund a portion of the outstanding 2011 Series A bonds maturing on and after November 1, 2022.

The 2017 Series DEFG bonds include serial bonds with interest rates varying from 2.00% to 5.00% and have a final maturity in 2035. The refunding resulted in the recognition of a deferred accounting loss of $34.3 million, gross debt service savings of $68.9 million, and an economic gain of $51.7 million or 10.70% of refunded principal. As of June 30, 2018, the principal amount of 2017 Series DEFG bonds outstanding was $442.2 million.

Wastewater Enterprise

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $7.4 million. The loan bears an interest rate of 1.6%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $2.0 million. As of June 30, 2018, the principal amount outstanding of the loan was $4.9 million.

Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $40.0 million. The loan bears an interest rate of 1.8%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2018.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $4.7 million. As of June 30, 2018, the principal amount outstanding of the loan was $17.7 million.

SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $34.4 million. The loan bears an interest rate of 1.8%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2018.

(9) Employee Benefit Programs

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at http://mysfers.org or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final

compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

<u>CalPERS</u> – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as "PEPRA" members.

(Dollars in Thousands)

The CalPERS' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to	On or after	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013*	January 1, 2013	January 1, 2013
Benefit formula	2% @ 60		2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.30%		20.24%	20.24%

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to	On or after	Prior to	On or after
Hire date	January 1, 2013	January 1, 2013	January 1, 2013	January 1, 2013
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.50%
Required employer contribution rates	8.92%	6.53%	49.18%	7.19%

At June 30, 2018, the CalPERS' City Safety Plan had a total of 2,298 members who were covered by these benefits, which includes 1,039 inactive employees or beneficiaries currently receiving benefits, 175 inactive employees entitled to but not yet receiving benefits, and 1,084 active employees.

Contributions

For the year ended June 30, 2018, the City's actuarial determined contributions were as follows:

SFERS Plan	$ 582,568
City CalPERS Miscellaneous Plan	42
City CalPERS Safety Plan	30,743
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	403
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	1,283
Treasure Island Development Authority CalPERS Miscellaneous Plan	6
Total	$ 615,045

<u>SFERS</u> – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2018 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2017, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2016 actuarial report, the required employer contribution rates for fiscal year 2018 were 18.96% to 23.46%.

<u>CalPERS</u> – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

<u>Replacement Benefits Plan</u> – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $3.1 million replacement benefits in the year ended June 30, 2018.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2018 is distributed.

Governmental activities	$ 2,977,366
Business-type activities	2,095,764
Fiduciary funds	27,280
Component Unit - Treasure Island Development Authority	28
Total	$ 5,100,438

As of June 30, 2018, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.0674%	$ 4,697,131
City CalPERS Miscellaneous Plan	-0.1388%	(13,766)
City CalPERS Safety Plan	N/A	303,328
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0216%	2,142
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2751%	27,280
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	28
Replacement Benefits Plan	N/A	84,295
Total		$ 5,100,438

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2017, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

(Dollars in Thousands)

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2017 and 2016 were as follows:

	June 30, 2017 (Measurement Date)		June 30, 2016 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.0674%	$ 4,697,131	94.2175%	$ 5,476,653
City CalPERS Miscellaneous Plan	-0.1388%	(13,766)	-0.1469%	(12,711)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0216%	2,142	0.0204%	1,765
Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans	0.2751%	27,280	0.2691%	23,281
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	28	0.0003%	27
Total		$ 4,712,815		$ 5,489,015

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (VD)	$ 1,189,116	$ 925,208	$ 263,908
Change in year:			
Service cost	33,886	-	33,886
Interest on the total pension liability	88,729	-	88,729
Changes of assumptions	75,057	-	75,057
Differences between expected and actual experience	(14,353)	-	(14,353)
Plan to plan resource movement	-	-	-
Contributions from the employer	-	30,575	(30,575)
Contributions from employees	-	10,307	(10,307)
Net investment income	-	104,383	(104,383)
Benefit payments, including refunds of employee contributions	(51,579)	(51,579)	-
Administrative expense	-	(1,366)	1,366
Net changes during measurement period	131,740	92,320	39,420
Balance at June 30, 2017 (MD)	$ 1,320,856	$ 1,017,528	$ 303,328

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	Increase (Decrease)
	Total Pension Liability
Balance at June 30, 2016 (VD)	$ 78,600
Change in year:	
Service cost	1,605
Interest	2,218
Differences between expected and actual experience	15,326
Assumption changes	(10,290)
Benefit payments, including refunds of employee contributions	(3,164)
Net changes during measurement period	5,695
Balance at June 30, 2017 (MD)	$ 84,295

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2018, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	Total
SFERS Plan	$ 430,768	$ 302,127	$ -	$ -	$ 732,895
City CalPERS Miscellaneous Plan	(2,462)	-	-	-	(2,462)
City CalPERS Safety Plan	53,172	-	-	-	53,172
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	671	-	-	-	671
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	1,423	-	1,423
Treasure Island Development Authority CalPERS Miscellaneous Plan	-	-	-	10	10
Replacement Benefits Plan	3,970	-	-	-	3,970
Total pension expense	$ 486,119	$ 302,127	$ 1,423	$ 10	$ 789,679

At June 30, 2018, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 582,568	$ -	$ 1,734	$ -	$ 30,743	$ -	$ -	$ -	$ 615,045	$ -
Change in assumptions	761,633	13,793	6,015	459	54,208	6,031	6,910	8,232	828,766	28,515
Difference between expected and actual experience	43,581	141,812	49	694	475	14,664	12,262	-	56,367	157,170
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	7,019	7,681	1,131	8,751	-	-	-	-	8,150	16,432
Net differences between projected and actual earnings on plan investments	-	175,222	1,360	-	12,111	-	-	-	13,471	175,222
Total	$ 1,394,801	$ 338,508	$ 10,289	$ 9,904	$ 97,537	$ 20,695	$ 19,172	$ 8,232	$ 1,521,799	$ 377,339

(Dollars in Thousands)

At June 30, 2018, the City reported $615.0 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2019............	$ 30,121
2020............	429,896
2021............	270,602
2022............	(201,204)
Total	$ 529,415

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2017 is provided below, including any assumptions that differ from those used in the July 1, 2016 actuarial valuation.

	SFERS Plan Actuarial Assumptions		CalPERS Miscellaneous and Safety Plans
Valuation date	June 30, 2016 updated to June 30, 2017		June 30, 2016
Measurement date	June 30, 2017		June 30, 2017
Actuarial cost method	Entry-age normal cost method		Entry-age normal cost method
Investment rate of return	7.50%, net of pension plan investment expenses		7.50%, net of pension plan investment and administrative expenses, including inflation
Municipal bond yield	2.85% as of June 30, 2016 3.58% as of June 30, 2017 Bond Buyer 20-Bond GO Index, June 30, 2016 and June 29, 2017		
Inflation	3.25%		2.75%
Projected salary increases	3.75% plus merit component based on employee classification and years of service		Varies by Entry Age and Service
Discount rate	7.50% as of June 30, 2017		7.15% as of June 30, 2017
Basic COLA	Old Miscellaneous and		
	All New Plans	2.00%	Miscellaneous Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies.
	Old Police and Fire:		
	Pre 7/1/75 Retirements	2.70%	2.75% thereafter.
	Chapters A8.595 and A8.596	3.30%	Safety standard COLA 2.0%
	Chapters A8.559 and A8.585	4.40%	

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS June 30, 2016 valuation were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount rate was 7.15% as of the June 30, 2017 measurement date.

For the Replacement Benefits Plan beginning of the year measurements are also based on the census data as of June 30, 2016. Because the beginning and ending values are based on the same census data, no liability gains or losses due to experience are reported this year.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2017, of the probability and amount of Supplemental COLA for each future year.

(Dollars in Thousands)

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2018	0.75%	0.00%
2023	0.75%	0.29%
2028	0.75%	0.35%
2033	0.75%	0.38%
2038+	0.75%	0.38%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2096 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.58% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2017 is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.3%
Fixed Income	20.0%	1.6%
Private Equity	18.0%	6.5%
Real Assets	17.0%	4.6%
Hedge Funds/Absolute Return	5.0%	3.6%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 2.85% as of June 30, 2016 and 3.58% as of June 30, 2017. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2016 and June 29, 2017. These are the rates used to determine the total pension liability as of June 30, 2016 and June 30, 2017.

The inflation assumption of 3.25% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $215 for 2017 was used for the 2017 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2018, the membership in the RBP had a total of 281 active members and 144 retirees and beneficiaries currently receiving benefits.

(Dollars in Thousands)

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
SFERS	$ 8,046,939	$ 4,697,131	$ 1,925,410

	1% Decrease Share of NPL @ 6.15%	Current Share of NPL @ 7.15%	1% Increase Share of NPL @ 8.15%
City CalPERS Miscellaneous Plan	$ (10,800)	$ (13,766)	$ (16,222)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	3,591	2,142	942
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	42,681	27,280	14,526
Treasure Island District Authority CalPERS Miscellaneous Plan	39	28	19

The following presents the NPL for the City's CalPERS Safety Plan (agent-multiple employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan	$ 487,327	$ 303,328	$ 151,865

	1% Decrease @ 2.58%	Measurement Date @ 3.58%	1% Increase @ 4.58%
Replacement Benefits Plan	$ 99,123	$ 84,295	$ 72,566

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $758.8 million in fiscal year 2017-18. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is $217.6

million to provide postemployment health care benefits for 28,305 retired participants, of which $178.0 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan) which is administered through the City's Health Service System in the Retiree Health Care Trust Fund (RHCTF), an agent multiple-employer plan. The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2016 updated to June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

The City prefunds its OPEB obligations through the RHCTF that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer plan and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein.

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service [1] Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement [2]	Any age with 10 years of credited service	
Terminated Vested [3]	Age 50 with 5 years of credited service at separation	
Active Death [2]	Any age with 10 years of credited service	

1 Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 60 for Miscellaneous members hired on or after January 7, 2012.
2 No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.
3 Effective with Proposition B, passed June 3, 2008, participants hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits.

(Dollars in Thousands)

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – City Health Plan (self-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental & DeltaCare USA

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2016 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	City Plan
Active plan members	31,864
Inactive employees entitled to but not yet receiving benefit payments	2,613
Inactive employees or beneficiaries currently receiving benefit payments	20,636
Total	55,113

San Francisco County Transportation Authority and Successor Agency

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent-multiple employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members	37	47
Inactive employees or beneficiaries currently receiving benefit payments	9	115
Total	46	162

Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2018, the City's funding was based on "pay-as-you-go" plus a contribution of $25.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was $178.0 million for a total contribution subsequent to the measurement date of $203.9 million for the year ended June 30, 2018.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2018, the Transportation Authority contributed $0.1 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2018, the Successor Agency contributed $2.9 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Net OPEB Liability

The table below shows how the net OPEB liability (NOL) as of June 30, 2018 is distributed.

Governmental activities........................	$	1,989,216
Business-type activities.......................		1,716,544
Fiduciary funds..................................		18,031
Total...	$	3,723,791

(Dollars in Thousands)

As of June 30, 2018, the City's NOL is comprised of the following:

City defined benefit healthcare plan	$ 3,717,209
Transportation Authority defined benefit healthcare plan	245
Successor Agency defined benefit healthcare plan	6,337
Total	$ 3,723,791

The changes in the City OPEB Plan's net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	$ 3,659,019	$ 107,104	$ 3,551,915
Changes during the measurement period			
Service cost	125,195	-	125,195
Interest	272,942	-	272,942
Contributions - employer	-	183,898	(183,898)
Contributions - member	-	31,686	(31,686)
Net investment income	-	17,368	(17,368)
Benefit payments	(165,470)	(165,470)	-
Administrative expense	-	(109)	109
Net changes during the measurement period	232,667	67,373	165,294
Balance at June 30, 2017	$ 3,891,686	$ 174,477	$ 3,717,209

The changes in net OPEB liability for the plans of the Transportation Authority and Successor Agency are as follows:

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016	$ 1,573	$ 1,268	$ 305	$ 10,208	$ 3,275	$ 6,933
Changes during the measurement period						
Service cost	122	-	122	159	-	159
Interest	117	-	117	692	-	692
Contributions						
trust deposits	-	101	(101)	-	-	-
employer - explicit subsidy	-	53	(53)	-	1,097	(1,097)
employer - implicit subsidy	-	12	(12)	-	-	-
Benefit payments	(64)	(64)	-	(797)	(797)	
Administrative expense	-	(1)	1	-	(3)	3
Expected investment return	-	96	(96)	-	-	-
Investment experience (loss)/gain	-	38	(38)	-	353	(353)
Net changes during the measurement period	175	235	(60)	54	650	(596)
Balance at June 30, 2017	$ 1,748	$ 1,503	$ 245	$ 10,262	$ 3,925	$ 6,337

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
City defined benefit healthcare plan	$ 185,813	$ 168,256	$ 1,117	$ 355,186
Transportation Authority defined benefit healthcare plan	136	-	-	136
Successor Agency defined benefit healthcare plan	-	-	501	501
Total pension expense	$ 185,949	$ 168,256	$ 1,618	$ 355,823

As of June 30, 2018, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 203,858	$ -	$ 143	$ -
Net difference between projected and actual earnings on plan investments	-	5,996	-	30
Total	**$ 203,858**	**$ 5,996**	**$ 143**	**$ 30**

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,932	$ -	$ 206,933	$ -
Net difference between projected and actual earnings on plan investments	-	-	-	6,026
Total	**$ 2,932**	**$ -**	**$ 206,933**	**$ 6,026**

Amounts reported as deferred inflows will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	Deferred Inflows of Resources
2019	$ (1,506)
2020	(1,506)
2021	(1,507)
2022	(1,507)
Total	$ (6,026)

(Dollars in Thousands)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2017 (measurement date) is provided below:

Key Actuarial Assumptions	
Valuation Date	June 30, 2016 updated to June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.25% and trends down to ultimate rate of 4.5% for 2033 and beyond Medicare trend starts at 7.0% and trends down to ultimate rate of 4.5% for 2033 and beyond 10-County average trend starts at 6.0% and trends down to ultimate rate of 4.5% for 2033 and beyond Vision and expenses trend remains a flat 3.5% for all years
Expected Rate of Return on Plan Assets	7.50%
Discount Rate	7.50%
Salary Increase Rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 0.00% - 8.00% Fire: 0.00% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually Consumer Price Inflation: 3.00% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2014.

Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment Factor	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.983	2009
Male	0.909	2009

The Transportation Authority and Successor Agency net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

	June 30, 2017 Measurement Date	
Key Actuarial Assumptions	**Transportation Authority**	**Successor Agency**
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Discount Rate	7.28%	7.00%
General Inflation	3.00% per annum	2.75% per annum
Salary Increases	3.25% per annum, in aggregate	3.00% per annum
Investment Rate of Return	7.28%	7.00%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS Experience Study for the period from 1997 to 2011
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	7.00%

Sensitivity of Net OPEB Liabilities to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

	June 30, 2017 (measurement year)		
Plan	**-1.00%**	**Baseline**	**1.00%**
City Plan	$ 3,244,026	$ 3,717,209	$ 4,302,150
Transportation Authority	1	245	554
Successor Agency	5,492	6,337	7,311

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.5% based on expected future returns and historical returns experienced by the RHCTF. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the RHCTF's asset allocation. Target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0%	7.5%
Developed Market Equity (non-U.S.)	20.0%	7.3%
Emerging Market Equity	16.0%	9.8%
Credit		
High Yield Bonds	3.0%	6.0%
Bank Loans	3.0%	5.5%
Emerging Market Bonds	3.0%	5.5%
Rate Securities		
Treasury Inflation Protected Securities	5.0%	3.5%
Investment Grade Bonds	9.0%	3.5%
Total	100.0%	

(Dollars in Thousands)

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.28 percent and 7.00 percent, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

		Long-Term Expected Real Rate of Return	
Asset Class	Target Allocation	Transportation Authority	Successor Agency
Global Equity	57.00%	4.82%	7.80%
Fixed Income	27.00%	1.47%	4.50%
Treasury Inflation Protection Securities	5.00%	1.29%	7.80%
Real Estate Investment Trusts	8.00%	0.84%	7.80%
Commodities	3.00%	3.76%	7.80%
Total	100.00%		

The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

	June 30, 2017 (measurement year)		
Plan	1% Decrease in NOL @ 6.50%	NOL @ 7.50%	1% Increase in NOL @ 8.50%
City Plan	$ 4,258,310	$ 3,717,209	$ 3,273,465

	June 30, 2017 (measurement year)		
	1% Decrease in NOL @ 6.28%	NOL @ 7.28%	1% Increase in NOL @ 8.28%
Transportation Authority	$ 510	$ 245	$ 29

	June 30, 2017 (measurement year)		
	1% Decrease in NOL @ 6.00%	NOL @ 7.00%	1% Increase in NOL @ 8.00%
Successor Agency	$ 7,302	$ 6,337	$ 5,515

(10) Fund Equity

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2018, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables	$ 1,512	$ 82	$ 1,594
Restricted			
Rainy Day	143,977	47,906	191,883
Public Protection			
Police	-	18,150	18,150
Sheriff	-	990	990
Other Public Protection	-	11,212	11,212
Public Works, Transportation & Commerce	-	316,654	316,654
Human Welfare & Neighborhood Development	-	458,823	458,823
Affordable Housing	-	235,471	235,471
Community Health	-	30,869	30,869
Culture & Recreation	-	178,567	178,567
General Administration & Finance	-	34,317	34,317
Capital Projects	-	712,848	712,848
Debt Service	-	186,233	186,233
Total Restricted	143,977	2,232,040	2,376,017
Committed			
Budget Stabilization	369,958	-	369,958
Recreation and Park Expenditure Savings	1,740	-	1,740
Total Committed	371,698	-	371,698
Assigned			
Public Protection			
Police	6,804	2,410	9,214
Sheriff	2,152	2,884	5,036
Other Public Protection	60,302	-	60,302
Public Works, Transportation & Commerce	26,380	74,664	101,044
Human Welfare & Neighborhood Development	109,947	13,822	123,769
Affordable Housing	25,927	-	25,927
Community Health	219,712	-	219,712
Culture & Recreation	31,625	15,003	46,628
General Administration & Finance	97,124	15,293	112,417
General City Responsibilities	39,108	-	39,108
Capital Projects	150,350	-	150,350
Litigation and Contingencies	235,925	-	235,925
Subsequent Year's Budget	286,143	-	286,143
Total Assigned	1,291,499	124,076	1,415,575
Unassigned	413,255	(904)	412,351
Total	$ 2,221,941	$ 2,355,294	$ 4,577,235

(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the "City Reserve") and the San Francisco Unified School District (the "School Reserve"). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Recreation and Park Expenditure Savings Reserve

The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

(c) Encumbrances

At June 30, 2018, encumbrances recorded in the General Fund and nonmajor governmental funds were $345.6 million and $282.0 million, respectively.

(d) Restricted Net Position

At June 30, 2018, the government-wide statement of net position reported restricted net position of $1.53 billion in governmental activities and $1.10 billion in business-type activities, of which $30.1 million and $291.5 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $472.1 million of unrestricted net position of governmental activities, of which $329.6 million reduced net investment in capital assets and $142.5 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of $0.9 million as of June 30, 2018. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2018.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $26.1 million and $32.7 million, respectively, as of June 30, 2018, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2018, the Successor Agency has a deficit of $462.8 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(Dollars in Thousands)

(11) Unavailable Resources in Governmental Funds

The deferred inflows of resources balance in governmental funds as of June 30, 2018 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues	$ 69,174	$ 55,034	$ 124,208
Property Tax	272,687	10,904	283,591
Teeter Plan	25,495	-	25,495
SB 90	8,218	-	8,218
Advances to Successor Agency	-	8,214	8,214
PG&E franchise tax	3,622	-	3,622
Loans	11,694	86,960	98,654
Total	$ 390,890	$ 161,112	$ 552,002

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

(12) San Francisco County Transportation Authority

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from

the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Vehicle Registration Fee for Transportation Improvements Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In 2012, the Transportation Authority Board approved the first Proposition AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). In May 2017, the Transportation Board approved the 2017 Proposition AA Strategic Plan and programmed revenues for projects over the five-year period, covering fiscal years 2017/18 to 2021/22. The Proposition AA program is a pay-as-you-go program.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2017 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2018, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	$ 2,035,005
Bond principal and interest remaining due at end of the fiscal year	11,392,276
Bond principal and interest paid in the fiscal year	408,425
Commercial paper issued with subordinate revenue pledge	557,700
Commercial paper principal and interest remaining due at end of the fiscal year	29,550
Commercial paper principal, interest and fees paid in the fiscal year	5,530
Net revenues	497,372

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. As of June 30, 2018, the Hotel Special Facility Bonds mature in fiscal year 2058.

Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit with the trustee an amount equal to the maximum annual debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

(ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 or $3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2018, the FAA has approved Airport applications (PFC #2 to PFC #7) for collection with a total cumulative collection amount of $2.1 billion while Airport applications (PFC #2 to PFC #6) has been approved for use with a total cumulative use amount of $1.8 billion. The final charge expiration date is estimated to be February 1, 2030. The Airport is working with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017 to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. For the year ended June 30, 2018, the Airport reported approximately $112.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were $62.8 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2018, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel), a special purpose limited liability company founded by certain airlines operating at the Airport. SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements**.** Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

Purchase commitments for construction, material and services as of June 30, 2018 are as follows:

Construction	$ 230,771
Operating	22,056
Total	$ 252,827

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2018 was $46.5 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2018, was $156.3 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2018, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines 24.6%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 12% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is $87.2 million. The principal and interest payments made in 2018 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2018, were $36.2 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is $2.5 million. Annual principal and interest payments were $0.23 million in 2018 and pledged harbor revenues were $0.1 million for the year ended June 30, 2018.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2018, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $12.8 million for capital projects and $2.6 million for general operations.

Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30.0 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. Through June 30, 2018, $46.6 million expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2018, the $19.3 million in services provided by other City departments included $2.7 million of insurance premiums and $0.5 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project, which commenced July 2016, the Port received $0.5 million from the SFMTA and $0.3 million from the Planning Department in support of the project.

The Port and SFMTA entered into an MOU dated January 25, 2001, which granted the SFMTA the right to use an approximately 17-acre portion of certain Port property for permitted uses, as defined therein. Pursuant to the MOU, SFMTA paid to the Port $29.7 million in 2001 for the perpetual use and future jurisdictional transfer of this property, subject to the satisfaction of various conditions. With the jurisdiction transfer conditions satisfied and the necessary approvals in place, the Board of Supervisors in July 2017 approved the interdepartmental jurisdictional transfer of this property from the Port to the SFMTA for no additional consideration. The transfer price of $29.7 million paid in 2001 was the estimated fair market value determined by an independent appraisal at the time it was paid.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2018, rent credits of $2.2 million have been approved by the Port based on completed work.

South Beach Harbor Project Obligations – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. In 2015, the Port and the Successor Agency completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately $7.9 million, including certain structural repairs, soft costs and recommended contingencies. The Port is working with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. An extension of time will also be sought to complete the necessary public access improvements. Port management believes that the alternate proposal will provide significant public access improvements that are relevant to the project area and at lower cost.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

(Dollars in Thousands)

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at $3.0 million at June 30, 2018.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2018, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2017	$ 11,211	$ 231	$ 11,442
Current year claims and changes in estimates	(8,211)	-	(8,211)
Vendor payments	-	(187)	(187)
Environmental liabilities at June 30, 2018	$ 3,000	$ 44	$ 3,044

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2018, the Water Enterprise sold water, approximately 69,344 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2018 and applicable revenues for 2018 are as follows:

Bonds issued with revenue pledge	$ 4,760,930
Bond principal and interest remaining due at end of the fiscal year	8,023,429
Bond principal and interest paid in the fiscal year	233,959
Net revenues	312,831
Funds available for revenue debt service	499,583

Water Balancing Account – During fiscal year 2018, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $248.1 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2018, the City owed the Wholesale Customers $55.9 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2018, the Water Enterprise had outstanding commitments with third parties of $290.9 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2018, the total pollution remediation liability was $2.3 million, consisting of $1.4 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and $0.9 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $32.6 million and $9.0 million, respectively, for the year ended June 30, 2018, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $15.2 million for the year ended June 30, 2018 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. In May 2016, the City launched CleanPowerSF to provide green electricity from renewable sources to its residential and commercial customers. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 81.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 19.0% balance of electricity is sold to CleanPowerSF and other utility districts. As a result of the 1913 Raker Act, energy produced above the

(Dollars in Thousands)

City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise beginning in the year ended 2017. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
Assets*:					
Current assets	$ 79,277	$ 196,576	$ 20,263	$ -	$ 296,116
Receivables from other funds and component units	-	16,333	-	(5,601)	10,732
Noncurrent restricted cash and investments	18,137	24,321	-	-	42,458
Other noncurrent assets	164	793	-	-	957
Capital assets	139,799	339,623	-	-	479,422
Total assets	237,377	577,646	20,263	(5,601)	829,685
Deferred outflows of resources:					
Pensions	7,488	9,152	323	-	16,963
Other postemployment benefits	870	1,064	40	-	1,974
Total deferred outflows of resources	8,358	10,216	363	-	18,937
Liabilities:					
Current liabilities	8,978	54,043	4,252	-	67,273
Noncurrent liabilities	43,123	124,940	7,434	(5,601)	169,896
Total liabilities	52,101	178,983	11,686	(5,601)	237,169
Deferred inflows of resources:					
Pensions	1,818	2,222	79	-	4,119
Other postemployment benefits	26	31	1	-	58
Total deferred inflows of resources	1,844	2,253	80	-	4,177
Net position:					
Net investment in capital assets	139,799	270,918	-	-	410,717
Restricted for capital projects	11,712	-	-	-	11,712
Restricted for debt service	-	834	-	-	834
Unrestricted	40,279	134,874	8,860	-	184,013
Total net position	$ 191,790	$ 406,626	$ 8,860	$ -	$ 607,276

*Certain amounts presented herein have been reclassified from the Statement of Net Position.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues	$ 33,560	$ 118,835	$ 39,568	$ 191,963
Depreciation expense	(5,066)	(14,049)	-	(19,115)
Other operating expenses	(34,726)	(105,346)	(38,428)	(178,500)
Operating income (loss)	(6,232)	(560)	1,140	(5,652)
Nonoperating revenues (expenses):				
Federal grants	1,050	-	-	1,050
Interest and investment income	218	2,537	174	2,929
Interest expense	-	(3,103)	(101)	(3,204)
Other nonoperating revenues net of expenses	119	8,594	1	8,714
Transfers in (out), net	30,000	(425)	-	29,575
Change in net position	25,155	7,043	1,214	33,412
Net position at beginning of year:				
Net position at beginning of year, as previously reported	168,356	401,686	8,218	578,260
Cumulative effect of accounting change*	(1,721)	(2,103)	(572)	(4,396)
Net position at beginning of year as restated	166,635	399,583	7,646	573,864
Net position at end of year	$ 191,790	$ 406,626	$ 8,860	$ 607,276

* Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* .

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities	$ 583	$ 26,852	$ (1,703)	$ 25,732
Noncapital financing activities	31,110	7,006	(82)	38,034
Capital and related financing activities	(14,780)	(39,004)	-	(53,784)
Investing activities	658	4,500	196	5,354
Increase (Decrease) in cash and cash equivalents	17,571	(646)	(1,589)	15,336
Cash and cash equivalents at beginning of year	79,546	211,921	14,054	305,521
Cash and cash equivalents at end of year	$ 97,117	$ 211,275	$ 12,465	$ 320,857

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

(Dollars in Thousands)

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2018, and applicable revenues for 2018 are as follows:

Hetch Hetchy Power (excluding CleanPowerSF)

Bonds issued with revenue pledge	$ 64,871
Bond principal and interest remaining due at end of the fiscal year	86,356
Bond principal and interest paid in the fiscal year*	4,824
Net revenues	30,687
Funds available for revenue debt service	67,212

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was $2,570.

Commitments and Contingencies – As of June 30, 2018, Hetch Hetchy had outstanding commitments with third parties of $113.4 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were $4.8 million in fiscal year 2018. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power

In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the City approved the extension of both agreements for one year to June 30, 2016. A second extension agreement was subsequently approved to extend both agreements for an additional year to June 30, 2017, with an automatic six-month extension through December 31, 2017. Terms and conditions for the MID extension agreement were the same as the original agreement. The second extension agreement for TID removed the District's rights to excess energy from the project and terminated those conditions with the first extension agreement on June 30, 2016. Extended agreements for MID and TID expired on December 31, 2017. Hetch Hetchy will continue to comply with the Raker Act by making generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from its project is available after meeting Hetch Hetchy's municipal load obligations. For fiscal year 2018, energy sales to the Districts totaled 46,651 Megawatt hours (MWh) or $2.6 million.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver the City's Hetchy power and purchases to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2018, Hetch Hetchy Power purchased $9.6 million of transmission, distribution services, and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2018, Hetchy Power purchased $6.7 million of power and other related products. Sales of excess power, after meeting Hetch Hetchy's obligations, were 15,900 MWh, or $0.7 million, for 2018.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2018, the facility generated 6,887 MWh and rate was at $306/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2018, purchases of energy under the PPA were $2.0 million or 6,887 MWh.

CleanPowerSF

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine requires a reserve balance of $3.0 million as of June 30, 2018, which is equivalent to two months' worth of estimated payment. As of June 30, 2018, total electricity purchased from Calpine and Shiloh were $19.8 million.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy with sPower and Terra-Gen. These contracts have been entered into to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide expansion of the CleanPowerSF program planned to occur by the end of 2019. The total contract cost of long-term renewable energy contracts with sPower (a 22-year contract starting delivery in July 2019) and Terra-Gen (a 15-year contract starting delivery in December 2020) are $219.2 million and $102.3 million, respectively, over each contract's term. Additional short-term and medium-term contracts (of commitments ranging from less than 1 year to 5 years) for renewable, carbon-free and conventional energy to be delivered during 2019 to 2023 totaled to be $353.2 million over their terms.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed $5.6 million. During fiscal year 2018, amounts paid were $1.5 million.

In March 2018, CleanPowerSF entered into a five-year, $75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of $18.1 million as of June 30, 2018. There was no draw against the Credit Agreement during fiscal year 2018.

(Dollars in Thousands)

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $32.6 million and purchased electricity for $9.0 million for the year ended June 30, 2018. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2018, $30.0 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $10.2 million for the year ended June 30, 2018. Included in 2018 operating revenues are sales of power to departments within the City of $90.0 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately $7.4 million for the year ended June 30, 2018, and have been included in services provided by other departments.

As of June 30, 2018, operating expenses in purchase of power from Hetchy Power to CleanPowerSF were $3.5 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $0.2 million for the fiscal years ended June 30, 2018.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking; regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's Transportation System. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A) which provided $500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B) which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United Sates. It currently has about 225 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City owned garages and 18 metered parking lots.

Three nonprofit corporations provide operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square are owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the SFMTA's parking garages account. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton have been transferred to Sustainable Streets. The Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

Annual principal and interest payments for fiscal year 2018 were 42.6% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2018, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 387,670
Bond principal and interest remaining due at end of the fiscal year	570,075
Bond principal and interest paid in the fiscal year	27,952
Net revenues	37,612
Funds available for revenue bond debt service	65,564

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $452.3 million in fiscal year 2018. The General Fund subsidy includes a total revenue baseline transfer of $338.9 million, as required by the City Charter, $67.8 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Fund resources to address transportation needs tied to the City's population growth. In fiscal year 2018, SFMTA received $43.3 million from this source. In fiscal year 2018, SFMTA also received additional City General Fund allocation of $2.3 million to fund various capital projects such as detailed design on the UCSF platform extension and crossover track.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2018, the SFMTA had various operating grants receivable of $26.9 million. In fiscal year 2018, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.8 million, and other federal, state, and local grants of $7.4 million, to fund project expenses that are operating in nature. Federal and state and other operating assistance for the fiscal year 2017-18 was $11.5 million and $140.5 million, respectively.

Proposition 1B is a 10-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling $7.2 million in fiscal year 2018 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2018, $27.6 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $585.6 million with third parties for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately $69.2

(Dollars in Thousands)

million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2017 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date.

As of June 30, 2018, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of $98.7 million remains outstanding. All other lease transactions were terminated in prior fiscal years. The deferred inflows of resources amortized amount was $0.3 million for the Tranche 1 Equipment in fiscal year 2018. The Tranche 1 lease transaction will be terminated in fiscal year 2019.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility, which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2018, the subsidy for LHH was $57.7 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a

provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2018, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 56,178	$ 3,079	$ 1,991	$ 61,248
Less:				
Provision for bad debt and contractual allowances	(29,977)	(1,643)	(1,062)	(32,682)
Total, net	$ 26,201	$ 1,436	$ 929	$ 28,566

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 425,272	$ 21,058	$ 13,612	$ 459,942
Less:				
Bad debt write-offs and contractual adjustments	(237,908)	(14,380)	(13,960)	(266,248)
Total, net	$ 187,364	$ 6,678	$ (348)	$ 193,694

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2018, LHH accrued and recognized $69.5 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2018, LHH recorded approximately $30.2 million in other liabilities for third-party payor settlements payable.

In October 2018, the California Department of Health Care Services (DHCS) informed LHH that it received a formal disallowance notification from the Centers of Medicare and Medicaid Services related to $56.0 million in Distinct Part/Nursing Supplemental Reimbursement payments made to LHH in prior years. The $56.0 million is recorded as a liability at June 30, 2018 and will be payable from LHH to DHCS in fiscal year 2019.

Transactions with Other Funds – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $10.7 million for the year ended June 30, 2018 and have been included in services provided by other departments.

Commitments and Contingencies – As of June 30, 2018, LHH has entered into various purchase contracts totaling $0.6 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2018, the subsidy for SFGH was $97.4 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2018, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 315,355	$ 174,991	$ 116,471	$ 606,817
Less:				
Contractual Allowances	(270,503)	(221,423)	(18,427)	(510,353)
Provision for Bad Debt	-	-	(27,546)	(27,546)
Total, Net Accounts Receivable	$ 44,852	$ (46,432)	$ 70,498	$ 68,918

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 1,911,779	$ 910,104	$ 965,147	$ 3,787,030
Less:				
Contractual Adjustment	(1,743,937)	(764,416)	(396,875)	(2,905,228)
Bad Debt Write Off	-	-	(116,338)	(116,338)
Total, Net Patient Service Revenue	$ 167,842	$ 145,688	$ 451,934	$ 765,464

California's initial Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service (FFS) cost-based reimbursements for inpatient hospital services; 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) unreimbursed cost of physician and non-physician practitioner services; and 5) costs applicable to the Coverage Initiative. In addition, the Bridge to Reform program also covered the Low Income Health Program (LIHP), which includes Medicaid Coverage Expansion (MCE) and Health Care Coverage Initiative (HCCI) previously called Coverage Initiative; and Delivery System Reform Incentive Pool (DSRIP) program, which is a subset of SNCP. The non-federal share of these five types of payments was provided by the public hospitals, rather than the State, primarily through Certified Public Expenditures (CPE), whereby a hospital expended its local funding for services to draw down the federal financial participation (FFP) calculated using FMAP. The FAMP rate was 50% for all years covered by the Bridge to Healthcare Reform Waivers dating back to 2010. For the inpatient hospital cost-based reimbursement, each hospital provided its own CPE and received the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals were used in the aggregate to draw down the federal match. SFGH reported its CPEs to the DHCS each fiscal year through submission of the State mandated "Paragraph 14" Workbook (P14). Revenues recognized under the Waiver approximated $32.3 million for the year ended June 30, 2018.

The Bridge to Health Care Reform Waiver expired October 31, 2015. On December 30, 2015, the CMS approved California Medi-Cal 2020 Demonstration waiver, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

(Dollars in Thousands)

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Health Care Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and Federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under Medi-Cal 2020 approximated $88.9 million for the year ended June 30, 2018.

In addition, SFGH was reimbursed by the State, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2018, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2018, SFGH recorded approximately $338.1 million in unearned credits and other liabilities, which was comprised of $300.4 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and $37.7 million in third-party settlements payable.

Charity Care - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $244.3 million and estimated costs and expenses to provide charity care were $65.6 million in fiscal year 2018.

Other Revenues – With California electing to implement a State-run Medicaid Expansion afforded by the ACA, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected $3.9 million in fiscal year 2014-2015 and $12 million in fiscal year 2016 for the City and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2014-15 showing $0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2019 for fiscal year 2016-17. For the year ended June 30, 2018, SFGH recognized $57.3 million of realignment funding.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2018, was approximately $167.4 million.

Gift – From fiscal year 2014-2015 through fiscal year 2015-2016, SFGH has received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2018, SFGH has spent $43.0 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $19.4 million as restricted net position.

Commitments and Contingencies – As of June 30, 2018, SFGH had outstanding commitments with third parties for capital projects totaling $3.1 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,711 residential accounts, which discharge about 16.5 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,257 non-residential accounts, which discharge about 7.8 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2047.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2018, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,072,950
Bond principal and interest remaining due at end of the fiscal year	1,602,132
Bond principal and interest paid in the fiscal year	47,003
Net revenues	184,739
Funds available for revenue debt service	338,335

Commitments and Contingencies – As of June 30, 2018, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $226.0 million.

Pollution Remediation Obligations – As of June 30, 2018, the Wastewater Enterprise recorded $4.7 million in pollution remediation liability, consisting of $4.5 million cleanup cost estimate at the Yosemite Creek site, and $0.2 million for the hazardous materials at the Southeast Wastewater Treatment plant. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $10.2 million for the year ended June 30, 2018. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $14.4 million for the year ended June 30, 2018. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $11.8 million for the year ended June 30, 2018, and have been included in services provided by other departments.

(Dollars in Thousands)

(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the California Department of Finance (DOF) granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the Recognized Obligation Payments Schedule (ROPS) as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allowed the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP pertains to the disposition and use of real properties held by the Successor Agency. Part 1 of the LRPMP, which addresses the disposition of property located at 706 Mission Street, was approved by the DOF on October 4, 2013. During fiscal year 2016, the property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement. After incorporating feedback from the DOF, the remainder of the LRPMP was approved by the Oversight Board on November 23, 2015, and by the DOF on December 7, 2015.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2018, the summary of changes in capital assets is as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land held for lease	$ 44,735	$ -	$ -	$ (26,210)	$ 18,525
Construction in progress	253	-	-	(253)	-
Total capital assets not being depreciated	44,988	-	-	(26,463)	18,525
Capital assets being depreciated:					
Furniture and equipment - General	8,144	-	-	(5,560)	2,584
Building and improvements	205,843	-	(3,645)	(163,725)	38,473
Total capital assets being depreciated	213,987	-	(3,645)	(169,285)	41,057
Less accumulated depreciation for:					
Furniture and equipment	(8,113)	(9)	-	5,560	(2,562)
Building and improvements	(98,400)	(5,035)	1,002	84,635	(17,798)
Total accumulated depreciation	(106,513)	(5,044)	1,002	90,195	(20,360)
Total capital assets being depreciated, net	107,474	(5,044)	(2,643)	(79,090)	20,697
Total capital assets, net	$ 152,462	$ (5,044)	$ (2,643)	$ (105,553)	$ 39,222

In accordance with the Dissolution Law and the ROPS, the Successor Agency is required to transfer the Yerba Buena Gardens (YBG) properties to the City at no cost by the end of the year ended June 30, 2018. During June 2018, the Successor Agency agreed to: 1) transfer the YBG properties; 2) transfer the leases and operating agreements related to YBG necessary to continue uninterrupted operations; and 3) funds held in the separate cash account to the City. The transferred assets totaled to $116.7 million, which is comprised of capital assets with net book value of $105.6 million and funds held in the separate cash account of $11.1 million. The transfer of these assets was recorded as a deduction in the Statement of Changes in Fiduciary Net Position and as a special item in the Real Property Fund and in Governmental Activities.

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds [a]	2025	5.00%	$ 27,715
Tax allocation revenue bonds [b]	2047	1.45% - 8.41%	920,246
California Department of Boating and Waterways Loan [C]	2037	4.50%	6,392
Total long-term bonds and loans			$ 954,353

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.
(c) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency. On November 30, 2017, the Successor Agency issued Tax Allocation Refunding Bonds Series 2017 D (2017 Series D Bonds) for $116.7 million and Tax Allocation Refunding Bonds Series 2017 E (2017 Series E Bonds) for $19.7 million.

Proceeds from the 2017 Series D Bonds, along with cash on hand, were used to refund Tax Allocation Bonds Series 2009 B, Series 2010 A, and Series 2011 A in the amount of $10.2 million, $38.0 million, and $20.8 million, respectively, and advance refund a portion of Series 2009 A and Series 2009 E in the amount of $34.3 million and $10.7 million, respectively. The refunding resulted in net present value savings of $25.3 million and an accounting loss of $15.5 million. The 2017 Series D Bonds bear fixed interest rates ranging from 1.63% to 3.75% and reach final maturity on August 1, 2041.

Proceeds from the 2017 Series E Bonds, along with cash on hand, were used to refund Tax Allocation Bonds Series 2009 F and Series 2011 B in the amount of $6.2 million and $16.0 million, respectively. The refunding resulted in net present value savings of $5.9 million and an accounting loss of $2.8 million. The 2017 Series E Bonds bear fixed interest rates ranging from 3.00% to 5.00% and reach final maturity on August 1, 2041.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.56 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2018, were $152.6 million against the total debt service payment of $89.0 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $33.3 million. The hotel tax revenue recognized during the year ended June 30, 2018 was $3.4 million against the total debt service payment of $4.9 million.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2018
Bonds payable:				
Tax revenue bonds	$ 1,001,376	$ 136,410	$ (189,825)	$ 947,961
Less unamortized amounts:				
For issuance premiums	49,655	1,398	(2,988)	48,065
For issuance discounts	(3,686)	(883)	1,480	(3,089)
Total bonds payable	1,047,345	136,925	(191,333)	992,937
Accreted interest payable	49,441	8,268	-	57,709 [1]
Notes, loans, and other payables	6,630	-	(238)	6,392
Accrued vacation and sick leave pay	730	635	(413)	952
Successor Agency - long term obligations	$ 1,104,146	$ 145,828	$ (191,984)	$ 1,057,990

[1] Amounts represent interest accretion on Capital Appreciation Bonds.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

As of June 30, 2018, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest*	Principal	Interest	Principal	Interest
2019	$ 64,905	$ 37,257	$ 248	288	$ 65,153	$ 37,545
2020	62,937	38,111	259	276	63,196	38,387
2021	64,992	36,826	271	265	65,263	37,091
2022	62,571	36,957	283	253	62,854	37,210
2023	54,053	42,882	296	240	54,349	43,122
2024-2028	165,937	177,781	1,693	986	167,630	178,767
2029-2033	154,056	129,775	2,110	570	156,166	130,345
2030-2038	156,917	92,080	1,232	102	158,149	92,182
2039-2043	116,144	42,394	-	-	116,144	42,394
2044-2047	45,449	7,549	-	-	45,449	7,549
Total	$ 947,961	$ 641,612	$ 6,392	$ 2,980	$ 954,353	$ 644,592

* Includes payment of accreted interest

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. In prior years, interest was accrued quarterly at an annual rate of 3% on the principal balance due to the City, however, during the year ended June 30, 2018, the DOF determined that since the borrowing is not considered an agreement between the former Agency and the City, the Successor Agency is not authorized to accrue interest on the borrowing. As a result, accrued interest of $3.2 million was written off during the year. The Successor Agency made payments in the amount of $1.8 million to the City during the year ended June 30, 2018, and the outstanding payable balance was $8.2 million.

As of June 30, 2018, the Successor Agency also has a payable to the City in the amount of $1.7 million for services provided and $1.6 million for the remaining funds held in the separate cash account for the YBG transfer.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2018, the Successor Agency had outstanding encumbrances totaling approximately $12.0 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

(Dollars in Thousands)

Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission; these are enforceable obligations of the Successor Agency. As of June 30, 2018, the Successor Agency has exercised several of the lease options. The leases require the following minimum annual payments:

Fiscal Years			Fiscal Years		
2019	$	870	2024-2028	$	4,351
2020		870	2029-2033		4,351
2021		870	2034-2038		4,351
2022		870	2039-2043		4,351
2023		870	2044-2048		4,351
			2049-2051		1,958
			Total	$	28,063

Rent payments totaling $1.5 million are included in the Successor Agency's financial statements for the year ended June 30, 2018.

Regarding rental income, the Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows:

Fiscal Years			Fiscal Years		
2019	$	592	2029-2033	$	2,658
2020		592	2034-2038		2,523
2021		593	2039-2043		2,470
2022		630	2044-2048		2,470
2023		532	2049-2050		988
2024-2028		2,658			
			Total	$	16,706

For the year ended June 30, 2018, operating lease rental income for noncancelable operating leases was $11.6 million, of which $6.3 million represents contingent rental income received. At June 30, 2018, the leased assets had a net book value of $27.2 million.

Notes and Mortgages Receivable – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2018, the Successor Agency disbursed $57.4 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2018, the gross value of the notes and mortgage receivable was $234.0 million and the allowance for uncollectible amounts was $232.4 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2018, the Successor Agency had outstanding community facility district bonds totaling $185.6 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2018, the Successor Agency distributed $13.7 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island with the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by three smaller transfers with full transfer of the former base expected to be completed in 2022. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway, with vertical construction beginning in 2019, and the first new homes ready for occupancy in 2021. The first subphase area on Treasure Island is undergoing geotechnical improvement of soil conditions prior to the construction of new utility and roadway infrastructure. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2018, TIDA has the following payables to other City departments:

		6/30/2018		
Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	$ 1,004	$ -	$ 1,004
Hetch Hetchy	Utility operations under MOU	28	-	28
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 1,032	$ 2,599	$ 3,631

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 8,409
	San Francisco Water Enterprise	96
	San Francisco International Airport	96
		8,601
Nonmajor Governmental Funds	General Fund	566
	Nonmajor Governmental Funds	5,884
	Internal Service Funds	2,062
	Municipal Transportation Agency	2,589
		11,101
General Hospital Medical Center	Nonmajor Governmental Funds	2
San Francisco Water Enterprise	General Fund	123
	Nonmajor Governmental Funds	165
		288
Hetch Hetchy Water and Power Enterprise	General Fund	734
	Nonmajor Governmental Funds	6,159
	General Hospital Medical Center	179
	San Francisco Wastewater Enterprise	1,061
		8,133
Municipal Transportation Agency	Nonmajor Governmental Funds	23,739
Port of San Francisco	Nonmajor Governmental Funds	440
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	116
Total		$ 52,420

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2018, Hetch Hetchy loaned $6.2 million to other City funds. Hetch Hetchy is also due $1.1 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of $23.7 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 28	(1)
Nonmajor Governmental Funds	Component unit – TIDA	1,004	(1)
Nonmajor Governmental Funds	Successor Agency	3,222	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 2,599	(1)
Nonmajor Governmental Funds	Successor Agency	8,214	(2)

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

	Transfers In: Funds (in thousands)										
Transfers Out: Funds	General Fund	Nonmajor Govern-mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta-tion Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Governmen-tal Activities	Total
General Fund	$ -	$ 402,817	$ 414	$ 100	$ 87	$ 452,326	$ 97,373	$ -	$ 57,668	$ -	$ 1,010,785
Nonmajor governmental funds	9,941	103,882	-	282	-	273,672	-	-	-	-	387,777
San Francisco International Airport	46,549	-	-	-	-	-	-	-	-	-	46,549
Water Enterprise	-	1,276	-	-	30,000	92	-	-	-	-	31,368
Hetch Hetchy Water and Power Enterprise	480	32	-	-	-	-	-	-	-	-	512
Municipal Transportation Agency	-	-	-	-	-	-	-	-	-	19,737	19,737
San Francisco General Hospital Medical Center	25,892	-	-	-	-	-	-	-	-	-	25,892
Wastewater Enterprise	26,738	222	-	-	-	-	-	-	-	-	26,960
Laguna Honda Hospital	2,628	4,690	-	-	-	-	-	-	-	-	7,318
Governmental Activities	-	-	-	-	-	-	-	19	-	-	19
Total transfers out	$ 112,228	$ 512,919	$ 414	$ 382	$ 30,087	$ 726,090	$ 97,373	$ 19	$ 57,668	$ 19,737	$ 1,556,917

The $1.01 billion General Fund transfer out includes a total of $607.4 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $402.8 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $46.5 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of $2.9 million for interest earned by the SFGH but credited to the General Fund. The General Fund also received $23.0 million from SFGH and $2.0 million from Laguna Honda Hospital to fund the DPH project and $0.2 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. Laguna Honda Hospital transferred $4.7 million to a nonmajor debt service fund for the payment of debt service, $408 to the General Fund for intergovernmental work order and $40 for Health at home services.

SFMTA received $273.7 million transfers from nonmajor governmental funds, of which $83.8 million was for capital activities, $13.6 million was for operating activities, and $176.3 million to fund various

street improvement projects. In 2018, the SFMTA transferred the Union Square Garage with a book value of $19.7 million to the Recreation and Park Department, a governmental activity.

The Water Enterprise transferred $30.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, $1.3 million to the Recreation and Park Department mainly for water saving improvements at Alta Plaza and Moscone Recreation Center, $92 to San Francisco Municipal Transportation Agency for the Forest Hill Station project, and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received $100 from the City mainly for the San Francisco War Memorial Veterans Building project and $282 from the City for Earthquake Safety and Emergency projects.

The Wastewater Enterprise transferred $26.7 million to the City related to the purchase of the property adjacent to the Southeast Water Pollution Control Plant (“Southeast Plant”), $0.2 million to the Neighborhood Development Fund for the Watershed Stewardship Grants, $40 to Art Commission for art enrichment and $32 to the Office of the City Administrator for the Surety Bond Program.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2019	$ 59,567
2020	54,419
2021	40,350
2022	35,684
2023	27,384
2024-2028	41,188
2029-2033	3,510
2034-2038	2,736
2039-2043	2,180
Total	$ 267,018

Operating lease expense incurred for governmental activities for fiscal year 2017-18 was approximately $54.7 million.

(Dollars in Thousands)

Business-type Activities

Fiscal Years	Airport	Port	SFMTA	Total Business-type Activities
2019..................	$ 201	$ 2,728	$ 15,421	$ 18,350
2020..................	-	2,728	15,418	18,146
2021..................	-	2,728	15,618	18,346
2022..................	-	2,728	14,466	17,194
2023..................	-	2,728	14,931	17,659
2024-2028.........	-	13,640	71,298	84,938
2029-2033.........	-	13,640	86,997	100,637
2034-2038.........	-	13,640	84,930	98,570
2039-2043.........	-	13,640	108,284	121,924
2044-2048.........	-	13,640	138,092	151,732
2049-2053.........	-	13,640	-	13,640
2054-2058.........	-	13,640	-	13,640
2059-2063............	-	13,640	-	13,640
2064-2068............	-	2,955	-	2,955
Total..................	$ 201	$ 125,715	$ 565,455	$ 691,371

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2017-18 was $0.2 million, $2.7 million, and $18.3 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

Fiscal Years	
2019.............	$ 6,131
2020.............	5,878
2021.............	5,629
2022.............	4,775
2023.............	4,374
2024-2028......	21,007
2029-2033......	18,981
2034-2038......	18,231
2039-2043......	18,231
2044-2048......	12,930
2049-2053......	559
2054-2058......	559
2059-2063......	559
2064-2068......	559
2069-2073......	559
2074-2078......	559
2079-2083.........	559
2084-2088.........	559
2089-2093.........	559
Total.............	$ 121,198

Business-type Activities

Fiscal Years	Airport	Port	SFGH	SFMTA	Total Business-type Activities
2019............	$ 59,920	$ 44,864	$ 1,510	$ 6,198	$ 112,492
2020............	32,748	39,331	1,555	5,076	78,710
2021............	26,052	36,306	1,602	3,851	67,811
2022............	22,086	33,092	1,650	1,676	58,504
2023............	15,189	27,055	1,699	1,362	45,305
2024-2028.....	16,248	96,130	9,294	9,390	131,062
2029-2033.....	-	80,511	-	6,250	86,761
2034-2038.....	-	66,908	-	6,250	73,158
2039-2043.....	-	43,122	-	6,250	49,372
2044-2048.....	-	35,514	-	6,250	41,764
2049-2053.....	-	24,484	-	6,250	30,734
2054-2058.....	-	19,072	-	4,583	23,655
2059-2063.....	-	16,114	-	-	16,114
2064-2068.....	-	11,445	-	-	11,445
2069-2073.....	-	5,089	-	-	5,089
2074-2078.....	-	3,402	-	-	3,402
Total.............	$ 172,243	$ 582,439	$ 17,310	$ 63,386	$ 835,378

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $22.0 million and $16.8 million, respectively, in fiscal year 2017-18. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement, the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately $40.6 million for fiscal year 2017-18.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.17 billion, private equity in the amount of $2.69 billion, private credit investments (formerly known as opportunistic fixed income) in the amount of $685.1 million, and absolute return investments in the amount of $77.5 million, which totaled $5.62 billion at June 30, 2018.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $1.0 billion with $250.0 million in War Perils liability, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.0 billion per single occurrence and a deductible of $500 per single occurrence. The Airport carries public officials liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels, active assailant liability insurance, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance: 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $1.1 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1.0 billion and a deductible of $750 per occurrence ($150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk management program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. As of June 30, 2018, the reserve was $24.8 million. Claim liabilities are actuarially determined

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2018
(Dollars in Thousands)

anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2018 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2016, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2016-2017	$ 277,566	$ 84,949	$ (65,346)	$ 297,169
2017-2018	297,169	134,444	(46,602)	385,011

Breakdown of the estimated claims payable at June 30, 2018 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 100,867
Long-term portion of estimated claims payable	173,813
Total	$ 274,680
Business-type activities:	
Current portion of estimated claims payables	$ 48,182
Long-term portion of estimated claims payable	62,149
Total	$ 110,331

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2018 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2018 was $463.6 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2016, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2016-2017	$ 417,428	$ 106,185	$ (87,862)	$ 435,751
2017-2018	435,751	119,174	(91,363)	463,562

(Dollars in Thousands)

Breakdown of the accrued workers' compensation liability at June 30, 2018 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability......	$ 45,740
Long-term portion of accrued workers' compensation liability..	209,558
Total	$ 255,298
Business-type activities:	
Current portion of accrued workers' compensation liability......	$ 35,350
Long-term portion of accrued workers' compensation liability..	172,914
Total	$ 208,264

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2018, the City issued $1.0 million taxable commercial paper (CP) with interest rate of 2.25% and maturity of September 2018 to refund $1.0 million of maturing CP for the 49 South Van Ness construction project and the development, acquisition, construction or rehabilitation of affordable rental housing projects.

In July 2018, the SFPUC entered into a “Water Infrastructure Finance and Innovation Act (WIFIA)” Loan Agreement (“WIFIA Loan”) with the United States Environmental Protection Agency in the amount of $699.2 million. The WIFIA Loan was entered pursuant to the WIFIA authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise’s Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise’s net revenues and is on a parity lien basis with the SFPUC’s outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund (SRF) Loans entered with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. There is no outstanding loan principal as of the date of this report.

In August 2018, the San Francisco Finance Corporation issued Refunding Lease Revenue Bonds Series 2018A (Open Space) and Series 2018B (Branch Library). The proceeds of the Series 2018A bonds will be used to refund certain outstanding Lease Revenue Series 2006 and Series 2007 bonds and to pay costs of execution and delivery of the Series 2018A bonds. The proceeds of the Series 2018B bonds will be used to refund certain outstanding Lease Revenue Series 2009A bonds and to pay costs of execution and delivery of the Series 2018B bonds. The Series 2018A and the Series 2018B bonds will mature from July 2019 through July 2029 and from June 2019 through June 2028, respectively. The interest rates for the Series 2018A and Series 2018B bonds are 5.0% and 4.0% to 5.0%, respectively.

In August 2018, the City issued $2.0 million and $21.0 million of tax-exempt CP with interest rates of 1.47% and 1.54%, respectively, and maturity of October 2018 to refund $22.8 million of maturing CP for capital equipment for the San Francisco General Hospital, the 49 South Van Ness construction project, and the animal care and control project.

In August 2018, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2018 Sub-Series A (SSIP) (Green Bonds), Sub-Series B (Non-SSIP), and Sub-Series C (SSIP) (Green Bonds) (the “Bonds”) in an aggregate principal amount of $594.1 million. The Bonds were issued to: (1) refund approximately $25.0 million aggregate principal amount of commercial paper notes issued pursuant to the Wastewater Enterprise’s Interim Project Funding Program; 2) finance and refinance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC’s Sewer System Improvement Program (SSIP); and 3) finance and refinance a portion of the design, acquisition and construction of various capital non-SSIP projects of benefit to the SFPUC’s

Wastewater Enterprise. Payment for the Bonds is secured by a senior lien pledge of Wastewater Enterprise net revenues and are on a parity lien basis with the outstanding Wastewater Revenue Bonds, Clean Water SRF loans, and the federal WIFIA Loan.

In September 2018, the City issued $13.8 million taxable CP to refinance $13.7 million maturing CP for the 49 South Van Ness project and the Affordable Rental Housing project. The CP bears interest rate of 2.20% and matured in October 2018.

In October 2018, the City issued $13.8 million taxable and $18.03 million tax-exempt CP with interest rate of 2.57% and 1.70% and maturity of January 2019 and December 2018, respectively. The CP will refinance $31.8 million maturing CP for the capital equipment for the San Francisco General Hospital, the 49 South Van Ness project, and the Affordable Rental Housing project.

In November 2018, the 1992 General Obligation Bonds, San Francisco Seismic Safety Loan Program Series 2015A, in the amount of $24.0 million were paid off by the developer, Orton/Historic Pier 70 LLC. The City issued the Series 2015A bonds, with the par value of $24.0 million in August 2015, under the 1992 Prop A to fund a Seismic Safety loan program, with the developer using the bonds proceeds.

In November 2018, the San Francisco Public Utilities Commission (SFPUC) approved Resolution No. 18-0188, which authorized an increase in the authorization of the Power Enterprise CP program from not-to-exceed $90.0 million to not-to-exceed $250.0 million of aggregate principal amount. In support of the expanded Program, Resolution No. 18-0188 also authorized the SFPUC to enter into bank credit facilities with Bank of America, N.A. and Sumitomo Mitsui Bank, each in the principal amount of $125.0 million and for terms of three years and four years, respectively; and it also authorized extending the dealer agreements with RBC Capital Markets, Barclays and Goldman Sachs for four years each.

In December 2018, the City issued $16.7 million and $1.6 million tax-exempt CP with interest rates of 1.74% and 1.60% and maturity of February 2019 and December 2018, respectively. The CP will refinance $18.3 million maturing CP for the San Francisco General Hospital capital equipment, the 49 South Van Ness, and the Animal Care and Control projects.

In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank and Trust Company, supporting the issuance of Taxable Lease Revenue Commercial Paper Certificates of Participation, Series 3-T and Tax-Exempt Lease Revenue Commercial Paper Certificates of Participation, Series 3, in the maximum principal amount not to exceed $100 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at lease Aa3/AA-/AA- from Moody’s, S&P and Fitch, respectively, and extends the terms of the agreement until February 25, 2022.

In February 2019, the Airport issued $1.8 billion of its Series 2019A, Series 2019B, Series 2019C and 2019D Bonds for the purpose of financing and refinancing (through the repayment of CP) a portion of the costs of capital improvements to the Airport, funding deposits to the debt service accounts and a contingency reserve account, funding deposit to capitalized interest accounts, paying costs of issuance, and current refunding $469.0 million in outstanding Second Series Revenue Refunding Bond, Series 2009E. Moody’s, S&P, and Fitch assigned credit ratings of “A1” “A+”, and “A+” to these bonds. The issuance of the Series 2019A/B/C/D Bonds is subject to certain conditions being met.

In February 2019, the City issued Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016) Series 2019A in the amount of $72.4 million, the proceeds of which will be used to (1) fund loans that finance the cost of the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (2) pay certain costs related to the issuance of the Series 2019A bonds. The Series 2019A bonds bear interest rates ranging from of 2.534% to 4.321% and will mature from June 2020 through June 2058.

In February 2019, the City issued Special Tax Bonds, Series 2019A and Series 2019B with a par amount of $33.7 million and $157.3 million, respectively, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District"). The Series 2019A and 2019B (the "2019 Bonds") were issued pursuant to a fiscal agreement by and between the City and Zions Bancorporation, National Association (Zions Bank) as fiscal agent, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and Resolution No. 2-15, as supplemented by Resolution No. 247-17. The 2019 Bonds were issued to fund a portion of the planning, design, engineering and construction of various capital improvements, fund a contribution to a debt service reserve fund securing the 2019 Bonds, capitalized a portion of interest on the 2019 Bonds, fund costs of issuance, and a prepayment of a portion of the outstanding balance on the Wells Fargo financing facility (see Note 8) in the amount of $25.0 million reducing the current outstanding balance to $78.0 million. The 2019 Bonds bear interest rates ranging from 2.632% to 4.371% with principal amortizing from September 2019 through September 2049. The 2019 Bonds are limited obligations of the City, secured and payable solely from the Special Tax Revenues and funds pledged under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal and interest on the 2019 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the 2019 Bonds.

(b) Ratings Change

On November 2018, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), raised its long-term rating on the Power Enterprise Revenue Bonds to "AA" from "A+" and affirmed Hetchy Power's "stable" outlook.

(c) Elections

On November 6, 2018, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that authorizes the City to issue $425.0 million in General Obligation Bonds to finance projects to protect the waterfront, BART and Muni infrastructure, buildings, historic piers, and roads from earthquakes, from flooding and rising seas by repairing the 100-year old Embarcadero Seawall; strengthening the Embarcadero roadway; and fortifying transit infrastructure and utilities serving residents and businesses.

Proposition C – An ordinance that imposes additional business taxes to create a dedicated fund to support services for homeless people and to prevent homelessness, including one tax of 0.175% to 0.69% on gross receipts over $50.0 million that a business receives in the City, and another tax of 1.5% on certain administrative offices' payroll expense in the City with no expiration date for these taxes.

Proposition D – An ordinance that imposes new cannabis taxes beginning in 2021, at rates ranging from 1% to 5% on gross receipts of cannabis businesses in the City where the Board could decrease or increase those rates up to 7%. The ordinance will permit the City to tax businesses that do not have a physical presence in the City, provided those business sales exceed $0.5 million annually, with no expiration date on these newly imposed and applied taxes.

Proposition E – An ordinance that annually distributes up to 1.5% of the current base hotel tax to specific arts and cultural purposes, without increasing the existing hotel tax.

(d) Others

Calpine Energy Solutions Contract Extension

In November 2018, upon expiration of the first contract term, CleanPowerSF extended its contract with Calpine Energy Solutions for an additional three-year term and increased the contract's total not-to-exceed value to $18.8 million.

PG&E Intension to File Bankruptcy – Hetchy Power and CleanPowerSF

In January 2019, Pacific Gas and Electric (PG&E) filed its Form 8-K with the Securities and Exchange Commission, which is the 15-day advance notice required by recently enacted California law that it and its wholly owned subsidiary, Pacific Gas and Electric Company (the "Utility") intends to file petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code on or about January 29, 2019. The Hetch Hetchy Water and Power and Clean PowerSF Enterprise has a number of business relationships involving PG&E in the provision of electric services to customers, including electric transmission, distribution and customer billing services. As of March 25, 2019, the Enterprise has not yet determined the impact of PG&E's intended filing to reorganize under Chapter 11 of the U.S. Bankruptcy Code, to Hetchy Power and CleanPowerSF program operations.

Jurisdictional Exchange of Asphalt Plant Property from the Department of Public Works for Wastewater Enterprise's Napoleon Site

In July 2018, the jurisdictional exchange of the Napoleon Site and Asphalt Plant Site occurred. The Wastewater Enterprise took possession of the Asphalt Plant Site while the Department of Public Works (DPW) took possession of the Napoleon Site along with the trailers and site improvements. The jurisdictional transfer is an intra-entity transfer of the assets and is treated as an even exchange with no financial impact on the financial statements. The Asphalt Plant Site is located directly across from the SFPUC's Southeast Water Pollution Control Plant facilities.

Ferry Building Lease Participation Income - Port

In October 2018, the Port of San Francisco received participation income of $10.3 million from the sale and transfer of the Ferry Building lease. A historic rehabilitation of the Ferry Building was completed through a public-private partnership in 2003. The developer entered into a 66-year ground lease expiring in 2067 with the Port.

Parcel K North Property Sale - Port

In October 2017, the Board of Supervisors approved the formation of the Pier 70 Special Use District (CFD) and a disposition and development agreement (DDA) with the Pier 70 developer. Under the terms of the DDA, the Port agreed to sell Parcel K North, a Port-owned parcel free from the public trust restrictions, to a third-party buyer. In February 2019, the Port sold the parcel with a book value of $0.2 million for approximately $24.0 million. In accordance with the DDA, the Port advanced the proceeds of the sale to the Pier 70 developer for public infrastructure improvements, in exchange for a promissory note. Interest will accrue on the unpaid principal amount at an annual rate of 3.89%, compounded quarterly.

San Francisco Housing Authority

In March 2019, the City and the San Francisco Housing Authority (SFHA), a legally separate reporting entity that provides low income housing assistance to the City's residents, received a letter from the U.S. Department of Housing and Urban Development's Office of Public and Indian Housing (HUD). HUD requested the City and the SFHA submit a Memorandum of Understanding outlining a scheduled plan of action for the City's possible assumption of the SFHA's programmatic and financial functions. The City is currently working with the SFHA to prepare a response to HUD, which HUD has requested by April 8, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability
June 30, 2018 *
(Dollars in Thousands)

For the year ended June 30, 2018

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,697,131	$ (13,766)	$ 2,142	$ 27,280	$ 28
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	0.00%
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

For the year ended June 30, 2017

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	$ 5,476,653	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

For the year ended June 30, 2016

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	$ 2,156,049	$ (13,956)	$ 1,288	$ 16,563	$ 24
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

For the year ended June 30, 2015

	City SFERS Plan	CalPERS Miscellaneous Plans: City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	$ 1,660,365	$ (11,381)	$ 1,299	$ 15,870	$ -
Covered payroll	$ 2,398,979	$ 303	$ 3,264	$ 3,962	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)
June 30, 2018
(Dollars in Thousands)

Notes to Schedules:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2017. The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%. For the year ended June 30, 2016, the discount rate was reduced from 7.58% to 7.46%.

CalPERS Miscellaneous Plans

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017. There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only four years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2018*
(Dollars in Thousands)

City CalPERS Safety Plan	2018	2017	2016	2015
Total pension liability:				
Service cost	$ 33,886	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	88,729	85,094	80,057	76,177
Changes of assumptions	75,057	-	(19,949)	-
Differences between expected and actual experience	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability	131,740	69,411	32,178	67,478
Total pension liability, beginning	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$ 1,320,856	$1,189,116	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:				
Plan to plan resource movement	$ -	$ -	$ (4)	$ -
Contributions from the employer	30,575	23,640	20,718	20,613
Contributions from employees	10,307	14,310	15,061	15,216
Net investment income	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses	(1,366)	(567)	(1,048)	-
Net change in plan fiduciary net position	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending	$ 1,017,528	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 303,328	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	77.04%	77.81%	83.14%	84.63%
Covered payroll	$ 107,812	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool as of valuation date June 30, 2016.

Changes of Assumptions – The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017. There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate remained the same as prior year, at 7.65%. The discount rate was changed from 7.50% (net of administrative expense) in fiscal year 2015 to 7.65% in fiscal year 2016.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only four years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2018
(Dollars in Thousands)

City Replacement Benefits Plan*	2018	2017
Plan total pension liability:		
Service cost	$ 1,605	$ 956
Interest	2,218	2,112
Changes of benefits	15,326	10,310
Changes of assumptions	(10,290)	11,516
Benefit payments	(3,164)	(1,332)
Change in net pension liability	5,695	23,562
Pension liability, beginning	78,600	55,038
Plan total pension liability, ending	$ 84,295	$ 78,600
Covered-employee payroll	$ 2,919,519	$2,681,695
Plan pension liability as a percentage of the covered-payroll	2.89%	2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2017.

Changes of Assumptions – The discount rate was changed from 2.85% in the measurement period ended June 30, 2016 to 3.58% in the measurement period ended June 30, 2017.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans
June 30, 2018*
(Dollars in Thousands)

For the year ended June 30, 2018	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 582,568	$ 42	$ 403	$ 1,283	$ 6	$ 30,743
Contributions in relation to the actuarially determined contributions	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,041,818	$ 390	$ 4,039	$ 5,742	$ -	$ 98,657
Contributions as a percentage of covered payroll	19.15%	10.77%	9.99%	22.34%	0.00%	31.16%

For the year ended June 30, 2017	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 519,073	$ 35	$ 293	$ 970	$ 2	$ 27,190
Contributions in relation to the actuarially determined contributions	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,880,112	$ 344	$ 4,202	$ 5,042	$ -	$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	25.22%

For the year ended June 30, 2016	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,640
Contributions in relation to the actuarially determined contributions	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

For the year ended June 30, 2015	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions**	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -	$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only four years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2018*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date................................ July 1, 2016
Actuarial cost method...................... Entry-age normal cost method
Amortization method........................ Level annual percentage of payroll
Remaining amortization period......... Closed 15-year period
Asset valuation method.................... 5 year smoothed market
Investment rate of return.................. 7.50% (net of investment expenses)
Inflation.. 3.25% compounded annually
Projected salary increase................ Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date................................ July 1, 2015
Actuarial cost method...................... Entry-age normal cost method
Amortization method........................ Level annual percentage of payroll
Remaining amortization period......... Closed 15-year period
Asset valuation method.................... 5 year smoothed market
Investment rate of return.................. 7.50% (net of investment expenses)
Inflation.. 3.25% compounded annually
Projected salary increase................ Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date................................ July 1, 2014
Actuarial cost method...................... Entry-age normal cost method
Amortization method........................ Level annual percentage of payroll
Remaining amortization period......... Closed 15-year period
Asset valuation method.................... 5 year smoothed market
Investment rate of return.................. 7.50% (net of investment expenses)
Inflation.. 3.25% compounded annually
Projected salary increase................ Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date................................ July 1, 2013
Actuarial cost method...................... Entry-age normal cost method
Amortization method........................ Level annual percentage of payroll
Remaining amortization period......... Rolling 15-year period
Asset valuation method.................... 5 year smoothed market
Investment rate of return.................. 7.58% (net of investment expenses)
Inflation.. 3.33% compounded annually
Projected salary increase................ Wage inflation component: 3.83%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2018*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date	June 30, 2016 updated to June 30, 2017
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date	June 30, 2015 updated to June 30, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date	June 30, 2014 updated to June 30, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Market Value
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2018*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date	June 30, 2013 updated to June 30, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method	15-year smoothed market
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan
June 30, 2018
(Dollars in Thousands)

	2018		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 125,195	$ 159	$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	**232,667**	**54**	**175**
Total OPEB liability - beginning	**3,659,019**	**10,208**	**1,573**
Total OPEB liability - ending	**3,891,686**	**10,262**	**1,748**
Plan fiduciary net position			
Contributions - employer	183,898	1,097	166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	**67,373**	**650**	**235**
Plan fiduciary net position - beginning	**107,104**	**3,275**	**1,268**
Plan fiduciary net position - ending	**174,477**	**3,925**	**1,503**
Net OPEB liability - ending	**$ 3,717,209**	**$ 6,337**	**$ 245**
Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
Covered payroll	$ 3,393,658	$ 5,042	$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only one year of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions
Other Postemployment Healthcare Benefits Plans
June 30, 2018
(Dollars in Thousands)

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 203,858	$ 813	$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,932)	(143)
Contribution deficiency/(excess)	$ -	$ (2,119)	$ -
Covered payroll	$ 3,729,138	$ 5,742	$ 4,045
Contributions as a percentage of covered payroll	5.47%	14.16%	3.54%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 183,898	$ 804	$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	$ -	$ (293)	$ -
Covered payroll	$ 3,393,658	$ 5,042	$ 3,946
Contributions as a percentage of covered payroll	5.42%	15.95%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only two years of information is available.

Notes to Schedule:

Contributions to the City plan are set by the Charter and are not actuarially determined. Employee and City and County contributions to the RHCTF are a fixed percent of pay that varies dependent on the employee's hire date, the year in which the payment is being made, and whether the Trust is fully funded.

The Transportation Authority and Successor Agency calculate their annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2017-18 contribution rates for the plans are as follows:

	For the year ended June 30, 2018	
Actuarial Assumption	**Successor Agency**	**Transportation Authority**
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets
General Inflation	2.75%, per annum	3.00% per annum
Salary Increases	3.00%, per annum	3.25% per annum, in aggregate
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2011	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	4.00%	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%
Investment Rate of Return	7.00%	7.28%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 187,182	$ 1,999,334	$ 1,999,334	$ -
Resources (Inflows):				
Property taxes	1,557,000	1,557,000	1,660,976	103,976
Business taxes	750,820	750,820	897,076	146,256
Other local taxes:				
Sales and use tax	199,940	199,940	192,946	(6,994)
Hotel room tax	372,320	372,320	382,176	9,856
Utility users tax	99,720	99,720	94,460	(5,260)
Parking tax	82,180	82,180	83,484	1,304
Real property transfer tax	300,000	300,000	280,416	(19,584)
Other local taxes	58,410	58,410	60,287	1,877
Licenses, permits and franchises:				
Licenses and permits	12,712	12,712	11,813	(899)
Franchise tax	17,252	17,252	16,990	(262)
Fines, forfeitures, and penalties	4,579	4,579	8,180	3,601
Interest and investment income	18,180	18,615	50,431	31,816
Rents and concessions:				
Garages - Recreation and Park	8,442	8,442	7,829	(613)
Rents and concessions - Recreation and Park	5,041	5,041	5,940	899
Other rents and concessions	606	606	597	(9)
Intergovernmental:				
Federal grants and subventions	263,959	242,476	234,055	(8,421)
State subventions:				
Social service subventions	122,190	114,649	94,211	(20,438)
Health / mental health subventions	211,835	184,792	190,253	5,461
Health and welfare realignment	260,626	260,626	277,723	17,097
Public safety sales tax	101,640	101,640	104,849	3,209
Other grants and subventions	55,624	57,837	61,651	3,814
Other	3,293	3,529	3,941	412
Charges for services:				
General government service charges	78,207	78,207	73,815	(4,392)
Public safety service charges	43,225	43,225	42,445	(780)
Recreation charges - Recreation and Park	21,124	21,124	21,655	531
MediCal, MediCare and health service charges	100,261	100,286	111,994	11,708
Other financing sources:				
Transfers from other funds	171,122	232,032	232,032	-
Repayment of loan from component unit	110	110	-	(110)
Other resources (inflows)	39,959	40,130	14,367	(25,763)
Subtotal - Resources (Inflows)	4,960,377	4,968,300	5,216,592	248,292
Total amounts available for appropriation	5,147,559	6,967,634	7,215,926	248,292

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 31,383	$ 31,968	$ 30,525	$ 1,443
District Attorney	54,454	53,935	53,699	236
Emergency Communications	54,800	54,046	53,857	189
Fire Department	349,859	353,036	353,036	-
Juvenile Probation	39,438	34,983	33,893	1,090
Police Department	516,026	517,929	517,836	93
Public Defender	35,991	36,260	36,037	223
Police Accountability	7,192	6,936	6,015	921
Sheriff	205,110	196,452	196,452	-
Superior Court	31,324	31,325	31,094	231
Subtotal - Public Protection	1,325,577	1,316,870	1,312,444	4,426
Public Works, Transportation and Commerce				
Board of Appeals	1,039	1,124	1,005	119
Business and Economic Development	49,365	46,531	34,223	12,308
General Services Agency - Public Works	125,033	181,865	179,562	2,303
Public Utilities Commission	-	7,360	7,360	-
Municipal Transportation Agency	-	1,684	1,680	4
Subtotal - Public Works, Transportation and Commerce	175,437	238,564	223,830	14,734
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	38,836	42,544	42,413	131
Commission on the Status of Women	7,664	8,171	7,891	280
County Education Office	116	116	116	-
Homelessness and Supportive Housing	186,590	165,467	164,799	668
Human Rights Commission	4,292	4,275	4,179	96
Human Services	753,742	756,304	727,337	28,967
Mayor - Housing/Neighborhoods	77,889	70,581	52,312	18,269
Subtotal - Human Welfare and Neighborhood Development	1,069,129	1,047,458	999,047	48,411
Community Health				
Public Health	884,393	832,663	830,360	2,303
Culture and Recreation				
Academy of Sciences	6,468	7,230	7,222	8
Arts Commission	11,923	9,015	8,939	76
Asian Art Museum	10,267	10,105	10,003	102
Fine Arts Museum	17,444	16,818	16,781	37
Law Library	1,856	1,858	1,482	376
Recreation and Park Commission	105,389	97,002	97,002	-
War Memorial	-	53	53	-
Subtotal - Culture and Recreation	153,347	142,081	141,482	599

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 33,398	$ 24,587	$ 23,596	$ 991
Board of Supervisors	15,528	15,152	14,166	986
City Attorney	17,623	14,065	9,936	4,129
City Planning	45,000	45,776	43,910	1,866
Civil Service	890	883	810	73
Controller	11,804	14,941	14,941	-
Elections	14,797	14,004	13,681	323
Ethics Commission	4,788	6,949	6,131	818
General Services Agency - Administrative Services	72,879	57,654	56,926	728
General Services Agency - Technology	3,586	3,804	3,804	-
Health Service System	406	514	377	137
Human Resources	15,702	17,129	16,737	392
Mayor	6,232	6,239	6,239	-
Retirement Services	1,215	1,329	1,329	-
Treasurer/Tax Collector	36,354	36,890	32,187	4,703
Subtotal - General Administration and Finance	280,202	259,916	244,770	15,146
General City Responsibilities				
General City Responsibilities	126,890	114,219	111,767	2,452
Other financing uses:				
Debt service	14,894	236	178	58
Transfers to other funds	1,072,550	1,009,967	1,009,966	1
Budgetary reserves and designations	45,140	-	-	-
Total charges to appropriations	5,147,559	4,961,974	4,873,844	88,130
Total Sources less Current Year Uses	$ -	$ 2,005,660	$ 2,342,082	$ 336,422
Budgetary fund balance, June 30 before reserves and designations			$ 2,342,082	
Reserves and designations made from budgetary fund balance not available for appropriation			(1,382,687)	
Reserves for Litigation and Contingencies and General Reserves			(342,803)	
Net Available Budgetary Fund Balance, June 30			$ 616,592	

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 7,215,926
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,999,334)
Property tax revenue - Teeter Plan net change from prior year	12,974
Change in unrealized gain/(loss) on investments	(19,405)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(14,781)
Interest earnings from other funds assigned to General Fund as other revenues	11,383
Grants, subventions and other receivables received after 60-day recognition period	14,740
Prepaid lease revenue, Civic Center Garage	84
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(232,032)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 4,989,555
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 4,873,844
Difference - budget to GAAP:	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	(66)
Intergovernmental expense offset	(124,052)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,009,966)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 3,739,760

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2018
(In Thousands)

Notes to Budgetary Schedule:

(a) Budgetary Data

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the budgetary comparison schedule reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the budgetary comparison schedule for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison schedule in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2018
(In Thousands)

The fund balance of the General Fund as of June 30, 2018, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 2,342,082
Unrealized Gains/ (Losses) on Investments	(20,602)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(25,495)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(68,958)
Pre-paid lease revenue	(6,598)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	1,512
Fund Balance - GAAP basis	$ 2,221,941

General Fund budget basis fund balance as of June 30, 2018 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 89,309	
Rainy Day - One Time Spending Account	54,668	
Committed Fund Balance:		
Budget Stabilization Reserve	369,958	
Recreation and Parks Expenditure Saving Reserve	1,740	
Assigned for Encumbrances	345,596	
Assigned for Appropriation Carryforward	423,835	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	73,650	
Salaries and benefits costs (MOU)	23,931	
Subtotal		$ 1,382,687
Available for appropriations:		
Assigned for Litigation and Contingencies	235,925	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2018-19	188,562	
Unassigned - General Reserve	106,878	
Unassigned - Budgeted for use in fiscal year 2019-20	223,251	
Unassigned - Reserve for Other Contingencies	160,000	
Unassigned - Available for future appropriations	44,779	
Subtotal		959,395
Fund Balance, June 30, 2018 - Budget basis		$ 2,342,082

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

This page has been intentionally left blank.

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Courts Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Recreation and Park Projects – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury	$ 1,428,724	$ 130,831	$ 623,754	$ 5,265	$ 2,188,574
Deposits and investments outside City Treasury	177,932	59,175	156,207	-	393,314
Receivables:					
Property taxes and penalties	6,920	8,973	-	-	15,893
Other local taxes	17,303	-	-	-	17,303
Federal and state grants and subventions	90,262	-	8,455	-	98,717
Charges for services	19,552	-	669	-	20,221
Interest and other	6,340	1,066	1,932	10	9,348
Due from other funds	3,220	-	7,881	-	11,101
Due from component unit	4,226	-	-	-	4,226
Advance to component unit	8,214	-	-	-	8,214
Loans receivable (net of allowance for uncollectible amounts)	86,960	102,173	-	-	189,133
Other assets	1,645	-	-	-	1,645
Total assets	$ 1,851,298	$ 302,218	$ 798,898	$ 5,275	$ 2,957,689
Liabilities:					
Accounts payable	$ 117,939	$ -	$ 54,473	$ 94	$ 172,506
Accrued payroll	17,078	-	798	-	17,876
Unearned grant and subvention revenue	22,772	-	528	-	23,300
Due to other funds	34,329	-	10,585	-	44,914
Unearned revenues and other liabilities	46,127	6,872	7,820	-	60,819
Bonds, loans, capital leases, and other payables	13,239	103,000	5,629	-	121,868
Total liabilities	251,484	109,872	79,833	94	441,283
Deferred inflows of resources	148,782	6,113	6,217	-	161,112
Fund balances:					
Nonspendable	82	-	-	-	82
Restricted	1,327,778	186,233	712,848	5,181	2,232,040
Assigned	124,076	-	-	-	124,076
Unassigned	(904)	-	-	-	(904)
Total fund balances	1,451,032	186,233	712,848	5,181	2,355,294
Total liabilities, deferred inflows of resources and fund balances	$ 1,851,298	$ 302,218	$ 798,898	$ 5,275	$ 2,957,689

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds

Year Ended June 30, 2018

(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 214,625	$ 283,026	$ -	$ -	$ 497,651
Business taxes	2,066	-	-	-	2,066
Sales and use tax	103,263	-	-	-	103,263
Licenses, permits, and franchises	14,377	-	-	-	14,377
Fines, forfeitures, and penalties	7,780	18,474	-	-	26,254
Interest and investment income	21,563	2,725	5,300	57	29,645
Rents and concessions	90,303	-	161	287	90,751
Intergovernmental:					
Federal	187,688	-	3,376	-	191,064
State	121,843	678	2,166	-	124,687
Other	13,786	-	73	-	13,859
Charges for services	166,343	-	300	-	166,643
Other	121,469	5,697	34,375	15	161,556
Total revenues	1,065,106	310,600	45,751	359	1,421,816
Expenditures:					
Current:					
Public protection	66,172	-	-	-	66,172
Public works, transportation and commerce	218,038	-	-	-	218,038
Human welfare and neighborhood development	500,168	-	-	-	500,168
Community health	109,440	-	-	-	109,440
Culture and recreation	281,653	-	-	926	282,579
General administration and finance	67,668	-	-	-	67,668
General City responsibilities	108	-	-	-	108
Debt service:					
Principal retirement	115,414	265,727	-	-	381,141
Interest and other fiscal charges	4,583	131,191	973	-	136,747
Bond issuance costs	3,391	-	5,543	-	8,934
Capital outlay	-	-	337,741	-	337,741
Total expenditures	1,366,635	396,918	344,257	926	2,108,736
Excess (deficiency) of revenues over (under) expenditures	(301,529)	(86,318)	(298,506)	(567)	(686,920)
Other financing sources (uses):					
Transfers in	370,027	129,988	12,904	-	512,919
Transfers out	(151,652)	(1,717)	(234,383)	(25)	(387,777)
Issuance of bonds and loans:					
Face value of bonds issued	390,395	-	903,200	-	1,293,595
Premium on issuance of bonds	22,869	-	53,374	-	76,243
Other financing sources - capital leases	-	-	2,027	-	2,027
Total other financing sources (uses)	631,639	128,271	737,122	(25)	1,497,007
Special item:					
Receipt of Yerba Buena Garden assets	11,137	-	-	-	11,137
Net changes in fund balances	341,247	41,953	438,616	(592)	821,224
Fund balances at beginning of year	1,109,785	144,280	274,232	5,773	1,534,070
Fund balances at end of year	$ 1,451,032	$ 186,233	$ 712,848	$ 5,181	$ 2,355,294

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds

June 30, 2018

(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Assets:						
Deposits and investments with City Treasury	$ 180,199	$ 163,080	$ 599,790	$ 31,862	$ 32,656	$ 636
Deposits and investments outside City Treasury	5	-	20,486	-	-	-
Receivables:						
Property taxes and penalties	-	2,984	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	-	4,466	11,699	27,172	-	-
Charges for services	469	-	192	4,160	2,941	157
Interest and other	649	523	2,052	114	-	-
Due from other funds	-	-	2,500	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	191	-	86,323	-	-	-
Other assets	-	-	275	-	-	-
Total assets	$ 181,513	$ 171,053	$ 723,317	$ 63,308	$ 35,597	$ 793
Liabilities:						
Accounts payable	$ 3,021	$ 29,843	$ 20,862	$ 11,502	$ 902	$ 1
Accrued payroll	1,676	719	769	1,572	31	-
Unearned grant and subvention revenues	-	1,911	1,351	1,980	-	-
Due to other funds	-	-	33	327	-	-
Unearned revenues and other liabilities	21,368	1,936	3,069	1	2,153	-
Bonds, loans, capital leases, and other payables	-	-	13,239	-	-	-
Total liabilities	26,065	34,409	39,323	15,382	3,086	1
Deferred inflows of resources	191	4,754	87,728	17,057	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	155,257	131,890	582,444	30,869	32,511	792
Assigned	-	-	13,822	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	155,257	131,890	596,266	30,869	32,511	792
Total liabilities, deferred inflows of resources and fund balances	$ 181,513	$ 171,053	$ 723,317	$ 63,308	$ 35,597	$ 793

(Continued)

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2018
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets:						
Deposits and investments with City Treasury	$ 18,053	$ 1,612	$ 30,504	$ 27,200	$ 13,270	$ 7,220
Deposits and investments outside City Treasury	1,366	-	-	-	3	2
Receivables:						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	71	853	3,137	206	938	-
Charges for services	176	-	674	573	21	483
Interest and other	28	-	126	690	13	30
Due from other funds	-	29	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 19,694	$ 2,494	$ 34,441	$ 28,669	$ 14,245	$ 7,735
Liabilities:						
Accounts payable	$ 1,995	$ 733	$ 1,427	$ 2,677	$ 856	$ 685
Accrued payroll	172	149	347	395	40	184
Unearned grant and subvention revenues	511	702	-	300	7	-
Due to other funds	-	-	-	-	-	-
Unearned revenues and other liabilities	-	-	-	-	207	-
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	2,678	1,584	1,774	3,372	1,110	869
Deferred inflows of resources	37	728	8	625	24	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	9,995	182	32,659	9,379	13,111	-
Assigned	6,984	-	-	15,293	-	6,866
Unassigned	-	-	-	-	-	-
Total fund balances	16,979	182	32,659	24,672	13,111	6,866
Total liabilities, deferred inflows of resources and fund balances	$ 19,694	$ 2,494	$ 34,441	$ 28,669	$ 14,245	$ 7,735

(Continued)

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2018
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury	$ 13,143	$ 28,439	$ 44,491	$ 72,562	$ 41,639	$ 64,289
Deposits and investments outside City Treasury	-	-	-	-	-	37
Receivables:						
Property taxes and penalties	-	-	1,968	1,968	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	13,793	-	-	-	19,114	56
Charges for services	-	-	-	1	3,290	6,358
Interest and other	101	98	168	237	268	-
Due from other funds	-	-	-	-	-	345
Due from component unit	-	-	-	-	-	1,626
Advance to component unit	-	8,214	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	446	-	-	-	-
Other assets	100	-	1,029	81	75	3
Total assets	$ 27,137	$ 37,197	$ 47,656	$ 74,849	$ 64,386	$ 72,714
Liabilities:						
Accounts payable	$ 12,863	$ 762	$ 422	$ 2,766	$ 6,829	$ 4,184
Accrued payroll	112	44	916	3,348	1,398	3,370
Unearned grant and subvention revenues	5,646	-	-	-	10,239	100
Due to other funds	-	-	-	-	-	364
Unearned revenues and other liabilities	192	4,886	1,494	1,493	12	7,625
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	18,813	5,692	2,832	7,607	18,478	15,643
Deferred inflows of resources	3,485	8,660	1,348	1,349	11,054	5,959
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	4,839	22,845	43,476	64,740	29,560	5,234
Assigned	-	-	-	1,153	5,294	45,878
Unassigned	-	-	-	-	-	-
Total fund balances	4,839	22,845	43,476	65,893	34,854	51,112
Total liabilities, deferred inflows of resources and fund balances	$ 27,137	$ 37,197	$ 47,656	$ 74,849	$ 64,386	$ 72,714

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2018
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury	$ 28,936	$ 18,276	$ -	$ 10,867	$ 1,428,724
Deposits and investments outside City Treasury	-	155,997	-	36	177,932
Receivables:					
Property taxes and penalties	-	-	-	-	6,920
Other local taxes	-	17,303	-	-	17,303
Federal and state grants and subventions	-	4,605	4,152	-	90,262
Charges for services	36	-	21	-	19,552
Interest and other	3	1,195	-	45	6,340
Due from other funds	-	346	-	-	3,220
Due from component unit	1,595	1,005	-	-	4,226
Advance to component unit	-	-	-	-	8,214
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	86,960
Other assets	-	82	-	-	1,645
Total assets	$ 30,570	$ 198,809	$ 4,173	$ 10,948	$ 1,851,298
Liabilities:					
Accounts payable	$ 3,279	$ 11,292	$ 625	$ 413	$ 117,939
Accrued payroll	1,295	194	-	347	17,078
Unearned grant and subvention revenues	-	-	25	-	22,772
Due to other funds	-	30,081	3,524	-	34,329
Unearned revenues and other liabilities	1,056	-	-	635	46,127
Bonds, loans, capital leases, and other payables	-	-	-	-	13,239
Total liabilities	5,630	41,567	4,174	1,395	251,484
Deferred inflows of resources	2	4,870	903	-	148,782
Fund balances:					
Nonspendable	-	82	-	-	82
Restricted	24,938	123,504	-	9,553	1,327,778
Assigned	-	28,786	-	-	124,076
Unassigned	-	-	(904)	-	(904)
Total fund balances	24,938	152,372	(904)	9,553	1,451,032
Total liabilities, deferred inflows of resources and fund balances	$ 30,570	$ 198,809	$ 4,173	$ 10,948	$ 1,851,298

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2018
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Courts Fund
Revenues:						
Property taxes	$ -	$ 91,631	$ -	$ -	$ -	$ -
Business taxes	-	-	2,066	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	6,520	-	-	2	-	-
Fines, forfeitures, and penalties	-	-	491	2,331	-	21
Interest and investment income	1,846	1,013	10,499	534	188	8
Rents and concessions	-	-	484	-	29,741	-
Intergovernmental:						
Federal	-	8,534	43,186	58,406	-	-
State	-	11,744	1,456	48,114	-	-
Other	-	-	5,370	-	-	-
Charges for services	71,100	-	13,228	4,440	-	2,506
Other	6	485	96,849	1,794	7,500	-
Total revenues	79,472	113,407	173,629	115,621	37,429	2,535
Expenditures:						
Current:						
Public protection	-	-	-	-	-	355
Public works, transportation and commerce	74,237	-	12,203	-	15,713	-
Human welfare and neighborhood development	-	211,304	176,133	462	2,692	-
Community health	-	-	-	108,128	-	-
Culture and recreation	-	-	2,141	-	46,938	-
General administration and finance	-	-	5,430	-	-	-
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	72	-	-	-
Bond issuance costs	-	-	1,211	-	-	-
Total expenditures	74,237	211,304	197,190	108,590	65,343	355
Excess (deficiency) of revenues over (under) expenditures	5,235	(97,897)	(23,561)	7,031	(27,914)	2,180
Other financing sources (uses):						
Transfers in	-	114,668	151	-	56,247	649
Transfers out	(87)	(16)	(1,645)	(12)	(25,121)	(2,354)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	142,145	-	-	-
Premium on issuance of bonds	-	-	986	-	-	-
Total other financing sources (uses)	(87)	114,652	141,637	(12)	31,126	(1,705)
Special item:						
Receipt of Yerba Buena Garden assets	-	-	-	-	-	-
Net changes in fund balances	5,148	16,755	118,076	7,019	3,212	475
Fund balances at beginning of year	150,109	115,135	478,190	23,850	29,299	317
Fund balances at end of year	$ 155,257	$ 131,890	$ 596,266	$ 30,869	$ 32,511	$ 792

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	177	-	-	1,928	-	-
Fines, forfeitures, and penalties	-	-	-	-	706	-
Interest and investment income	168	3	362	137	132	89
Rents and concessions	437	-	-	1,081	-	4,015
Intergovernmental:						
Federal	89	549	-	34	-	-
State	498	5,596	33,046	265	-	-
Other	-	29	-	-	-	-
Charges for services	9,589	35	666	1,855	20	7,084
Other	3,382	421	1	650	5,146	-
Total revenues	14,340	6,633	34,075	5,950	6,004	11,188
Expenditures:						
Current:						
Public protection	-	-	-	186	304	-
Public works, transportation and commerce	646	-	30,709	-	1,517	-
Human welfare and neighborhood development	761	7,206	-	-	768	-
Community health	-	-	-	-	104	-
Culture and recreation	13,473	-	-	1,081	856	14,581
General administration and finance	13,556	19	-	4,626	220	-
General City responsibilities	-	-	-	108	-	-
Debt service:						
Principal retirement	414	-	-	-	-	-
Interest and other fiscal charges	1,047	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	29,897	7,225	30,709	6,001	3,769	14,581
Excess (deficiency) of revenues over (under) expenditures	(15,557)	(592)	3,366	(51)	2,235	(3,393)
Other financing sources (uses):						
Transfers in	19,788	62	5,166	203	-	5,585
Transfers out	(107)	(3)	(3,099)	-	(695)	(1,180)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-
Total other financing sources (uses)	19,681	59	2,067	203	(695)	4,405
Special item:						
Receipt of Yerba Buena Garden assets	-	-	-	-	-	-
Net changes in fund balances	4,124	(533)	5,433	152	1,540	1,012
Fund balances at beginning of year	12,855	715	27,226	24,520	11,571	5,854
Fund balances at end of year	$ 16,979	$ 182	$ 32,659	$ 24,672	$ 13,111	$ 6,866

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ -	$ 61,497	$ 61,497	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	333	-	-	-	509	-
Fines, forfeitures, and penalties	11	-	-	-	4,012	208
Interest and investment income	220	3,080	367	557	400	97
Rents and concessions	-	4,279	-	3	-	20
Intergovernmental:						
Federal	28,070	-	-	-	35,953	-
State	4,630	-	158	220	14,223	-
Other	19	1,773	-	-	-	703
Charges for services	169	-	-	758	19,417	34,218
Other	-	3,858	-	-	1	1,011
Total revenues	33,452	12,990	62,022	63,035	74,515	36,257
Expenditures:						
Current:						
Public protection	-	-	-	-	65,327	-
Public works, transportation and commerce	4,439	-	833	1,564	29	27,961
Human welfare and neighborhood development	70,097	6,409	-	-	3,570	14,780
Community health	-	-	-	-	1,208	-
Culture and recreation	-	-	61,445	125,252	-	-
General administration and finance	-	-	-	-	2,865	16
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	74,536	6,409	62,278	126,816	72,999	42,757
Excess (deficiency) of revenues over (under) expenditures	(41,084)	6,581	(256)	(63,781)	1,516	(6,500)
Other financing sources (uses):						
Transfers in	49,400	-	1,180	84,380	-	19,245
Transfers out	-	(1)	(367)	(6,379)	(1,455)	(300)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-
Total other financing sources (uses)	49,400	(1)	813	78,001	(1,455)	18,945
Special item:						
Receipt of Yerba Buena Garden assets	-	-	-	-	-	-
Net changes in fund balances	8,316	6,580	557	14,220	61	12,445
Fund balances at beginning of year	(3,477)	16,265	42,919	51,673	34,793	38,667
Fund balances at end of year	$ 4,839	$ 22,845	$ 43,476	$ 65,893	$ 34,854	$ 51,112

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 214,625
Business taxes	-	-	-	-	2,066
Sales and use tax	-	103,263	-	-	103,263
Licenses, permits, and franchises	-	4,908	-	-	14,377
Fines, forfeitures, and penalties	-	-	-	-	7,780
Interest and investment income	4	1,704	-	155	21,563
Rents and concessions	46,477	-	-	3,766	90,303
Intergovernmental:					
Federal	-	7,719	5,148	-	187,688
State	-	1,176	717	-	121,843
Other	2,321	3,571	-	-	13,786
Charges for services	721	-	-	537	166,343
Other	-	46	2	317	121,469
Total revenues	49,523	122,387	5,867	4,775	1,065,106
Expenditures:					
Current:					
Public protection	-	-	-	-	66,172
Public works, transportation and commerce	140	47,780	-	267	218,038
Human welfare and neighborhood development	-	-	5,986	-	500,168
Community health	-	-	-	-	109,440
Culture and recreation	-	-	-	15,886	281,653
General administration and finance	40,936	-	-	-	67,668
General City responsibilities	-	-	-	-	108
Debt service:					
Principal retirement	-	115,000	-	-	115,414
Interest and other fiscal charges	-	3,464	-	-	4,583
Bond issuance costs	-	2,180	-	-	3,391
Total expenditures	41,076	168,424	5,986	16,153	1,366,635
Excess (deficiency) of revenues over (under) expenditures	8,447	(46,037)	(119)	(11,378)	(301,529)
Other financing sources (uses):					
Transfers in	130	-	10	13,163	370,027
Transfers out	(8,553)	(100,255)	-	(23)	(151,652)
Issuance of bonds and loans:					
Face value of bonds issued	-	248,250	-	-	390,395
Premium on issuance of bonds	-	21,883	-	-	22,869
Total other financing sources (uses)	(8,423)	169,878	10	13,140	631,639
Special item:					
Receipt of Yerba Buena Garden assets	11,137	-	-	-	11,137
Net changes in fund balances	11,161	123,841	(109)	1,762	341,247
Fund balances at beginning of year	13,777	28,531	(795)	7,791	1,109,785
Fund balances at end of year	$ 24,938	$ 152,372	$ (904)	$ 9,553	$ 1,451,032

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2018
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 86,371	$ 86,371	$ 91,631	$ 5,260
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,696	6,696	6,520	(176)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	559	559	2,650	2,091	345	1,473	1,838	365
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,960	10,313	9,599	(714)
State	-	-	-	-	14,841	12,659	13,188	529
Other	-	-	-	-	-	-	-	-
Charges for services	58,492	58,760	71,100	12,340	-	-	-	-
Other	-	-	6	6	1,100	450	485	35
Total revenues	65,747	66,015	80,276	14,261	112,617	111,266	116,741	5,475
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	76,360	76,893	74,236	2,657	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	238,642	211,337	211,305	32
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	76,360	76,893	74,236	2,657	238,642	211,337	211,305	32
Excess (deficiency) of revenues over (under) expenditures	(10,613)	(10,878)	6,040	16,918	(126,025)	(100,071)	(94,564)	5,507
Other financing sources (uses):								
Transfers in	-	-	-	-	110,615	114,668	114,668	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	110,615	114,668	114,668	-
Net changes in fund balances	(10,613)	(10,878)	6,040	16,918	(15,410)	14,597	20,104	5,507
Budgetary fund balances, July 1	10,613	150,151	150,151	-	15,410	115,290	115,290	-
Budgetary fund balances, June 30	$ -	$ 139,273	$ 156,191	$ 16,918	$ -	$ 129,887	$ 135,394	$ 5,507

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	1,900	2,066	2,066	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	2	2	-
Fines, forfeitures, and penalties	-	491	491	-	2,400	2,331	2,331	-
Interest and investment income	9	12,692	12,692	-	210	683	683	-
Rents and concessions	30	484	484	-	-	-	-	-
Intergovernmental:								
Federal	6,855	42,339	42,339	-	67,671	58,856	58,856	-
State	1,930	799	799	-	37,097	50,143	50,143	-
Other	-	5,370	5,370	-	-	-	-	-
Charges for services	9,488	14,129	13,228	(901)	130	4,440	4,440	-
Other	64,172	97,558	96,938	(620)	1,351	1,659	1,659	-
Total revenues	84,384	175,928	174,407	(1,521)	108,859	118,114	118,114	-
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	40,868	12,203	12,203	-	-	-	-	-
Human welfare and neighborhood development	15,214	176,476	176,132	344	609	462	462	-
Community health	-	-	-	-	108,250	108,128	108,128	-
Culture and recreation	19,639	2,141	2,141	-	-	-	-	-
General administration and finance	11,481	5,430	5,430	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	72	72	-	-	-	-	-
Bond issuance costs	-	226	226	-	-	-	-	-
Total expenditures	87,202	196,548	196,204	344	108,859	108,590	108,590	-
Excess (deficiency) of revenues over (under) expenditures	(2,818)	(20,620)	(21,797)	(1,177)	-	9,524	9,524	-
Other financing sources (uses):								
Transfers in	1	151	151	-	-	-	-	-
Transfers out	(10)	(1,557)	(1,557)	-	-	-	-	-
Issuance of commercial paper	-	13,239	13,239	-	-	-	-	-
Issuance of bonds	-	142,145	142,145	-	-	-	-	-
Premium on issuance of bonds	-	1	1	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(9)	153,979	153,979	-	-	-	-	-
Net changes in fund balances	(2,827)	133,359	132,182	(1,177)	-	9,524	9,524	-
Budgetary fund balances, July 1	2,827	486,048	486,048	-	-	38,573	38,573	-
Budgetary fund balances, June 30	$ -	$ 619,407	$ 618,230	$ (1,177)	$ -	$ 48,097	$ 48,097	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Convention Facilities Fund				Courts Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	4	4	21	17
Interest and investment income	-	40	40	-	-	-	-	-
Rents and concessions	21,147	29,702	29,741	39	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,144	2,143	2,506	363
Other	7,650	7,650	7,500	(150)	-	-	-	-
Total revenues	28,797	37,392	37,281	(111)	2,148	2,147	2,527	380
Expenditures:								
Current:								
Public protection	-	-	-	-	2,796	438	355	83
Public works, transportation and commerce	-	15,712	15,712	-	-	-	-	-
Human welfare and neighborhood development	744	2,692	2,692	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	87,221	52,255	46,938	5,317	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	506	506	506	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	88,471	71,165	65,848	5,317	2,796	438	355	83
Excess (deficiency) of revenues over (under) expenditures	(59,674)	(33,773)	(28,567)	5,206	(648)	1,709	2,172	463
Other financing sources (uses):								
Transfers in	54,530	56,247	56,247	-	648	649	649	-
Transfers out	-	(24,466)	(24,466)	-	-	(2,346)	(2,346)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	54,530	31,781	31,781	-	648	(1,697)	(1,697)	-
Net changes in fund balances	(5,144)	(1,992)	3,214	5,206	-	12	475	463
Budgetary fund balances, July 1	5,144	34,065	34,065	-	-	327	327	-
Budgetary fund balances, June 30	$ -	$ 32,073	$ 37,279	$ 5,206	$ -	$ 339	$ 802	$ 463

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	177	177	177	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	25	126	101	(25)	-	-	-	-
Rents and concessions	417	608	437	(171)	-	-	-	-
Intergovernmental:								
Federal	-	89	89	-	-	494	616	122
State	-	231	231	-	829	5,763	5,567	(196)
Other	-	-	-	-	93	31	31	-
Charges for services	9,692	11,466	9,589	(1,877)	85	45	35	(10)
Other	1,818	3,382	3,382	-	2,338	2,129	401	(1,728)
Total revenues	12,129	16,079	14,006	(2,073)	3,345	8,462	6,650	(1,812)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	1,075	647	647	-	-	-	-	-
Human welfare and neighborhood development	-	761	761	-	3,379	8,929	7,206	1,723
Community health	-	-	-	-	-	-	-	-
Culture and recreation	15,230	13,977	13,472	505	-	-	-	-
General administration and finance	13,973	13,708	13,556	152	-	19	19	-
Debt service:								
Principal retirement	691	414	414	-	-	-	-	-
Interest and other fiscal charges	1,049	1,329	1,329	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	32,018	30,836	30,179	657	3,379	8,948	7,225	1,723
Excess (deficiency) of revenues over (under) expenditures	(19,889)	(14,757)	(16,173)	(1,416)	(34)	(486)	(575)	(89)
Other financing sources (uses):								
Transfers in	19,261	19,788	19,788	-	34	62	62	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	19,261	19,788	19,788	-	34	62	62	-
Net changes in fund balances	(628)	5,031	3,615	(1,416)	-	(424)	(513)	(89)
Budgetary fund balances, July 1	628	16,996	16,996	-	-	1,423	1,423	-
Budgetary fund balances, June 30	$ -	$ 22,027	$ 20,611	$ (1,416)	$ -	$ 999	$ 910	$ (89)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	3,120	2,540	2,540	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	58	492	434	45	213	213	-
Rents and concessions	-	-	-	-	-	1,081	1,081	-
Intergovernmental:								
Federal	-	-	-	-	175	34	34	-
State	34,284	31,873	33,046	1,173	525	265	265	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	800	666	(134)	1,798	1,855	1,855	-
Other	-	-	8	8	1,699	647	647	-
Total revenues	35,126	32,731	34,212	1,481	7,362	6,635	6,635	-
Expenditures:								
Current:								
Public protection	-	-	-	-	280	186	186	-
Public works, transportation and commerce	37,202	30,710	30,710	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,081	1,081	-
General administration and finance	-	-	-	-	8,015	5,222	4,626	596
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	37,202	30,710	30,710	-	8,295	6,489	5,893	596
Excess (deficiency) of revenues over (under) expenditures	(2,076)	2,021	3,502	1,481	(933)	146	742	596
Other financing sources (uses):								
Transfers in	4,948	5,166	5,166	-	159	158	95	(63)
Transfers out	(3,099)	(3,099)	(3,099)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,849	2,067	2,067	-	159	158	95	(63)
Net changes in fund balances	(227)	4,088	5,569	1,481	(774)	304	837	533
Budgetary fund balances, July 1	227	27,234	27,234	-	774	24,549	24,549	-
Budgetary fund balances, June 30	$ -	$ 31,322	$ 32,803	$ 1,481	$ -	$ 24,853	$ 25,386	$ 533

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018

(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	706	706	-	-	-	-	-
Interest and investment income	-	56	56	-	20	61	128	67
Rents and concessions	-	-	-	-	3,639	3,639	4,015	376
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	20	20	-	7,141	7,341	7,084	(257)
Other	5,979	5,127	5,170	43	-	-	-	-
Total revenues	5,979	5,909	5,952	43	10,800	11,041	11,227	186
Expenditures:								
Current:								
Public protection	500	303	303	-	-	-	-	-
Public works, transportation and commerce	-	1,517	1,517	-	-	-	-	-
Human welfare and neighborhood development	4,641	767	767	-	-	-	-	-
Community health	-	104	104	-	-	-	-	-
Culture and recreation	238	856	856	-	15,871	16,337	14,581	1,756
General administration and finance	-	221	221	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	5,379	3,768	3,768	-	15,871	16,337	14,581	1,756
Excess (deficiency) of revenues over (under) expenditures	600	2,141	2,184	43	(5,071)	(5,296)	(3,354)	1,942
Other financing sources (uses):								
Transfers in	-	-	-	-	5,585	5,585	5,585	-
Transfers out	(600)	(600)	(600)	-	(1,180)	(1,180)	(1,180)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(600)	(600)	(600)	-	4,405	4,405	4,405	-
Net changes in fund balances	-	1,541	1,584	43	(666)	(891)	1,051	1,942
Budgetary fund balances, July 1	-	11,560	11,560	-	666	5,859	5,859	-
Budgetary fund balances, June 30	$ -	$ 13,101	$ 13,144	$ 43	$ -	$ 4,968	$ 6,910	$ 1,942

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018

(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	240	240	333	93	-	-	-	-
Fines, forfeitures, and penalties	-	-	11	11	-	-	-	-
Interest and investment income	-	220	220	-	-	3,228	3,228	-
Rents and concessions	-	-	-	-	8,000	4,279	4,279	-
Intergovernmental:								
Federal	49,651	26,535	26,535	-	-	-	-	-
State	418	4,671	4,671	-	-	-	-	-
Other	80	4	4	-	1,773	1,773	1,773	-
Charges for services	363	169	169	-	-	-	-	-
Other	-	-	-	-	2,000	4,779	4,779	-
Total revenues	50,752	31,839	31,943	104	11,773	14,059	14,059	-
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	4,439	4,439	-	-	-	-	-
Human welfare and neighborhood development	100,349	69,993	69,993	-	10,000	6,650	6,650	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	2,119	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	100,349	74,432	74,432	-	12,119	6,650	6,650	-
Excess (deficiency) of revenues over (under) expenditures	(49,597)	(42,593)	(42,489)	104	(346)	7,409	7,409	-
Other financing sources (uses):								
Transfers in	49,294	49,295	49,295	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	49,294	49,295	49,295	-	-	-	-	-
Net changes in fund balances	(303)	6,702	6,806	104	(346)	7,409	7,409	-
Budgetary fund balances, July 1	303	1,513	1,513	-	346	20,659	20,659	-
Budgetary fund balances, June 30	$ -	$ 8,215	$ 8,319	$ 104	$ -	$ 28,068	$ 28,068	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018

(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 57,581	$ 57,581	$ 61,497	$ 3,916	$ 57,581	$ 57,581	$ 61,497	$ 3,916
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	150	313	598	285	222	240	776	536
Rents and concessions	-	-	-	-	4	4	3	(1)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	170	170	158	(12)	220	232	220	(12)
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	591	601	759	158
Other	-	-	-	-	-	-	-	-
Total revenues	57,901	58,064	62,253	4,189	58,618	58,658	63,255	4,597
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	833	833	-	-	1,782	1,564	218
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	59,444	61,957	61,445	512	137,365	125,252	125,252	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	59,444	62,790	62,278	512	137,365	127,034	126,816	218
Excess (deficiency) of revenues over (under) expenditures	(1,543)	(4,726)	(25)	4,701	(78,747)	(68,376)	(63,561)	4,815
Other financing sources (uses):								
Transfers in	1,180	1,180	1,180	-	78,100	84,380	84,380	-
Transfers out	(367)	(367)	(367)	-	-	(6,310)	(6,310)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	(778)	(778)	-	778	-	-	-	-
Total other financing sources (uses)	35	35	813	778	78,100	78,070	78,070	-
Net changes in fund balances	(1,508)	(4,691)	788	5,479	(647)	9,694	14,509	4,815
Budgetary fund balances, July 1	1,508	42,931	42,931	-	647	54,450	54,450	-
Budgetary fund balances, June 30	$ -	$ 38,240	$ 43,719	$ 5,479	$ -	$ 64,144	$ 68,959	$ 4,815

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018

(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	1,032	509	509	-	-	-	-	-
Fines, forfeitures, and penalties	6,538	4,012	4,012	-	-	19	19	-
Interest and investment income	3	240	240	-	-	130	130	-
Rents and concessions	-	-	-	-	-	18	20	2
Intergovernmental:								
Federal	31,015	33,937	33,939	2	-	-	-	-
State	17,176	14,996	14,996	-	-	-	-	-
Other	10	-	-	-	-	1,831	1,846	15
Charges for services	2,087	19,522	19,522	-	17,966	30,404	32,322	1,918
Other	-	1	1	-	-	1,019	1,030	11
Total revenues	57,861	73,217	73,219	2	17,966	33,421	35,367	1,946
Expenditures:								
Current:								
Public protection	48,066	65,345	65,326	19	-	-	-	-
Public works, transportation and commerce	-	29	29	-	21,467	30,375	27,722	2,653
Human welfare and neighborhood development	3,773	3,570	3,570	-	16,190	15,634	14,781	853
Community health	1,930	1,208	1,208	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	4,743	2,865	2,865	-	-	16	16	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	58,512	73,017	72,998	19	37,657	46,025	42,519	3,506
Excess (deficiency) of revenues over (under) expenditures	(651)	200	221	21	(19,691)	(12,604)	(7,152)	5,452
Other financing sources (uses):								
Transfers in	-	-	-	-	19,000	19,031	19,031	-
Transfers out	(1,218)	(1,218)	(1,218)	-	-	(300)	(300)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(61)	(61)	-	61
Total other financing sources (uses)	(1,218)	(1,218)	(1,218)	-	18,939	18,670	18,731	61
Net changes in fund balances	(1,869)	(1,018)	(997)	21	(752)	6,066	11,579	5,513
Budgetary fund balances, July 1	1,869	47,561	47,561	-	752	41,662	41,662	-
Budgetary fund balances, June 30	$ -	$ 46,543	$ 46,564	$ 21	$ -	$ 47,728	$ 53,241	$ 5,513

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	106,530	104,272	103,263	(1,009)
Licenses, permits, and franchises	-	-	-	-	4,834	4,834	4,908	74
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	4	4	288	633	1,704	1,071
Rents and concessions	12,048	54,151	46,479	(7,672)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	17,464	11,541	7,719	(3,822)
State	-	-	-	-	2,042	1,218	1,176	(42)
Other	521	521	2,321	1,800	3,031	4,807	3,571	(1,236)
Charges for services	912	912	721	(191)	-	-	-	-
Other	193	193	11,061	10,868	2	43	46	3
Total revenues	13,674	55,777	60,586	4,809	134,191	127,348	122,387	(4,961)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	140	140	-	286,713	278,445	148,036	130,409
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	13,674	52,789	40,810	11,979	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	68,336	115,000	115,000	-
Interest and other fiscal charges	-	-	-	-	7,105	3,480	3,464	16
Bond issuance costs	-	-	-	-	2,150	2,052	2,180	(128)
Total expenditures	13,674	52,929	40,950	11,979	364,304	398,977	268,680	130,297
Excess (deficiency) of revenues over (under) expenditures	-	2,848	19,636	16,788	(230,113)	(271,629)	(146,293)	125,336
Other financing sources (uses):								
Transfers in	-	80	80	-	-	-	-	-
Transfers out	-	(8,553)	(8,553)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	329,940	248,250	248,250	-
Premium on issuance of bonds	-	-	-	-	-	21,883	21,883	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(8,473)	(8,473)	-	329,940	270,133	270,133	-
Net changes in fund balances	-	(5,625)	11,163	16,788	99,827	(1,496)	123,840	125,336
Budgetary fund balances, July 1	-	13,359	13,359	-	28,531	28,531	28,531	-
Budgetary fund balances, June 30	$ -	$ 7,734	$ 24,522	$ 16,788	$ 128,358	$ 27,035	$ 152,371	$ 125,336

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Senior Citizens Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	74	176	102
Rents and concessions	-	-	-	-	2,777	3,380	3,766	386
Intergovernmental:								
Federal	4,882	5,280	5,280	-	-	-	-	-
State	672	690	690	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	361	442	537	95
Other	-	-	-	-	-	254	317	63
Total revenues	5,554	5,970	5,970	-	3,138	4,150	4,796	646
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	267	267	-
Human welfare and neighborhood development	5,554	5,977	5,977	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	17,006	16,717	15,886	831
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	5,554	5,977	5,977	-	17,006	16,984	16,153	831
Excess (deficiency) of revenues over (under) expenditures	-	(7)	(7)	-	(13,868)	(12,834)	(11,357)	1,477
Other financing sources (uses):								
Transfers in	-	-	-	-	13,163	13,163	13,163	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	13,163	13,163	13,163	-
Net changes in fund balances	-	(7)	(7)	-	(705)	329	1,806	1,477
Budgetary fund balances, July 1	-	8	8	-	705	7,755	7,755	-
Budgetary fund balances, June 30	$ -	$ 1	$ 1	$ -	$ -	$ 8,084	$ 9,561	$ 1,477

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2018
(In Thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 201,533	$ 201,533	$ 214,625	$ 13,092
Business taxes	1,900	2,066	2,066	-
Sales and use tax	106,530	104,272	103,263	(1,009)
Licenses, permits, and franchises	16,099	14,998	14,989	(9)
Fines, forfeitures, and penalties	8,942	7,563	7,591	28
Interest and investment income	1,918	21,039	25,969	4,930
Rents and concessions	48,062	97,346	90,305	(7,041)
Intergovernmental:				
Federal	187,673	189,418	185,006	(4,412)
State	110,204	123,710	125,150	1,440
Other	5,508	14,337	14,916	579
Charges for services	112,050	153,049	164,553	11,504
Other	88,302	124,891	133,430	8,539
Total revenues	888,721	1,054,222	1,081,863	27,641
Expenditures:				
Current:				
Public protection	51,642	66,272	66,170	102
Public works, transportation and commerce	463,685	453,992	318,055	135,937
Human welfare and neighborhood development	399,095	503,248	500,296	2,952
Community health	110,180	109,440	109,440	-
Culture and recreation	352,014	290,573	281,652	8,921
General administration and finance	51,886	80,270	67,543	12,727
Debt service:				
Principal retirement	71,652	115,920	115,920	-
Interest and other fiscal charges	8,154	4,881	4,865	16
Bond issuance costs	2,150	2,278	2,406	(128)
Total expenditures	1,510,458	1,626,874	1,466,347	160,527
Excess (deficiency) of revenues over (under) expenditures	(621,737)	(572,652)	(384,484)	188,168
Other financing sources (uses):				
Transfers in	356,518	369,603	369,540	(63)
Transfers out	(6,474)	(49,996)	(49,996)	-
Issuance of commercial paper	-	13,239	13,239	-
Issuance of bonds	329,940	390,395	390,395	-
Premium on issuance of bonds	-	21,884	21,884	-
Budget reserves and designations	(839)	(839)	-	839
Total other financing sources (uses)	679,145	744,286	745,062	776
Net changes in fund balances	57,408	171,634	360,578	188,944
Budgetary fund balances, July 1	70,950	1,170,504	1,170,504	-
Budgetary fund balances, June 30	$ 128,358	$ 1,342,138	$ 1,531,082	$ 188,944

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 76,360	$ 76,817	$ 74,160	$ 2,657
Public Works	-	76	76	-
	76,360	76,893	74,236	2,657
Total Building Inspection Fund	76,360	76,893	74,236	2,657
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	13,058	12,786	12,786	-
Children and Families Commission	14,961	8,583	8,583	-
Human Services	43,812	30,345	30,345	-
Mayor's Office	166,811	159,623	159,591	32
	238,642	211,337	211,305	32
Total Children and Families Fund	238,642	211,337	211,305	32
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	7,095	5,795	5,795	-
Municipal Transportation Agency	-	157	157	-
Public Works	33,773	6,209	6,209	-
Public Utilities Commission	-	42	42	-
	40,868	12,203	12,203	-
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing	-	1,484	1,484	-
Human Services	4,079	2,654	2,654	-
Mayor's Office	3,060	164,528	164,528	-
Rent Arbitration Board	8,075	7,810	7,466	344
	15,214	176,476	176,132	344
Culture and Recreation				
Arts Commission	100	61	61	-
Public Library	-	898	898	-
Recreation and Park Commission	19,539	1,182	1,182	-
	19,639	2,141	2,141	-
General Administration and Finance				
Administrative Services	3,100	2,251	2,251	-
City Planning	8,381	3,179	3,179	-
	11,481	5,430	5,430	-
Total Community / Neighborhood Development Fund	87,202	196,250	195,906	344
COMMUNITY HEALTH SERVICES FUND				
Community Health				
Community Health Network	108,250	108,128	108,128	-
Human Welfare & Neighborhood Development				
Homelessness And Supportive Housing	609	462	462	-
Total Community Health Services Fund	108,859	108,590	108,590	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	45	45	-
Public Works	-	15,667	15,667	-
	-	15,712	15,712	-
Human Welfare and Neighborhood Development				
Mayor's Office	744	2,692	2,692	-
Culture and Recreation				
Administrative Services	87,221	52,255	46,938	5,317
Total Convention Facilities Fund	87,965	70,659	65,342	5,317
COURT'S FUND				
Public Protection				
Trial Courts	2,796	438	355	83
Total Court's Fund	2,796	438	355	83
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	1,075	480	480	-
Public Works	-	167	167	-
	1,075	647	647	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	761	761	-
Culture and Recreation				
Arts Commission	4,664	5,319	5,233	86
Asian Art Museum	695	527	527	-
Fine Arts Museums	4,649	4,220	4,220	-
Recreation and Park Commission	5,222	3,911	3,492	419
	15,230	13,977	13,472	505
General Administration and Finance				
Administrative Services	13,973	13,708	13,556	152
Total Culture and Recreation Fund	30,278	29,093	28,436	657
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	3,379	8,929	7,206	1,723
General Administration and Finance				
City Planning	-	19	19	-
Total Environmental Protection Fund	3,379	8,948	7,225	1,723
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	446	446	-
Public Utilities Commission	-	538	538	-
Public Works	37,202	29,726	29,726	-
Total Gasoline Tax Fund	37,202	30,710	30,710	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL SERVICES FUND				
Public Protection				
District Attorney	280	186	186	-
Culture and Recreation				
Fine Arts Museum	-	1,081	1,081	-
General Administration and Finance				
Administrative Services	223	5	5	-
Assessor / Recorder	2,715	2,646	2,646	-
Board of Supervisors	38	33	33	-
Human Resources	120	1,004	408	596
Mayor's Office	150	50	50	-
Telecommunications and Information Services	3,340	975	975	-
Treasurer/Tax Collector	1,429	509	509	-
	8,015	5,222	4,626	596
Total General Services Fund	8,295	6,489	5,893	596
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney	-	2	2	-
Fire Department	-	23	23	-
Police Department	500	278	278	-
	500	303	303	-
Public Works, Transportation and Commerce				
Public Works	-	1,517	1,517	-
Human Welfare and Neighborhood Development				
Environment	1,325	401	401	-
Mayor's Office	2,782	-	-	-
Homelessness And Supportive Housing	-	291	291	-
Social Services	512	72	72	-
Commission on Status of Women	22	3	3	-
	4,641	767	767	-
Community Health				
Community Health Network	-	104	104	-
Culture and Recreation				
Arts Commission	-	72	72	-
Fine Arts Museums	-	573	573	-
Public Library	5	41	41	-
Recreation and Park Commission	233	170	170	-
	238	856	856	-
General Administration and Finance				
City Planning	-	50	50	-
Administrative Services	-	168	168	-
Telecommunications and Information Services	-	3	3	-
	-	221	221	-
Total Gift and Other Expendable Trusts Fund	5,379	3,768	3,768	-

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	15,871	16,337	14,581	1,756
Total Golf Fund	15,871	16,337	14,581	1,756
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	363	376	376	-
Homelessness And Supportive Housing	47,612	24,720	24,720	-
Social Services	52,374	44,897	44,897	-
	100,349	69,993	69,993	-
Public Works, Transportation and Commerce				
Public Works	-	4,439	4,439	-
Total Human Welfare Fund	100,349	74,432	74,432	-
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	10,000	6,650	6,650	-
Total Low and Moderate Income Housing Asset Fund	10,000	6,650	6,650	-
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	5	5	-
Public Works	-	828	828	-
	-	833	833	-
Culture and Recreation				
Arts Commission	-	4	4	-
Recreation and Park Commission	59,444	61,953	61,441	512
	59,444	61,957	61,445	512
Total Open Space and Park Fund	59,444	62,790	62,278	512
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	1,782	1,564	218
Culture and Recreation				
Arts Commission	-	1	1	-
Public Library	137,365	125,251	125,251	-
	137,365	125,252	125,252	-
Total Public Library Fund	137,365	127,034	126,816	218
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	3,792	2,592	2,588	4
District Attorney	7,345	7,281	7,266	15
Emergency Communications Department	25,379	19,831	19,831	-
Fire Department	-	7,406	7,406	-
Juvenile Probation	2,166	1,596	1,596	-
Police Commission	4,735	22,026	22,026	-
Public Defender	432	602	602	-
Sheriff	4,217	4,011	4,011	-
	48,066	65,345	65,326	19
Public Works, Transportation and Commerce				
Public Works	-	29	29	-
Community Health				
Public Health	1,930	1,208	1,208	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,773	3,472	3,472	-
Commission on Status of Women	-	98	98	-
	3,773	3,570	3,570	-
General Administration and Finance				
City Attorney	4,743	2,865	2,865	-
Total Public Protection Fund	58,512	73,017	72,998	19

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	21,467	30,375	27,722	2,653
Human Welfare and Neighborhood Development				
Mayor's Office	16,190	15,634	14,781	853
General Administration and Finance				
City Planning	-	16	16	-
Total Public Works, Transportation and Commerce Fund	37,657	46,025	42,519	3,506
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	140	140	-
General Administration and Finance				
Administrative Services	13,674	52,789	40,810	11,979
Total Real Property Fund	13,674	52,929	40,950	11,979
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	286,713	278,445	148,036	130,409
Total SF County Transportation Authority Fund	286,713	278,445	148,036	130,409
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	5,554	5,977	5,977	-
Total Senior Citizens' Program Fund	5,554	5,977	5,977	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	17,006	16,717	15,886	831
Public Works, Transportation and Commerce				
Public Utilities Commission	-	50	50	-
Public Works	-	217	217	-
	-	267	267	-
Total War Memorial Fund	17,006	16,984	16,153	831
Total Special Revenue Funds With Legally Adopted Budgets	$ 1,428,502	$ 1,503,795	$ 1,343,156	$ 160,639

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2018
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 130,831	$ -	$ -	$ 130,831
Deposits and investments outside City Treasury	-	58,337	838	59,175
Receivables:				
Property taxes and penalties	8,973	-	-	8,973
Interest and other	947	107	12	1,066
Loans receivable (net of allowance for uncollectible amounts)	-	-	102,173	102,173
Total assets	$ 140,751	$ 58,444	$ 103,023	$ 302,218
Liabilities:				
Unearned revenues and other liabilities	$ 6,872	$ -	$ -	$ 6,872
Bonds, loans, capital leases, and other payables	-	-	103,000	103,000
Total liabilities	6,872	-	103,000	109,872
Deferred inflows of resources	6,113	-	-	6,113
Fund balances:				
Restricted	127,766	58,444	23	186,233
Total liabilities, deferred inflows of resources and fund balances	$ 140,751	$ 58,444	$ 103,023	$ 302,218

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2018
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 283,026	$ -	$ -	$ 283,026
Fines, forfeitures, and penalties	18,474	-	-	18,474
Interest and investment income	2,341	362	22	2,725
Intergovernmental				
State	678	-	-	678
Other	3,759	-	1,938	5,697
Total revenues	308,278	362	1,960	310,600
Expenditures:				
Debt service:				
Principal retirement	222,828	39,710	3,189	265,727
Interest and other fiscal charges	92,966	35,737	2,488	131,191
Total expenditures	315,794	75,447	5,677	396,918
Deficiency of revenues under expenditures	(7,516)	(75,085)	(3,717)	(86,318)
Other financing sources (uses):				
Transfers out	-	(1,717)	-	(1,717)
Transfers in	23,390	102,859	3,739	129,988
Total other financing sources, net	23,390	101,142	3,739	128,271
Net changes in fund balances	15,874	26,057	22	41,953
Fund balances at beginning of year	111,892	32,387	1	144,280
Fund balances at end of year	$ 127,766	$ 58,444	$ 23	$ 186,233

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Debt Service Fund

Year Ended June 30, 2018
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 279,191	$ 279,191	$ 283,026	$ 3,835
Fines, forfeitures, and penalties	15,312	15,312	18,474	3,162
Interest and investment income	-	-	3,028	3,028
Intergovernmental				
State	800	800	678	(122)
Other	-	-	3,759	3,759
Total revenues	295,303	295,303	308,965	13,662
Expenditures:				
Debt service:				
Principal retirement	294,673	238,510	222,828	15,682
Interest and other fiscal charges	8,303	92,966	92,966	-
Total expenditures	302,976	331,476	315,794	15,682
Excess (deficiency) of revenues over (under) expenditures	(7,673)	(36,173)	(6,829)	29,344
Other financing sources:				
Transfers in	4,690	23,390	23,390	-
Net changes in fund balances	(2,983)	(12,783)	16,561	29,344
Budgetary fund balance, July 1	2,983	120,093	120,093	-
Budgetary fund balance, June 30	$ -	$ 107,310	$ 136,654	$ 29,344

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet Nonmajor Governmental Funds – Capital Projects Funds

June 30, 2018
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:			
Deposits and investments with City Treasury	$ 490,691	$ 1,136	$ -
Deposits and investments outside City Treasury	54,216	-	101,991
Receivables:			
Federal and state grants and subventions	-	-	-
Charges for services	-	-	-
Interest and other	1,263	9	126
Due from other funds	-	-	-
Total assets	$ 546,170	$ 1,145	$ 102,117
Liabilities:			
Accounts payable	$ 23,541	$ 116	$ 22,828
Accrued payroll	365	3	51
Unearned grant and subvention revenue	-	-	-
Due to other funds	22	-	10,533
Unearned revenues and other liabilities	-	10	-
Bonds, loans, capital leases, and other payables	5,629	-	-
Total liabilities	29,557	129	33,412
Deferred inflows of resources	-	-	-
Fund balances:			
Restricted	516,613	1,016	68,705
Total liabilities, deferred inflows of resources and fund balances	$ 546,170	$ 1,145	$ 102,117

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2018
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Assets:			
Deposits and investments with City Treasury	$ 99,955	$ 31,972	$ 623,754
Deposits and investments outside City Treasury	-	-	156,207
Receivables:			
Federal and state grants and subventions	343	8,112	8,455
Charges for services	-	669	669
Interest and other	294	240	1,932
Due from other funds	2,062	5,819	7,881
Total assets	$ 102,654	$ 46,812	$ 798,898
Liabilities:			
Accounts payable	$ 1,987	$ 6,001	$ 54,473
Accrued payroll	100	279	798
Unearned grant and subvention revenue	528	-	528
Due to other funds	9	21	10,585
Unearned revenues and other liabilities	-	7,810	7,820
Bonds, loans, capital leases, and other payables	-	-	5,629
Total liabilities	2,624	14,111	79,833
Deferred inflows of resources	184	6,033	6,217
Fund balances:			
Restricted	99,846	26,668	712,848
Total liabilities, deferred inflows of resources and fund balances	$ 102,654	$ 46,812	$ 798,898

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds
Year Ended June 30, 2018
(In Thousands)

	City Facilities Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:			
Interest and investment income	$ 2,858	$ 43	$ 1,256
Rents and concessions	-	-	-
Intergovernmental:			
Federal	-	-	-
State	-	-	-
Other	-	-	-
Charges for services	-	-	-
Other	31,165	-	-
Total revenues	34,023	43	1,256
Expenditures:			
Debt service:			
Interest and other fiscal charges	522	-	443
Bond issuance costs	1,668	-	2,267
Capital outlay	174,151	2,824	97,548
Total expenditures	176,341	2,824	100,258
Deficiency of revenues under expenditures	(142,318)	(2,781)	(99,002)
Other financing sources (uses):			
Transfers in	5,100	-	523
Transfers out	(11,383)	-	(40,069)
Issuance of bonds:			
Face value of bonds issued	239,690	-	412,355
Premium on issuance of bonds	10,844	-	36,071
Other financing sources-capital leases	-	-	-
Total other financing sources, net	244,251	-	408,880
Net changes in fund balances	101,933	(2,781)	309,878
Fund balances at beginning of year	414,680	3,797	(241,173)
Fund balances at end of year	$ 516,613	$ 1,016	$ 68,705

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:			
Interest and investment income	$ 315	$ 828	$ 5,300
Rents and concessions	-	161	161
Intergovernmental:			
Federal	10	3,366	3,376
State	2,166	-	2,166
Other	-	73	73
Charges for services	300	-	300
Other	1,335	1,875	34,375
Total revenues	4,126	6,303	45,751
Expenditures:			
Debt service:			
Interest and other fiscal charges	4	4	973
Bond issuance costs	493	1,115	5,543
Capital outlay	21,896	41,322	337,741
Total expenditures	22,393	42,441	344,257
Deficiency of revenues under expenditures	(18,267)	(36,138)	(298,506)
Other financing sources (uses):			
Transfers in	1,245	6,036	12,904
Transfers out	(1,973)	(180,958)	(234,383)
Issuance of bonds:			
Face value of bonds issued	76,710	174,445	903,200
Premium on issuance of bonds	1,973	4,486	53,374
Other financing sources-capital leases	2,027	-	2,027
Total other financing sources, net	79,982	4,009	737,122
Net changes in fund balances	61,715	(32,129)	438,616
Fund balances at beginning of year	38,131	58,797	274,232
Fund balances at end of year	$ 99,846	$ 26,668	$ 712,848

CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Position
Internal Service Funds
June 30, 2018
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 3,905	$ -	$ 2,760	$ 29,930	$ 36,595
Receivables:					
Charges for services	87	-	25	-	112
Interest and other	-	13	-	543	556
Capital leases receivable	-	12,934	-	-	12,934
Restricted assets:					
Deposits and investments outside City Treasury	-	23,229	-	-	23,229
Total current assets	3,992	36,176	2,785	30,473	73,426
Noncurrent assets:					
Restricted assets:					
Deposits and investments with City Treasury	-	2,249	-	-	2,249
Capital leases receivable	-	148,338	-	-	148,338
Capital assets:					
Land and other assets not being depreciated	-	-	-	239	239
Facilities and equipment, net of depreciation	394	-	357	10,553	11,304
Total capital assets	394	-	357	10,792	11,543
Total noncurrent assets	394	150,587	357	10,792	162,130
Total assets	4,386	186,763	3,142	41,265	235,556
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	933	-	-	933
Deferred outflows related to pensions	4,152	-	-	13,333	17,485
Deferred outflows related to OPEB	926	-	-	1,506	2,432
Total deferred outflows of resources	5,078	933	-	14,839	20,850
Liabilities:					
Current liabilities:					
Accounts payable	2,369	12	302	5,730	8,413
Accrued payroll	561	-	81	1,720	2,362
Accrued vacation and sick leave pay	461	-	-	1,536	1,997
Accrued workers' compensation	-	-	-	313	313
Bonds, loans, capital leases, and other payables	-	12,595	-	309	12,904
Accrued interest payable	-	1,149	-	4	1,153
Due to other funds	-	2,062	-	-	2,062
Unearned revenues and other liabilities	-	12,806	-	34	12,840
Total current liabilities	3,391	28,624	383	9,646	42,044
Noncurrent liabilities:					
Accrued vacation and sick leave pay	302	-	-	1,152	1,454
Accrued workers' compensation	-	-	-	1,446	1,446
Bonds, loans, capital leases, and other payables	-	159,072	-	948	160,020
Net pension liability	13,978	-	-	44,898	58,876
Net other postemployment benefits (OPEB) liability	16,884	-	-	27,460	44,344
Total noncurrent liabilities	31,164	159,072	-	75,904	266,140
Total liabilities	34,555	187,696	383	85,550	308,184
Deferred inflows of resources:					
Deferred inflows related to pensions	1,007	-	-	3,236	4,243
Deferred inflows related to OPEB	27	-	-	44	71
Total deferred inflows of resources	1,034	-	-	3,280	4,314
Net position:					
Net investment in capital assets	394	-	357	9,535	10,286
Unrestricted (deficit)	(26,519)	-	2,402	(42,261)	(66,378)
Total net position	$ (26,125)	$ -	$ 2,759	$ (32,726)	$ (56,092)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2018
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total
Operating revenues:					
Charges for services	$ 32,061	$ -	$ 8,341	$ 112,274	$ 152,676
Rents and concessions	-	-	-	436	436
Total operating revenues	32,061	-	8,341	112,710	153,112
Operating expenses:					
Personal services	15,625	-	2,158	50,364	68,147
Contractual services	2,541	-	4,602	52,221	59,364
Materials and supplies	12,399	-	248	4,550	17,197
Depreciation and amortization	147	-	91	2,671	2,909
General and administrative	703	-	141	876	1,720
Services provided by other departments	2,019	-	484	5,474	7,977
Other	271	-	47	2,246	2,564
Total operating expenses	33,705	-	7,771	118,402	159,878
Operating income (loss)	(1,644)	-	570	(5,692)	(6,766)
Nonoperating revenues (expenses):					
Interest and investment income	-	4,498	-	-	4,498
Interest expense	(107)	(4,655)	(13)	(206)	(4,981)
Other, net	-	157	1	98	256
Total nonoperating revenues (expenses)	(107)	-	(12)	(108)	(227)
Income (loss) before transfers	(1,751)	-	558	(5,800)	(6,993)
Transfers in	107	-	13	294	414
Change in net position	(1,644)	-	571	(5,506)	(6,579)
Net position (deficit) at beginning of year, as previously reported	(14,767)	-	2,188	(23,149)	(35,728)
Cumulative effect of accounting change	(9,714)	-	-	(4,071)	(13,785)
Net position (deficit) at beginning of year, as restated	(24,481)	-	2,188	(27,220)	(49,513)
Net position (deficit) at end of year	$ (26,125)	$ -	$ 2,759	$ (32,726)	$ (56,092)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds

Year Ended June 30, 2018
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 32,023	$ 22,461	$ 8,364	$ 113,004	$ 175,852
Cash paid for employees' services	(14,844)	-	(2,155)	(44,145)	(61,144)
Cash paid to suppliers for goods and services	(15,950)	(3,097)	(5,351)	(62,770)	(87,168)
Net cash provided by operating activities	1,229	19,364	858	6,089	27,540
Cash flows from noncapital financing activities:					
Transfers in	107	-	13	294	414
Net cash provided by noncapital financing activities	107	-	13	294	414
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(108)	-	-	(1,171)	(1,279)
Retirement of capital lease obligation	-	(10,880)	-	(314)	(11,194)
Interest paid on long-term debt	-	(4,731)	-	(8)	(4,739)
Net cash used in capital and related financing activities	(108)	(15,611)	-	(1,493)	(17,212)
Cash flows from investing activities:					
Purchases of investments with trustees	-	(2,260)	-	-	(2,260)
Interest and investment income	-	119	-	-	119
Other investing activities	(107)	-	(13)	(193)	(313)
Net cash used in investing activities	(107)	(2,141)	(13)	(193)	(2,454)
Change in cash and cash equivalents	1,121	1,612	858	4,697	8,288
Cash and cash equivalents at beginning of year	2,784	21,617	1,902	25,233	51,536
Cash and cash equivalents at end of year	$ 3,905	$ 23,229	$ 2,760	$ 29,930	$ 59,824
Reconciliation of operating loss to net cash provided by operating activities:					
Operating income (loss)	$ (1,644)	$ -	$ 570	$ (5,692)	$ (6,766)
Adjustments for non-cash and other activities:					
Depreciation and amortization	147	-	91	2,671	2,909
Other	-	-	1	98	99
Changes in assets and deferred outflows of resources/ liabilities and deferred inflows of resources:					
Receivables, net	(38)	17,182	23	196	17,363
Accounts payable	1,982	-	170	2,598	4,750
Accrued payroll	52	-	3	65	120
Accrued vacation and sick leave pay	111	-	-	124	235
Accrued workers' compensation	-	-	-	(41)	(41)
Unearned revenue and other liabilities	-	2,182	-	-	2,182
Net pension liability and pension related deferred outflows and inflows of resources	(68)	-	-	4,952	4,884
Net OPEB liability and OPEB related deferred outflows and inflows of resources	687	-	-	1,118	1,805
Total adjustments	2,873	19,364	288	11,781	34,306
Net cash provided by operating activities	$ 1,229	$ 19,364	$ 858	$ 6,089	$ 27,540
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 3,905	$ -	$ 2,760	$ 29,930	$ 36,595
Deposits and investments outside City Treasury:					
Restricted	-	25,478	-	-	25,478
Total deposits and investments	3,905	25,478	2,760	29,930	62,073
Less: Investments outside City Treasury not meeting the definition of cash equivalents	-	(2,249)	-	-	(2,249)
Cash and cash equivalents at end of year on statement of cash flows	$ 3,905	$ 23,229	$ 2,760	$ 29,930	$ 59,824
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 2,027	$ -	$ 1,572	$ 3,599

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Fund – Accounts for Citywide payroll, including monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2018
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees Retirement System	**Health Service System**	**Retiree Health Care**	**Total**
Assets				
Deposits and investments with City Treasury	$ 24,275	$ 86,994	$ 2,269	$ 113,538
Deposits and investments outside City Treasury:				
Cash and deposits	105,525	-	-	105,525
Short term investments	521,870	-	11,319	533,189
Debt securities	3,306,000	-	67,593	3,373,593
Equity securities	9,473,842	-	184,544	9,658,386
Real assets	3,578,379	-	-	3,578,379
Private equity and other alternative investments	7,423,881	-	-	7,423,881
Foreign currency contracts, net	(1,157)	-	-	(1,157)
Receivables:				
Employer and employee contributions	13,557	23,308	2,767	39,632
Brokers, general partners and others	178,936	-	6,500	185,436
Interest and other	31,170	296	399	31,865
Other assets	-	2,488	-	2,488
Total assets	24,656,278	113,086	275,391	25,044,755
Deferred outflows related to OPEB	641	-	-	641
Liabilities				
Accounts payable	26,630	4,871	135	31,636
Estimated claims payable	-	27,825	-	27,825
Payable to brokers	60,297	-	365	60,662
Deferred Retirement Option Program	313	-	-	313
Payable to borrowers of securities	-	-	-	-
Other liabilities	-	2,941	-	2,941
Net other postemployment benefits (OPEB) liability	11,694	-	-	11,694
Total liabilities	98,934	35,637	500	135,071
Deferred inflows related to OPEB	19	-	-	19
Net Position				
Restricted for pension and other employee benefits	$ 24,557,966	$ 77,449	$ 274,891	$ 24,910,306

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2018
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees Retirement System	**Health Service System**	**Retiree Health Care**	**Total**
Additions:				
Employee contributions	$ 364,696	$ 144,015	$ 42,084	$ 550,795
Employer contributions	619,067	758,782	217,230	1,595,079
Total contributions	983,763	902,797	259,314	2,145,874
Investment income/loss:				
Interest	132,988	1,191	4,372	138,551
Dividends	244,721	-	-	244,721
Net appreciation (depreciation) in fair value of investments	2,221,453	(474)	11,143	2,232,122
Securities lending and other income	393	-	-	393
Total investment income	2,599,555	717	15,515	2,615,787
Less investment expenses:				
Other investment expenses	(49,881)	-	(392)	(50,273)
Total additions, net	3,533,437	903,514	274,437	4,711,388
Deductions:				
Benefit payments	1,350,009	898,591	186,834	2,435,434
Refunds of contributions	14,578	-	-	14,578
Administrative expenses	18,238	-	138	18,376
Total deductions	1,382,825	898,591	186,972	2,468,388
Change in net position	2,150,612	4,923	87,465	2,243,000
Net position at beginning of year, as previously reported	22,410,350	72,526	187,426	22,670,302
Cumulative effect of accounting change	(2,996)	-	-	(2,996)
Net position at beginning of year, as restated	22,407,354	72,526	187,426	22,667,306
Net position at end of year	$24,557,966	$ 77,449	$ 274,891	$24,910,306

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2018
(In Thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury	$ 20,365	$ 3,429	$ 5,769	$ 18,025
Receivables:				
Interest and other	28	1,609	1,567	70
Total assets	$ 20,393	$ 5,038	$ 7,336	$ 18,095
Liabilities				
Accounts payable	$ -	$ 2,696	$ 2,696	$ -
Agency obligations	20,393	2,076	4,374	18,095
Total liabilities	$ 20,393	$ 4,772	$ 7,070	$ 18,095
Deposits Fund				
Assets				
Deposits and investments with City Treasury	$ 15,964	$ 32,575	$ 32,469	$ 16,070
Receivables:				
Interest and other	36	170	192	14
Other assets	45,538	-	-	45,538
Total assets	$ 61,538	$ 32,745	$ 32,661	$ 61,622
Liabilities				
Accounts payable	$ 622	$ 19,472	$ 19,272	$ 822
Agency obligations	60,916	30,267	30,383	60,800
Total liabilities	$ 61,538	$ 49,739	$ 49,655	$ 61,622
Payroll Fund				
Assets				
Deposits and investments with City Treasury	$ 20,166	$ 4,166,154	$ 4,181,827	$ 4,493
Receivables:				
Employer and employee contributions	51,565	139,378	51,906	139,037
Total assets	$ 71,731	$ 4,305,532	$ 4,233,733	$ 143,530
Liabilities				
Accounts payable	$ 66,875	$ 1,777,904	$ 1,799,551	$ 45,228
Agency obligations	4,856	3,985,300	3,891,854	98,302
Total liabilities	$ 71,731	$ 5,763,204	$ 5,691,405	$ 143,530

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 535	$ 33,857	$ 23,335	$ 11,057
Receivables:				
Interest and other	-	7	7	-
Total assets	$ 535	$ 33,864	$ 23,342	$ 11,057
Liabilities				
Accounts payable	$ 74	$ 14,305	$ 11,321	$ 3,058
Agency obligations	461	33,502	25,964	7,999
Total liabilities	$ 535	$ 47,807	$ 37,285	$ 11,057
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 76,986	$ 6,357,484	$ 6,364,414	$ 70,056
Deposits and investments outside City Treasury	2,604	465	2,605	464
Receivables:				
Interest and other	280,799	3,891,712	3,586,236	586,275
Total assets	$ 360,389	$ 10,249,661	$ 9,953,255	$ 656,795
Liabilities				
Accounts payable	$ 1	$ 176,127	$ 145,076	$ 31,052
Agency obligations	360,388	4,313,792	4,048,437	625,743
Total liabilities	$ 360,389	$ 4,489,919	$ 4,193,513	$ 656,795
Transit Fund				
Assets				
Deposits and investments with City Treasury	$ 1,536	$ 99,710	$ 95,105	$ 6,141
Receivables:				
Interest and other	4	53	50	7
Total assets	$ 1,540	$ 99,763	$ 95,155	$ 6,148
Liabilities				
Accounts payable	$ -	$ 40,104	$ 35,295	$ 4,809
Agency obligations	1,540	47,764	47,965	1,339
Total liabilities	$ 1,540	$ 87,868	$ 83,260	$ 6,148

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2018
(In Thousands)

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Other Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 52,269	$ 692,319	$ 673,958	$ 70,630
Deposits and investments outside City Treasury	629	212	629	212
Receivables:				
Interest and other	360	689	631	418
Total assets	$ 53,258	$ 693,220	$ 675,218	$ 71,260
Liabilities				
Accounts payable	$ 2,213	$ 115,274	$ 110,004	$ 7,483
Agency obligations	51,045	684,652	671,920	63,777
Total liabilities	$ 53,258	$ 799,926	$ 781,924	$ 71,260
Total Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 187,821	$ 11,385,528	$ 11,376,877	$ 196,472
Deposits and investments outside City Treasury	3,233	677	3,234	676
Receivables:				
Employer and employee contributions	51,565	139,378	51,906	139,037
Interest and other	281,227	3,894,240	3,588,683	586,784
Other assets	45,538	-	-	45,538
Total assets	$ 569,384	$ 15,419,823	$ 15,020,700	$ 968,507
Liabilities				
Accounts payable	$ 69,785	$ 2,145,882	$ 2,123,215	$ 92,452
Agency obligations	499,599	9,097,353	8,720,897	876,055
Total liabilities	$ 569,384	$ 11,243,235	$ 10,844,112	$ 968,507

This page has been intentionally left blank.

STATISTICAL SECTION

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2009	2010	2011	2012	2013 (1)	2014	2015 (2)	2016	2017	2018 (4)
Governmental activities										
Net investment in capital assets	$ 1,725,203	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963	$ 2,483,086	$ 2,684,808	$ 2,750,782	$ 2,873,927	$ 3,311,218
Restricted for:										
Reserve for rainy day	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977
Debt service	30,724	34,308	36,805	48,202	98,754	91,900	87,772	83,029	108,179	136,132
Capital projects	-	63,323	82,315	91,997	154,502	110,608	28,263	198,962	257,634	196,598
Community development	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684
Transportation Authority activities	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499
Building inspection programs	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448
Children and families	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548
Culture, recreation, grants and other purposes	116,032	113,917	155,152	150,383	158,973	206,368	209,399	240,524	265,444	319,595
Unrestricted (deficit)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)	(2,560,735)	(2,950,722)
Total governmental activities net position	$ 1,305,203	$ 1,152,985	$ 1,310,279	$ 1,920,010	$ 1,820,159	$ 2,341,631	$ 1,287,214	$ 2,009,063	$ 1,786,411	$ 1,891,977
Business-type activities										
Net investment in capital assets	$ 4,204,644	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,691,579	$ 4,832,659	$ 5,117,679	$ 5,690,741	$ 5,752,069	$ 6,211,102
Restricted for:										
Debt service	58,716	71,128	62,421	53,951	58,970	64,143	100,923	127,073	202,262	294,499
Capital projects	140,932	188,580	161,580	176,570	299,942	363,601	358,745	340,896	394,634	515,072
Other purposes	31,459	18,854	18,741	18,913	13,046	24,721	35,986	70,505	93,696	294,122
Unrestricted	324,395	259,533	268,328	242,842	610,565	732,736	(335,083)	(231,379)	(670,759)	(1,492,713)
Total business-type activities net position	$ 4,760,146	$ 4,815,894	$ 4,992,474	$ 5,031,266	$ 5,674,102	$ 6,017,860	$ 5,278,250	$ 5,997,836	$ 5,771,902	$ 5,822,082
Primary government										
Net investment in capital assets (3)	$ 5,630,550	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499	$ 7,032,674	$ 7,520,698	$ 8,151,422	$ 8,321,778	$ 9,192,745
Restricted for:										
Reserve for rainy day	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977
Debt service	89,440	105,436	99,226	102,153	157,724	156,043	188,695	210,102	310,441	430,631
Capital projects (3)	140,932	239,209	223,694	246,027	356,002	418,103	330,213	423,132	569,948	569,115
Community development	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684
Transportation Authority activities	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499
Building inspection programs	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448
Children and families	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548
Culture, recreation, grants and other purposes	147,491	132,771	173,893	169,296	172,019	231,089	245,385	311,029	359,140	613,717
Unrestricted (deficit) (3)	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752	(2,355,480)	(1,897,787)	(2,844,956)	(3,971,305)
Total primary government activities net position	$ 6,065,349	$ 5,968,879	$ 6,302,753	$ 6,951,276	$ 7,494,261	$ 8,359,491	$ 6,565,464	$ 8,006,899	$ 7,558,313	$ 7,714,059

Notes:

(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2009. See Note 10(d) in the Notes to Basic Financial Statements for details.

(4) In fiscal year 2018, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016	2017	2018 (3)
Expenses										
Governmental activities:										
Public protection	$ 1,109,311	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922	$ 1,229,591	$ 1,108,200	$ 1,222,549	$ 1,692,224	$ 1,496,749
Public works, transportation and commerce	254,955	225,589	239,230	210,415	189,124	200,712	270,454	418,978	387,423	321,577
Human welfare and neighborhood development	908,449	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403	1,543,047	1,552,060
Community health	608,733	599,741	613,883	673,905	751,491	786,761	735,040	747,071	868,628	914,512
Culture and recreation	319,994	310,063	318,083	307,269	338,042	357,620	355,676	311,028	539,516	425,668
General administration and finance	238,601	221,471	224,027	237,818	249,271	298,563	249,823	246,383	337,209	430,711
General City responsibilities	72,634	80,246	84,444	96,147	83,895	85,239	94,577	113,490	145,247	118,956
Unallocated Interest on long-term debt and cost of issuance (1)	93,387	102,635	110,142	110,145	107,790	115,880	115,030	115,357	113,264	138,048
Total governmental activities expenses	3,606,064	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452	4,408,259	5,626,558	5,398,281
Business-type activities:										
Airport	683,335	662,347	690,875	746,610	756,961	827,658	853,338	900,621	1,122,802	1,092,154
Transportation	863,218	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586	1,304,254
Port	71,778	73,573	68,661	72,307	81,422	88,551	88,436	91,449	118,361	102,667
Water	277,162	325,242	362,802	431,248	445,804	470,200	438,885	470,254	572,509	536,068
Power	96,228	119,109	119,282	130,709	129,790	137,639	149,438	153,472	198,621	202,366
Hospitals	820,236	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618	1,370,154	1,294,045
Sewer	184,977	201,403	201,629	214,593	223,727	243,466	239,556	244,289	273,077	235,985
Market	1,144	1,119	1,152	1,138	1,231	120	-	-	-	-
Total business-type activities expenses	2,998,078	3,130,975	3,234,913	3,510,259	3,658,348	3,816,454	3,784,299	4,017,123	5,124,110	4,767,539
Total primary government expenses	$ 6,604,142	$ 6,693,068	$ 6,809,707	$ 7,247,099	$ 7,561,445	$ 7,900,010	$ 7,786,751	$ 8,425,382	$ 10,750,668	$ 10,165,820
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 90,044	$ 58,980	$ 62,105	$ 61,412	$ 60,190	$ 69,673	$ 70,444	$ 86,164	$ 83,896	$ 87,614
Public works, transportation and commerce	72,287	71,288	101,846	93,809	105,981	135,842	128,661	130,410	148,804	157,416
Human welfare and neighborhood development	33,988	25,813	56,628	68,794	69,997	99,848	96,012	273,986	164,755	82,925
Community health	60,708	65,756	64,419	58,864	60,856	67,680	93,130	90,078	68,601	104,335
Culture and recreation	74,477	81,855	76,528	78,828	93,612	89,969	98,302	98,205	97,614	125,776
General administration and finance	33,530	35,190	37,601	44,358	76,903	66,071	89,403	52,417	45,385	73,235
General City responsibilities	27,377	37,806	29,316	29,142	50,121	39,445	37,031	45,922	37,367	54,136
Operating Grants and Contributions	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262	1,279,900
Capital Grants and Contributions	44,048	50,349	57,719	41,174	29,718	39,379	48,233	24,795	19,493	63,181
Total Governmental activities program revenues	1,346,154	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,826,556	2,091,879	1,929,177	2,028,518
Business-type activities:										
Charges for services:										
Airport	551,283	578,041	607,323	668,672	726,358	770,691	815,364	866,991	926,800	1,063,802
Transportation	257,083	311,311	334,140	350,464	494,805	521,628	499,584	495,296	500,030	511,984
Port	66,438	66,579	72,266	77,260	80,202	85,019	95,296	99,733	113,353	109,769
Water	265,781	265,218	288,395	342,101	721,470	379,882	426,047	419,516	460,331	525,639
Power	115,274	128,590	140,035	127,309	133,927	134,438	147,803	164,736	189,979	191,963
Hospitals	568,210	606,276	726,522	740,920	868,244	951,038	894,718	922,320	873,221	967,936
Sewer	208,654	209,843	229,216	244,155	252,554	260,097	256,002	261,775	277,341	315,096
Market	1,546	1,681	1,655	1,672	1,715	141	-	-	-	-
Operating Grants and Contributions	186,805	182,572	204,153	200,318	224,382	190,351	191,101	199,623	270,167	217,506
Capital Grants and Contributions	107,118	180,253	213,364	173,975	251,753	515,445	357,819	374,924	353,046	456,166
Total business-type activities program revenues	2,328,192	2,530,364	2,817,069	2,926,846	3,755,410	3,808,730	3,683,734	3,804,914	3,964,268	4,359,861
Total primary government program revenues	$ 3,674,346	$ 3,954,492	$ 4,343,347	$ 4,401,928	$ 5,388,942	$ 5,558,731	$ 5,510,290	$ 5,896,793	$ 5,893,445	$ 6,388,379

Notes:

(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.

(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

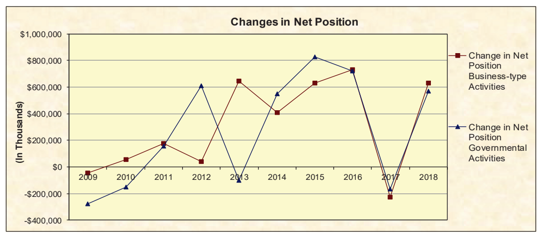
(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016	2017	2018 (3)
Net (expenses)/revenue										
Governmental activities	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)	$ (2,333,555)	$ (2,175,896)	$ (2,316,380)	$ (3,697,381)	$ (3,369,763)
Business-type activities	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)	(212,209)	(1,159,842)	(407,678)
Total primary government net expenses	$ (2,929,796)	$ (2,738,576)	$ (2,466,360)	$ (2,845,171)	$ (2,172,503)	$ (2,341,279)	$ (2,276,461)	$ (2,528,589)	$ (4,857,223)	$ (3,777,441)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 1,302,071	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068	$ 1,521,471	$ 1,640,383	$ 1,808,917	$ 1,951,696	$ 2,363,863
Business taxes	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142
Sales and use tax	172,794	164,769	181,474	198,236	208,025	227,636	240,424	270,051	291,395	293,916
Hotel room tax	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176
Utility users tax	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460
Other local taxes	126,017	194,070	251,285	353,746	359,808	391,638	451,994	399,882	542,567	424,187
Interest and investment income	35,434	27,877	17,645	31,453	7,862	21,887	20,737	24,048	35,240	46,020
Other	44,086	54,410	58,524	91,236	52,865	70,024	46,906	59,266	182,933	71,834
Transfers - internal activities of primary government	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)	(671,173)	(647,942)	(753,283)
Special Item	-	-	-	-	-	-	-	-	-	116,690
Extraordinary gain (loss)	-	-	-	323,130	(201,670)	-	-	-	-	-
Total governmental activities	1,980,057	1,985,747	2,205,810	2,871,489	2,169,714	2,881,297	3,000,826	3,038,229	3,529,767	3,939,005
Business-type activities:										
Interest and investment income	49,691	44,471	42,299	82,533	1,009	29,843	25,999	28,566	28,547	39,010
Other	181,759	176,064	214,993	288,584	61,737	82,737	200,148	240,636	257,419	246,827
Transfers - internal activities of primary government	393,259	435,824	337,132	251,088	483,028	311,627	504,791	671,173	647,942	753,283
Extraordinary gain (loss)	-	-	-	-	-	(6,843)	-	-	-	-
Total business-type activities	624,709	656,359	594,424	622,205	545,774	417,364	730,938	940,375	933,908	1,039,120
Total primary government	$ 2,604,766	$ 2,642,106	$ 2,800,234	$ 3,493,694	$ 2,715,488	$ 3,298,661	$ 3,731,764	$ 3,978,604	$ 4,463,675	$ 4,978,125
Change in Net Position										
Governmental activities	$ (279,853)	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)	$ 547,742	$ 824,930	$ 721,849	$ (167,614)	$ 569,242
Business-type activities	(45,177)	55,748	176,580	38,792	642,836	409,640	630,373	728,166	(225,934)	631,442
Total primary government	$ (325,030)	$ (96,470)	$ 333,874	$ 648,523	$ 542,985	$ 957,382	$ 1,455,303	$ 1,450,015	$ (393,548)	$ 1,200,684



Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.
(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014
(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

This page has been intentionally left blank.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year 2009
General Fund	
Reserved for rainy day	$ 98,297
Reserved for assets not available for appropriation	11,307
Reserved for encumbrances	65,902
Reserved for appropriation carryforward	91,075
Reserved for subsequent years' budgets	6,891
Unreserved	28,203
Total general fund	$ 301,675
All other governmental funds	
Reserved for assets not available for appropriation	$ 19,781
Reserved for debt service	75,886
Reserved for encumbrances	167,169
Reserved for appropriation carryforward	501,006
Reserved for subsequent years' budgets	11,245
Unreserved reported in:	
Special revenue funds	(69,468)
Capital projects funds	(26,153)
Permanent fund	3,871
Total other governmental funds	$ 683,337

	2010 (1)	2011	2012	2013	2014	2015	2016	2017	2018
General Fund									
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854	$ 24,022	$ 24,786	$ 522	$ 525	$ 1,512
Restricted	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977
Committed	4,677	33,431	79,276	137,487	145,126	142,815	187,170	327,607	371,698
Assigned	132,645	240,635	305,413	353,191	508,903	705,076	879,567	1,088,288	1,291,499
Unassigned	-	-	17,329	-	74,317	157,550	241,797	328,594	413,255
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871	$ 835,562	$ 1,145,196	$ 1,429,162	$ 1,870,703	$ 2,221,941
All other governmental funds									
Nonspendable	$ 192	$ 192	$ 1,104	$ 274	$ 441	$ 329	$ 82	$ 82	$ 82
Restricted	861,188	831,269	1,189,102	1,191,189	1,115,226	1,110,836	1,443,956	1,701,020	2,232,040
Assigned	27,493	27,622	28,006	30,759	50,733	66,740	66,085	78,413	124,076
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)	(34,158)	(103,811)	(245,445)	(904)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690	$ 1,101,417	$ 1,143,747	$ 1,406,312	$ 1,534,070	$ 2,355,294

Notes:
(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property taxes	$ 1,272,385	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764	$ 1,517,261	$ 1,642,159	$ 1,798,776	$ 1,937,694	$ 2,171,601
Business taxes	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142
Sales and use tax	172,794	164,769	181,474	198,236	208,025	227,636	240,424	267,443	291,710	296,209
Hotel room tax	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176
Utility users tax	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460
Other local taxes	126,017	194,070	251,285	353,889	359,808	391,638	451,994	399,882	542,567	424,187
Licenses, permits and franchises	32,153	33,625	35,977	39,770	40,901	42,371	42,959	43,722	44,397	43,180
Fines, forfeitures and penalties	9,694	22,255	11,770	30,090	49,841	28,425	28,154	36,169	30,798	34,220
Interest and investment income	33,547	27,038	17,041	31,371	7,489	21,678	20,583	23,931	35,089	45,890
Rent and concessions	77,014	78,527	78,995	89,183	98,770	90,712	99,102	135,865	100,544	105,284
Intergovernmental:										
Federal	362,582	448,890	484,704	420,974	420,775	426,314	465,196	416,823	411,369	421,024
State	575,774	552,641	581,119	588,532	656,141	721,735	751,574	776,866	823,012	875,402
Other	15,186	7,397	32,017	33,181	41,789	9,408	15,774	85,872	13,814	16,993
Charges for services	280,407	243,128	258,015	264,856	296,059	333,904	359,044	392,665	378,437	415,569
Other	30,318	51,023	97,194	83,634	81,014	134,923	123,605	264,722	188,311	186,034
Total revenues	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273	5,345,741	5,789,974	5,971,620	6,411,371
Expenditures:										
Public protection	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577	1,378,754
Public works, transportation and commerce	248,161	243,454	226,920	250,879	223,218	232,005	293,999	416,152	332,693	441,868
Human welfare and neighborhood development	886,686	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588	1,424,425	1,499,216
Community health	578,828	581,392	595,222	653,263	734,736	761,439	753,832	776,612	712,495	815,762
Culture and recreation	313,442	303,134	310,392	311,156	328,794	331,914	352,852	364,909	390,038	424,794
General administration and finance	190,680	187,221	191,641	203,157	211,138	233,977	251,370	277,729	303,113	312,441
General City responsibilities	73,147	86,498	85,463	96,150	81,775	86,996	98,658	114,684	121,447	110,920
Debt service:										
Principal retirement	126,501	154,051	148,231	167,465	154,542	190,266	200,497	252,456	283,356	381,141
Interest and fiscal charges	74,466	89,946	101,716	103,706	108,189	119,142	121,371	119,723	125,091	136,925
Bond issuance costs	4,746	2,145	2,161	5,386	2,913	2,185	2,734	7,108	2,695	8,934
Capital outlay	152,473	182,448	214,817	270,094	410,994	449,726	412,740	223,904	297,089	337,741
Total expenditures	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339	4,793,629	5,074,865	5,316,019	5,848,496
Excess of revenues over expenditures	32,137	20,630	325,536	196,621	145,871	330,934	552,112	715,109	655,601	562,875

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other financing sources (uses):										
Transfers in	352,693	302,790	304,682	335,600	447,734	563,283	556,287	580,737	641,123	625,147
Transfers out	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)	(1,398,562)
Issuance of bonds and loans:										
Face value of bonds issued	456,935	393,010	232,965	804,090	557,490	257,175	449,530	595,925	276,570	1,293,595
Face value of loans issued	-	599	1,813	4,359	5,890	8,735	136,763	-	46,000	-
Premium on issuance of bonds	12,875	16,647	16,799	89,336	64,469	19,773	69,833	32,845	12,432	76,243
Payment to refunded bond escrow agent	(120,000)	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	122,000	-
Other financing sources - capital leases	24,881	20,746	19,769	12,304	13,470	12,869	7,750	5,650	37,736	2,027
Total other financing sources (uses)	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)	(168,578)	(86,302)	598,450
Extraordinary gain (loss)	-	-	-	197,314	(172,651)	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	-	11,137
Net change in fund balances	$ 13,343	$ 14,073	$ 128,481	$ 409,515	$ 131,480	$ 268,418	$ 351,964	$ 546,531	$ 569,299	$ 1,172,462
Debt service as a percentage of noncapital expenditures	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%	8.46%	9.75%
Debt service as a percentage of total expenditures	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%	7.68%	8.86%

Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

	Assessed Value			Exemptions (2)			Total Taxable	Total
Fiscal Year (4)	Real Property	Personal Property	Total	Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments	Assessed Value	Direct Tax Rate
2009	$ 152,150,004	$ 3,943,357	$ 156,093,361	$ 6,193,368	$ 657,320	$ 8,860,502	$ 140,382,171	1.00%
2010	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%
2016	197,889,670	4,667,489	202,557,159	8,252,472	654,116	15,798,019	177,852,552	1.00%
2017	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%
2018	240,129,959	5,033,413	245,163,372	11,372,719	638,914	20,790,719	212,361,020	1.00%

Source:
Controller, City and County of San Francisco

Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
   (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
   (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
   (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

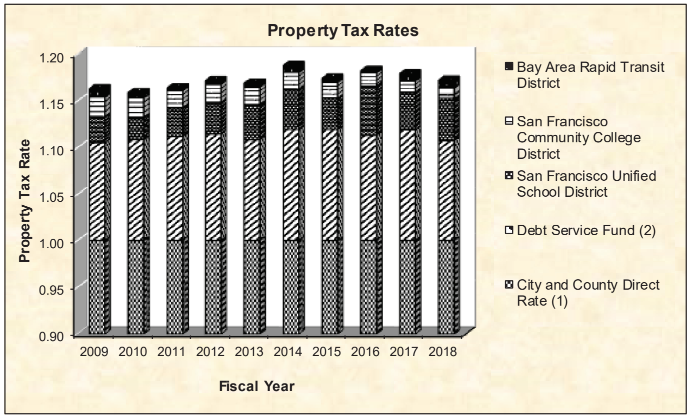
CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(Rate Per $100 of Assessed Value)

		Overlapping Rates				
Fiscal Year	City and County Direct Rate [(1)]	Debt Service Fund [(2)]	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743
2016	1.00000000	0.11346583	0.05246647	0.01407283	0.00260000	1.1826
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792
2018	1.00000000	0.10740904	0.04517555	0.01135485	0.00840000	1.1723



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

PRINCIPAL PROPERTY ASSESSEES

Current Fiscal Year and Nine Fiscal Years Ago

(Dollar in Thousands)

		Fiscal Year 2018			Fiscal Year 2009		
Assessee	Type of Business	Taxable Assessed Value [(1)]	Rank	Percentage of Total Taxable Assessed Value [(2)]	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value [(2)]
HWA 555 Owners LLC	Office, Commercial	$ 998,450	1	0.43%	$ 885,380	1	0.62%
Elm Property Venture LLC	Office, Commercial	965,547	2	0.41%	-		-
PPF Paramount Market Plaza Owner LP	Office, Commercial	817,948	3	0.35%	-		-
SFDC 50 FREMONT LLC	Office, Commercial	675,803	4	0.29%	-		-
SHR St Francis LLC	Hotel, Commercial	656,823	5	0.28%	-		-
Sutter Bay Hospitals	Office, Commercial	653,432	6	0.28%	-		-
Transbay Tower LLC	Office, Commercial	560,825	7	0.24%	-		-
P55 Hotel Owner LLC	Hotel	527,815	8	0.22%	-		-
Union Investment Real Estate GMBH	Office, Commercial	483,303	9	0.21%	-		-
Emporium Mall LLC	Retail, Commercial	456,949	10	0.19%	-		-
EOP - One Market LLC	Office, Commercial	-		-	442,169	2	0.31%
Marriott Hotel	Hotel	-		-	413,653	3	0.29%
Four Embarcadero Center Venture	Office, Commercial	-		-	373,417	4	0.26%
Post-Montgomery Associates	Office, Commercial	-		-	363,063	5	0.26%
TST Mission Street LLC	Office, Commercial	-		-	331,047	6	0.23%
One Embarcadero Center Venture	Office, Commercial	-		-	322,275	7	0.23%
Broadway Partners	Office, Commercial	-		-	306,000	8	0.22%
Three Embarcadero Center Venture	Office, Commercial	-		-	303,171	9	0.21%
Embarcadero Center Associates	Office, Commercial	-		-	301,796	10	0.21%
Total		$ 6,796,895		2.90%	$ 4,041,971		2.84%

Source:

Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2017-2018 updated as of August 1, 2017.

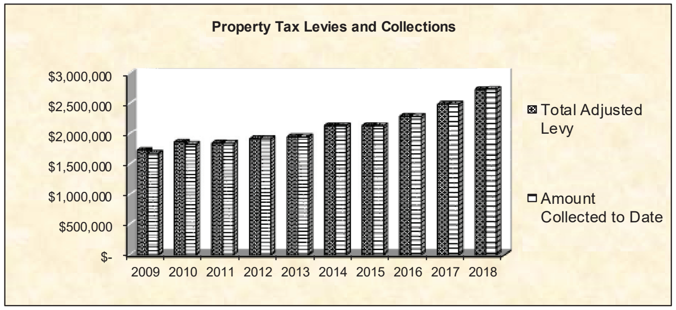
(2) Assessed values for fiscal years 2017-2018 and 2008-2009 are from the tax rolls of calendar years 2017 and 2008, respectively.

CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS [1] [2]

Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Collections in Subsequent Years [3]	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2009	$1,731,668	$ 1,658,599	95.78%	$ 21,463	$ 1,680,062	97.02%
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82
2016	2,290,280	2,268,876	99.07	19,156	2,288,032	99.90
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03
2018	2,732,615	2,709,048	99.14	29,002	2,738,050	100.20



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.
(2) Does not include SB-813 supplemental property taxes.
(3) Collections in subsequent years reflect assessment appeals reduction.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF OUTSTANDING DEBT BY TYPE

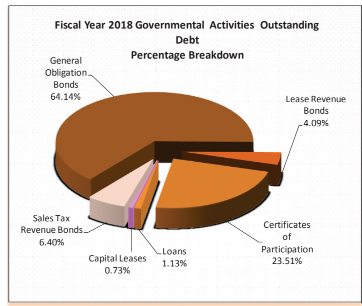
Last Ten Fiscal Years
(In Thousands, except per capita amount)

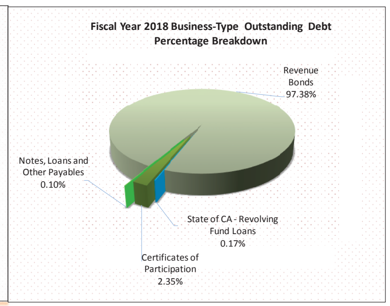
Governmental Activities

Fiscal Year [1]	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation	Sales Tax Revenue Bonds	Subtotal
2009	$ 1,208,353	$ 294,973	$ 564,754	$ 11,329	$ 164,383	$ 14,019	$ -	$ 2,257,811
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	-	2,490,699
2011	1,411,769	283,155	587,121	10,072	141,377	-	-	2,433,494
2012	1,617,397	275,876	552,998	13,878	22,878	-	-	2,483,027
2013	2,052,155	264,828	574,683	19,184	9,741	-	-	2,920,591
2014	2,105,885	243,503	544,817	27,441	3,085	-	-	2,924,731
2015	2,096,765	216,527	507,504	163,837	-	-	-	2,984,633
2016	2,227,515	197,217	623,956	143,059	-	-	-	3,191,747
2017	2,281,894	182,783	582,759	162,876	32,586	-	-	3,242,898
2018	2,693,252	171,667	987,014	47,462	30,654	-	268,917	4,198,966

Business-Type Activities

Fiscal Year	Revenue Bonds	State of CA - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [1] [2]	Per Capita [1] [3]
2009......	$ 4,928,729	$ 75,339	$ -	$ 324,042	$ 2,635	$ 5,330,745	$ 7,588,556	13.66%	$ 9,307
2010......	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.31	12,386
2011......	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	17.11	13,284
2012......	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	17.23	14,723
2013......	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	17.31	14,995
2014......	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	16.79	15,214
2015......	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	14.95	15,533
2016......	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	14.17	15,549
2017......	11,185,043	-	330,924	9,241	-	11,525,208	14,768,106	14.75	16,699
2018......	13,194,466	22,607	318,019	14,196	-	13,549,288	17,748,254	17.24	19,882





Notes:

(1) See Demographic and Economic Statistics, for personal income and population data.
(2) 2015, 2016 and 2017 were updated from last year's CAFR with newly available data.
(3) 2016 and 2017 were updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Restricted for Debt Service	Total	Per Capita (2) (3)	Percentage of Taxable Assessed Value (4)
2009	$ 1,208,353	40,907	$ 1,167,446	$ 1,432	0.78%
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,318	1.16
2014	2,105,885	95,451	2,010,434	2,358	1.14
2015	2,096,765	91,292	2,005,473	2,327	1.10
2016	2,227,515	86,754	2,140,761	2,444	1.10
2017	2,281,894	111,892	2,170,002	2,454	1.02
2018	2,693,252	127,766	2,565,486	2,874	1.10

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.

(2) Population data can be found in Demographic and Economic Statistics.

(3) Fiscal years 2016 and 2017 are updated from last year's CAFR with newly available data.

(4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year 2009	2010	2011	2012	2013
Debt limit	$ 4,497,000	$ 4,853,760	$ 4,785,098	$ 4,962,746	$ 5,030,049
Total net debt applicable to limit (1)	1,208,353	1,442,448	1,411,769	1,617,397	2,052,155
Legal debt margin	$ 3,288,647	$ 3,411,312	$ 3,373,329	$ 3,345,349	$ 2,977,894
Total net debt applicable to the limit as a percentage of debt limit	26.87%	29.72%	29.50%	32.59%	40.80%

	Fiscal Year 2014	2015	2016	2017	2018
Debt limit	$ 5,279,242	$ 5,482,482	$ 5,829,141	$ 6,368,988	$ 7,013,720
Total net debt applicable to limit (1)	2,105,885	2,096,765	2,227,514	2,281,894	2,693,252
Legal debt margin	$ 3,173,357	$ 3,385,717	$ 3,601,627	$ 4,087,094	$ 4,320,468
Total net debt applicable to the limit as a percentage of debt limit	39.89%	38.24%	38.21%	35.83%	38.40%

Legal Debt Margin Calculation for Fiscal Year 2018

Total assessed value	$ 245,163,372
Less: non-reimbursable exemptions (2)	11,372,719
Assessed value (2)	$ 233,790,653
Debt limit (three percent of valuation subject to taxation) (3)	$ 7,013,720
Debt applicable to limit - general obligation bonds	2,693,252
Legal debt margin	$ 4,320,468

Notes:

(1) Per outstanding general obligation bonds adjusted with bond premium and discount.

(2) Source: Assessor, City and County of San Francisco

(3) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2018

Debts	Total Debt Outstanding (In thousands)	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt (In thousands)
Direct Debt			
General Obligation Bonds			$ 2,693,252
Lease Revenue Bonds	$ 171,667	100.00%	171,667
Sales Tax Revenue Bonds	268,917	100.00%	268,917
Certificates of Participation	987,014	100.00%	987,014
Loans	47,462	100.00%	47,462
Lease Purchase Financing	30,654	100.00%	30,654
Total Direct Debt			4,198,966
Overlapping Debt			
General Obligation Bonds			
San Francisco Unified School District	831,699	100.00%	831,699
San Francisco Community College District	266,458	100.00%	266,458
Bay Area Rapid Transit District	931,600	33.00%	307,428
Total Overlapping Debt			1,405,585
Total Direct and Overlapping Debt			$ 5,604,551
Assessed valuation (net of non- reimbursable exemption)			$ 233,790,653
Population - 2018 [2]			892,701
Percentage of direct and overlapping general obligation debt per assessed valuation			1.75%
Percentage of total direct and overlapping debt per assessed valuation			2.40%
Estimated total direct and overlapping total debt per capita			$6,278

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts boundaries and dividing it by the City's total taxable assessed value.

(2) Sources: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport [1]

Fiscal Year	Operating Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2009	$ 574,088	$ 315,823	$ 258,265	$ 88,205	$ 178,372	$ 266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97
2018	1,075,118	505,017	570,101	159,590	245,751	405,341	1.41

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Adjustments [8]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2009	$ 272,869	$ 248,315	$ 125,203	$ 149,757	$ 25,520	$ 44,065	$ 69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 [7]	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 [7]	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 [7]	139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476 [7]	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462 [7]	192,312	2.31
2016	423,111	314,786	283,568	391,893	29,695	189,500 [7]	219,195	1.79
2017	464,662	421,827	351,605	394,440	41,310	166,502 [7]	207,812	1.90
2018	532,087	358,843	326,339	499,583	48,875	185,084 [7]	233,959	2.14

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [9][10]	Less: Operating Expenses [11][12]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2009	$ 33,970	$ 18,879	$ 15,091	$ 5,165	$ 1,395	$ 6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	471,490	135,635	3,075	1,856	4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57
2018	652,919	587,355	65,564	12,350	15,602	27,952	2.35

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code) (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds, the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years
(In Thousands)

San Francisco Wastewater Enterprise (13)

Fiscal Year	Gross Revenues (14)	Less: Operating Expenses (15)	Adjustments (16)	Net Available Revenue (17)	Debt Service Principal	Debt Service Interest (17)	Debt Service Total (17)	Coverage (17)
2009	$ 210,646	$ 169,300	$ 77,800	$ 119,146	$ 35,665	$ 14,646	$ 50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563 (18)	44,883	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,180 (18)	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655 (18)	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047 (18)	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006 (18)	60,901	3.79
2016	262,960	221,553	198,524	239,931	31,115	28,907 (18)	60,022	4.00
2017	279,668	244,220	216,095	251,543	20,870	39,537 (18)	60,407	4.16
2018	317,413	208,049	228,971	338,335	20,015	26,988 (18)	47,003	7.20

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(14) Gross revenue consists of charges for services, rental income and other income.
(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.
(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.
(17) Restated to match the published Annual Disclosure Reports for FY2009.
(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 also includes a "springing" amendment. Capitalized interest was excluded in FY2018.

Port of San Francisco (19)

Fiscal Year	Total Operating Revenues (20)	Less: Operating Expenses (21)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2009	$ 68,734	$ 57,574	$ 11,160	$ 4,185	$ 222	$ 4,407	2.53
2010	69,741	58,756	10,985	4,320	75	4,395	2.50
2011	73,675	51,871	21,804	485	2,358	2,843	7.67
2012	79,273	55,471	23,802	670	2,175	2,845	8.37
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99
2018	112,000	79,027	32,973	1,325	2,849	4,174	7.90

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(20) Total revenues consist of operating revenues and interest and investment income.
(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power (22)

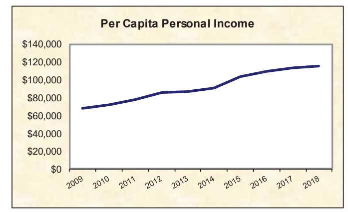
Fiscal (26) Year	Gross Revenues (23)	Less: Operating Expenses (24)	Adjustments (25)	Net Available Revenue	Debt Service (26) Principal	Debt Service (26) Interest	Debt Service (26) Total	Coverage
2009	$ 97,671	$ 49,337	$ 4,907	$ 53,241	$ 422	$ -	$ 422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33
2015	117,704	105,222	38,714	51,196	1,321	625	1,946	26.31
2016	122,954	110,012	20,102	33,044	-	-	-	-
2017	122,187	116,935	58,176	63,428	-	-	-	-
2018	122,251	119,395	64,356	67,212	710	1,860	2,570	26.15

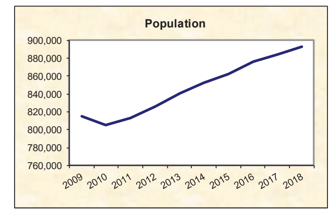
(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(23) Gross revenues consists of charges for power services, rental income and other income.
(24) Operating expenses only include power operating expense.
(25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.
(26) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

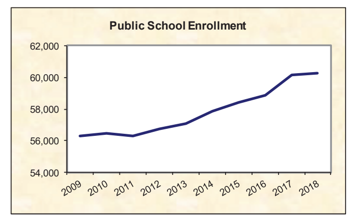
DEMOGRAPHIC AND ECONOMIC STATISTICS

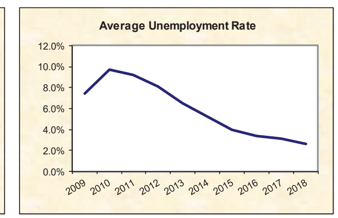
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2009	815,358	$55,559,545	$68,141	40.4	56,315	7.4%
2010	805,235	57,619,120	71,556	38.5	56,454	9.7%
2011	812,826	63,102,121	77,633	37.3	56,299	9.2%
2012	825,863	70,573,974	85,455	38.5	56,758	8.1%
2013	841,138	72,858,445	86,619	37.9	57,105	6.5%
2014	852,469	77,233,279	90,600	37.4	57,860	5.2%
2015	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	876,103 (7)	96,161,308 (8)	109,760 (9)	37.9	58,865	3.4%
2017	884,363 (7)	100,123,866 (8)	113,216 (9)	37.9 (10)	60,133	3.1%
2018	892,701 (7)	102,952,634 (8)	115,327 (9)	37.9 (10)	60,263	2.6%









Sources:
(1) US Census Bureau. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:
(7) 2016 and 2017 were updated from last year's CAFR with newly available data. 2018 population was estimated by multiplying the estimated 2017 population by the 2017 - 2018 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2017 and 2018 remained at the 2016 level of 4.35 percent. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2016 and 2017 was estimated by dividing the estimated personal income for 2016 and 2017 by the reported and estimated population in 2016 and 2017, respectively. Fiscal years 2016 and 2017 are updated from last year's CAFR with newly available data. 2018 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2018 population.
(10) Median age for 2017 and 2018 were estimated by averaging the median age in 2015 and 2016. No new median age data was available after 2016.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers
Current Year and Nine Years Ago

Employer	Year 2017 (1) Employees	Rank	Percentage of Total City Employment	Year 2008 Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	31,038	1	5.59%	26,656	1	6.28%
University of California, San Francisco	25,522	2	4.60%	18,200	2	4.29%
San Francisco Unified School District	10,000	3	1.80%	-	-	-
Wells Fargo & Co.	7,838	4	1.41%	8,718	3	2.05%
Salesforce	7,000	5	1.26%	-	-	-
Sutter Health	6,447	6	1.16%	-	-	-
Uber Technologies Inc.	5,000	7	0.90%	-	-	-
Kaiser Permanente	4,517	8	0.81%	-	-	-
Gap Inc.	4,050	9	0.73%	4,172	9	0.98%
PG&E Corporation	3,800	10	0.68%	4,350	8	1.03%
California Pacific Medical Center	-	-	-	6,600	4	1.56%
State of California	-	-	-	6,021	5	1.42%
Charles Schwab & Co. Inc.	-	-	-	4,600	6	1.08%
United States Postal Service	-	-	-	4,571	7	1.08%
San Francisco State University	-	-	-	3,831	10	0.90%
Total	105,212		18.94%	87,719		20.67%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2017 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)
Last Ten Fiscal Years

Function	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Protection										
Fire Department	1,602	1,532	1,512	1,474	1,463	1,464	1,494	1,575	1,620	1,646
Police	2,949	2,757	2,681	2,665	2,655	2,727	2,784	2,871	3,013	2,971
Sheriff	1,016	1,048	953	1,010	1,013	984	1,015	1,006	1,056	1,001
Other	996	981	969	956	1,021	1,032	1,049	1,077	1,081	1,138
Total Public Protection	6,563	6,318	6,115	6,105	6,152	6,207	6,342	6,529	6,770	6,756
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,528	4,358	4,160	4,141	4,388	4,484	4,685	4,931	5,160	5,178
Airport Commission	1,248	1,233	1,294	1,377	1,443	1,460	1,473	1,493	1,541	1,586
Department of Public Works	1,030	822	791	783	808	825	852	925	981	1,027
Public Utilities Commission	1,580	1,549	1,584	1,616	1,620	1,621	2,002	2,023	1,637	1,648
Other	565	490	508	536	583	612	626	627	637	631
Total Public Works, Transportation and Commerce	8,951	8,452	8,337	8,453	8,842	9,002	9,638	9,999	9,956	10,070
Community Health										
Public Health	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857
Total Community Health	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857
Human Welfare and Neighborhood Development										
Human Services	1,810	1,662	1,685	1,691	1,750	1,855	1,964	2,046	2,068	2,099
Other	309	296	284	269	244	244	246	242	375	386
Total Human Welfare and Neighborhood Development	2,119	1,958	1,969	1,960	1,994	2,099	2,210	2,288	2,443	2,485
Culture and Recreation										
Recreation and Park Commission	919	898	851	834	841	870	905	923	935	934
Public Library	649	649	645	628	640	652	661	662	683	698
War Memorial	97	63	63	63	63	57	58	65	68	69
Other	203	199	201	199	210	213	214	214	211	214
Total Culture and Recreation	1,868	1,809	1,760	1,724	1,754	1,792	1,838	1,864	1,897	1,915
General Administration and Finance										
Administrative Services	539	647	616	637	723	716	751	804	830	845
City Attorney	318	306	300	299	303	308	308	306	307	307
Telecommunications and Information Services	265	252	210	196	199	216	209	221	228	232
Controller	198	180	194	201	198	204	219	253	263	257
Human Resources	144	138	119	123	124	135	157	166	155	148
Treasurer/Tax Collector	212	220	211	208	202	211	225	218	219	207
Mayor	55	49	42	37	49	49	50	55	56	58
Other	547	554	540	567	561	602	615	658	695	697
Total General Administration and Finance	2,278	2,346	2,232	2,268	2,359	2,441	2,534	2,681	2,753	2,751
Subtotal annually funded positions	27,802	26,721	26,109	26,181	26,901	27,667	28,846	29,963	30,625	30,834
Capital project funded positions	1,519	1,928	1,885	1,892	1,486	1,569	1,310	1,380	2,124	2,211
Total annually funded positions	29,321	28,649	27,994	28,073	28,387	29,236	30,156	31,343	32,749	33,045

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:06	7:13	7:19	7:18	7:36	8:30	8:12	7:41	7:40	7:54
Police										
Average time from dispatch to arrival on scene for highest priority calls (1)	3:49	3:33	4:07	4:15	4:35	4:20	4:55	4:57	5:10	5:28
Number of homicides per 100,000 population	8.2	5.3	6.3	7.4	6.2	4.7	6.6	6.2	7.9	4.9
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	50%	N/A	52%	N/A	N/A	N/A	54%	N/A	51%	N/A
Number of blocks of City streets repaved	310	312	427	346	521	323	474	721	704	608
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	2.98	N/A	3.55	3.02	3.38	N/A	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%	59.9%	57.3%	56.5%
Percentage of scheduled service hours delivered	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%	99.0%	98.9%	97.5%
Airport										
Percent change in air passenger volume	-0.8%	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%	6.7%	4.9%	7.0%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	72%	77%	78%	80%	N/A	N/A	N/A	N/A	N/A	N/A
Culture and Recreation										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected (2)	89%	91%	90%	91%	91%	91%	85%	87%	89%	89%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good (2)	79%	N/A	79%	N/A	85%	N/A	92%	83%	73%	83%
Circulation of materials at San Francisco libraries	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015	11,092,406
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378	1,678,682

Source: Controller, City and County of San Francisco

Notes:

(1) FY 2009 through FY 2015 reflects average time.
(2) FY 2016 through FY 2017 updated with newly available information.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

Function	Fiscal Year 2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,356	2,261	2,288	2,243	2,164	2,130	2,203	2,332	2,315	2,292
Fire protection (2)										
Number of stations	42	42	46	46	46	46	47	47	47	47
Number of firefighters	809	768	778	718	817	896	907	995	1,029	1,044
Public works										
Miles of street (3)	1,318	1,317	1,317	1,315	1,315	1,299	1,287	1,287	1,287	1,287
Number of streetlights (4)	43,492	43,973	44,530	44,594	44,655	44,656	44,907	44,498	44,686	44891
Water (4)										
Number of services	172,885	172,680	173,033	173,454	173,744	173,970	174,111	174,083	174,394	175,054
Average daily consumption (million gallons)	236.6	219.9	213.6	212.0	215.1	217	190	171	175	190.4
Miles of water mains	1,465	1,465	1,473	1,488	1,488	1,488	1,499	1,489	1,488	1,489
Sewers (4)										
Miles of collecting sewers	993	993	993	959	986	993	993	993	993	993
Miles of transport/storage sewers	17	17	17	17	24	17	17	17	17	17
Recreation and cultures										
Number of parks (5)	222	220	220	220	221	221	220	220	220	220
Number of libraries (6)	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) (6)	2.9	3.3	3.5	3.6	3.5	3.6	3.6	3.8	3.9	3.7
Public school education (7)										
Attendance centers	112	115	115	115	115	116	116	117	117	117
Number of classrooms	2,723	2,779	2,797	2,797	2,877	3,135	3,160	3,219	3,219	3,219
Number of teachers, full-time equivalent	3,167	3,312	3,132	3,245	3,129	3,129	3,281	3,339	3,272	3,196
Number of students	55,272	55,779	55,571	56,310	56,970	57,620	58,414	58,865	60,133	60,263

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX C

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER
INVESTMENT POLICY

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

Effective February 2018

1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

(1) Applicants who have changed firms;
(2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
(3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4). The following policy shall govern unless a variance is specifically authorized by the Treasurer and reviewed by the Treasury Oversight Committee pursuant to Section 5.0.

7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
20% of the portfolio value	5%	No Limit	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.4 Public Time Deposits (Term Certificates of Deposit)

The Treasurer's Office may invest in either:

1. Non-negotiable time deposits (Certificates of Deposit or CDs) that have FDIC or similar deposit insurance; or

2. Fully collateralized CDs in approved financial institutions.

The Treasurer's Office will invest in CDs and Time Deposits only with those firms having at least one branch office within the boundaries of the City and County of San Francisco. As required by Government Code Section 53649, the Treasurer's Office shall have a signed agreement with any depository accepting City funds.

For Public Time Deposits not employing deposit insurance (such as FDIC), the Treasurer's Office is authorized to accept two forms of collateral:

A. Deposit Collateral. Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by deposit insurance.

B. Letters of Credit Issued by the Federal Home Loan Bank of San Francisco. As authorized by Section 53651 (p) of the California Government Code, the Treasurer's Office may be accepted as collateral and shall conform to the requirements of Section 53651.6 of the California Government Coded include the following terms:

(1) The Administrator, as defined by Section 53630 (g) of the California Government Code, shall be the beneficiary of the letter of credit; and

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
No Limit	None	N/A	13 months

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

7.5 Negotiable Certificates of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	N/A	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
40% of the portfolio value	30%	No Limit	180 days

Issuer Minimum Credit Rating: None

7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	None	270 days

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the highest ranking (irrespective of +/-) from at least one NRSRO.

7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	5%	24 months

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.9 Repurchase Agreements

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third-party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

Type of collateral	Allocation Maximum	Issuer Limit Maximum	Maturity/Term Maximum
Government securities	No Limit	N/A	1 year
Securities permitted by CA Government Code, Sections 53601 and 53635	10%	N/A	1 year

7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

Fund Type	Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
Institutional Government	20% of total Pool assets	N/A	5%	N/A

Issuer Minimum Credit Rating: Fund must be rated in the highest rating category from not less than two NRSROs .

7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term credit rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

* Effective as of January 1, 2015, as consistent with State Law.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor; the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing, deferred deposit (payday-lending) businesses and organizations involved in financing, either directly or indirectly, the Dakota Access Pipeline or, as determined by the Treasurer, similar pipeline projects. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.
Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner
Joint Accounts (two or more persons) $250,000 per co-owner
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**
*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the $250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L’s, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate.This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$3,100,000
CITY AND COUNTY OF SAN FRANCISCO
GENERAL OBLIGATION BONDS
(CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012)
SERIES 2019B

$92,725,000
CITY AND COUNTY OF SAN FRANCISCO
TAXABLE GENERAL OBLIGATION BONDS
(SOCIAL BONDS – AFFORDABLE HOUSING, 2015)
SERIES 2019C

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the issuance of the bonds captioned above (the "Bonds"). The City authorized the issuance of the 2019B Bonds by (i) Resolution No. 156-13, adopted by the Board of Supervisors of the City on May 21, 2013, and duly approved by the Mayor of the City on May 28, 2013, and (ii) Resolution No. 399-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019B Resolutions"). The City authorized the issuance of the 2019C Bonds by (i) Resolution No. 407-16, adopted by the Board of Supervisors of the City on September 20, 2016, and duly approved by the Mayor of the City on September 29, 2016, and (ii) Resolution No. 389-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019C Resolutions," and with the 2019B Resolutions, the "Resolutions"). The City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Financial Obligation" means "financial obligation" as such term is defined in the Rule.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2018-19 Fiscal Year (which is due not later than March 26, 2020), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send, in a timely manner, a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the *ad valorem* property tax levy and delinquency rate;

(e) a schedule of aggregate annual debt service on tax-supported indebtedness of the City; and

(f) summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes;
9. Bankruptcy, insolvency, receivership or similar event of the obligated person; or
10. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Bonds not later than ten business days after the occurrence of the event, if material:

11. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds;
12. Modifications to rights of Bondholders;
13. Unscheduled or contingent Bond calls;
14. Release, substitution, or sale of property securing repayment of the Bonds;
15. Non-payment related defaults;
16. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other

than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms;

17. Appointment of a successor or additional trustee or the change of name of a trustee;

18. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolutions.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: October 17, 2019.

CITY AND COUNTY OF SAN FRANCISCO

____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE

EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Bond Issue:	CITY AND COUNTY OF SAN FRANCISCO GENERAL OBLIGATION BONDS (CLEAN AND SAFE NEIGHBORHOOD PARKS BONDS, 2012), SERIES 2019B TAXABLE GENERAL OBLIGATION BONDS (SOCIAL BONDS – AFFORDABLE HOUSING, 2015), SERIES 2019C
Date of Issuance:	October 17, 2019

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated October 17, 2019. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By: _______[to be signed only if filed]_______
Title: ___________________________________

APPENDIX E

DTC AND THE BOOK ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-10 of this Appendix E, concerning The Depository Trust Company ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this appendix, "Securities" means the Bonds, "Issuer" means the City, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

APPENDIX F

PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: $3,100,000 City and County of San Francisco General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2019B

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the City and County of San Francisco (the "City") of its $3,100,000 General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds, 2012), Series 2019B (the "2019B Bonds").

The 2019B Bonds will be issued under the Government Code of the State of California and the Charter of the City. The City authorized the issuance of the 2019B Bonds by (i) Resolution No. 156-13, adopted by the Board of Supervisors of the City on May 21, 2013, and duly approved by the Mayor of the City on May 28, 2013, and (ii) Resolution No. 388-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019B Resolution"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the 2019B Resolution.

As Co-Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the City in connection with the issuance of the 2019B Bonds, including the 2019B Resolution. We have also examined such certificates of officers of the City and others as we have considered necessary for the purposes of this opinion. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

Based upon the foregoing, we are of the opinion that:

1. The 2019B Bonds constitute valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain property which is taxable at limited rates) for payment of the 2019B Bonds and the interest thereon.

3. Under existing law, and assuming compliance with the covenants mentioned below after the date hereof, interest on the 2019B Bonds is excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 as amended to the date hereof (the "Code") from the gross income of the owners thereof for federal income tax purposes and will not be included in computing the alternative minimum taxable income of the owners thereof.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the 2019B Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the 2019B Bonds to fail to be excluded from the gross income of the owners thereof retroactive to the date of issuance of the 2019B Bonds. Pursuant to the 2019B Resolution, and in the Tax

Exemption Certificate being delivered by the City in connection with the issuance of the 2019B Bonds, the City is making representations relevant to the determination of, and are undertaking certain covenants regarding or affecting, the exclusion of interest on the 2019B Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of and have relied upon such representations and the present and future compliance by the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal, state or local tax consequences of the receipt of interest on, or the ownership or disposition of, the 2019B Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequences with respect to the 2019B Bonds, or the interest thereon, if any action is taken with respect to the 2019B Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Ownership of tax-exempt obligations such as the 2019B Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. We are further of the opinion that interest on the 2019B Bonds is exempt from personal income taxes of the State of California under present state law.

The opinion expressed in paragraph 1 above is qualified to the extent the enforceability of the 2019B Bonds may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2019B Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2019B Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service or the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

[Closing Date]

City and County of San Francisco
1 Dr. Carlton B. Goodlett Place
San Francisco, California 94102

Re: $92,725,000 City and County of San Francisco Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2015), Series 2019C

Ladies and Gentlemen:

We have acted as Co-Bond Counsel in connection with the issuance by the City and County of San Francisco (the "City") of its $92,725,000 Taxable General Obligation Bonds (Social Bonds - Affordable Housing, 2015), Series 2019C (the "2019C Bonds").

The 2019C Bonds will be issued under the Government Code of the State of California and the Charter of the City. The City authorized the issuance of the 2019C Bonds by (i) Resolution No. 407-16, adopted by the Board of Supervisors of the City on September 20, 2016, and duly approved by the Mayor of the City on September 29, 2016, and (ii) Resolution No. 389-19, adopted by the Board of Supervisors of the City on September 10, 2019, and duly approved by the Mayor of the City on September 20, 2019 (together, the "2019C Resolution"). Capitalized terms used and not defined herein shall have the meanings ascribed to such terms in the 2019C Resolution.

As Co-Bond Counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the City in connection with the issuance of the 2019C Bonds, including the 2019C Resolution. We have also examined such certificates of officers of the City and others as we have considered necessary for the purposes of this opinion. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

Based upon the foregoing, we are of the opinion that:

1. The 2019C Bonds constitute valid and binding obligations of the City.

2. The Board of Supervisors has the power and is obligated to levy property taxes without limitation as to rate or amount upon all property within the City's boundaries subject to taxation by the City (except for certain property which is taxable at limited rates) for payment of the 2019C Bonds and the interest thereon.

3. We are further of the opinion that interest on the 2019C Bonds is exempt from personal income taxes of the State of California under present state law.

The opinion expressed in paragraph 1 above is qualified to the extent the enforceability of the 2019C Bonds may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the 2019C Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California. This opinion is limited to the laws of the State of California and the federal laws of the United States of America.

No opinion is expressed herein on the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the 2019C Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the State of California; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,