CITY AND COUNTY OF SAN FRANCISCO

BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS

FOR THE YEAR ENDED JUNE 30, 2023

MGO. Certified Public Accountants

CITY AND COUNTY OF SAN FRANCISCO
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FOR THE YEAR ENDED JUNE 30, 2023

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements 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, 2023, 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.

We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), and Municipal Transportation Agency (major fund), 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	1.1%	2.4%	1.6%
Business-type activities	53.7%	56.3%	41.0%
Aggregate discretely presented component unit and remaining fund information	0.4%	0.1%	1.1%

Those financial 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, effective July 1, 2022, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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/(asset), 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 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 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 the other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates 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 GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023, except for our report on the schedule of expenditures of federal awards,
as to which the date is February 23, 2024

This section of the City and County of San Francisco's (the City) Single Audit Report presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter.

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 $13.40 billion (net position). Of this balance, $10.94 billion represents the City's net investment in capital assets, $4.13 billion represents restricted net position, and unrestricted net position has a deficit of $1.67 billion. The City's total net position increased by $777.8 million, or 6.1 percent, from the previous fiscal year before a cumulative effect of accounting change which reduced net position by $203.8 million, for a change of $574.0 million after restatement. Of this amount, total net investment in capital assets and unrestricted net position increased by $373.3 million or 3.5 percent and $243.1 million or 12.7 percent, respectively, offset by a decrease in restricted net position of $42.4 million or 1.0 percent.

The City's governmental funds reported total revenues of $8.67 billion, which is a $129.9 million or 1.5 percent increase from the prior year. Within this, revenues from property taxes, hotel room tax, other local taxes, interest and investment income and rent and concessions grew by approximately $158.8 million, $104.3 million, $210.9 million, $317.7 million and $52.8 million, respectively, offset by decreases in federal revenues and real property transfer tax of $461.0 million and $334.1 million, respectively. Governmental funds expenditures totaled $8.42 billion for this period, a $663.8 million or 8.6 percent increase, reflecting an increase in demand for governmental services of $729.7 million, offset by decreases in debt service of $36.1 million and capital outlay of $29.8 million.

The City's total short-term debt decreased by $697.0 million in this fiscal year. The increase of $9.0 million in the governmental activities was due to the issuance of Commercial Paper (CP) to finance the City's projects for the acquisition and development of affordable rental housing, critical repair, and improvements to City-owned buildings, to finance and refinance approved capital projects, including the Hope SF properties, Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, and AITC Immunization and Travel Clinic Relocation, and improvement and equipping of certain existing real property including the Hall of Justice facilities, and purchase of police vehicles. The short-term debt in the business-type activities decreased by $706.0 million. The Airport issued $417.3 million to fund its capital improvement projects. The Water Enterprise and the Hetch Hetchy Water and Power issued a total of $487.8 million of CP to fund their capital projects and repaid $206.3 million and $40.0 million of CP, respectively. The Airport, Water Enterprise and the Hetch Hetchy Water and Power reclassed $497.8 million, $371.5 million, and $116.4 million of CP short-term debt repaid by revenue bonds issued in fiscal year 2023-24, to long-term debt. The Wastewater Enterprise paid off its outstanding CP of $379.2 million through the issuance of revenue bonds.

The City's governmental activities long-term debt including lease and subscription liabilities decreased by $123.9 million. A total of $238.6 million in general obligation bonds with bond premium of $5.4 million were issued to provide funds to acquire or improve real property to stabilize, improve and make permanent investment in supportive housing facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and or homelessness, improve parks, open spaces and recreation facilities and condition of the City's streets; to protect the waterfront, BART and Muni infrastructure, buildings, historic piers , and road from earthquakes, flooding and rising sea level by repairing the 100 year-old Embarcadero Seawall; to finance the acquisition, construction and preservation of affordable housing to low and middle income households through programs that will prioritize vulnerable populations such as the City's working families, veterans, seniors and persons with disabilities, to assist in the acquisition, rehabilitation and preservation of affordable housing, assist the City's middle-income residents or workers in obtaining affordable rental or homeownership opportunities. The City, through the Infrastructure and Revitalization Financing District No. 1 (Treasure Island) also issued $29.4 million in tax increment revenue bonds with bond premium of $1.0 million to fund the acquisition of certain public facilities and improvement for the Treasure Island/Yerba Buena Island Development project and to finance the acquisition and construction of affordable housing on Treasure Island. The increase in debt was offset by $346.6 million scheduled debt service payments and amortization of bond premium of $27.8 million. In addition, GASB 87 and GASB 96 requires recognizing lease liabilities of $496.2 million and subscription liabilities of $35.3 million with a net decrease of $15.1 million and $8.8 million, respectively due to principal payments made exceeded any new leases and subscriptions that commenced during the year.

The business-type activities long-term debt including lease and subscription liabilities increased by $1.70 billion. The Airport issued $241.9 million in revenue refunding bonds with bond premium of $21.6 million to refund certain outstanding revenue bonds and repay outstanding CP notes. The Wastewater Enterprise issued $1.11 billion in revenue bonds with bond premium of $178.5 million to refinance the CP notes for Wastewater capital projects and to refund revenue bonds for debt service savings. The Water and the Wastewater Enterprises also drew down additional loan of $60.4 million from the State of California to fund various water and sewer system improvement projects. The Wastewater Enterprise received a loan from the United States Environmental Protection Agency of $122.4 million to fund a portion of the cost of its Biosolids Digester Facility Project. The Airport, Water Enterprise and the Hetch Hetchy Water and Power reclassed $497.8 million, $371.5 million, and $116.4 million of CP short-term debt repaid by revenue bonds issued in fiscal year 2023-24, to long-term debt. The increase in debt was partially offset by $900.6 million in refunded bonds and scheduled debt service payments and $113.6 million of bond premium and discount amortization. In addition, GASB 87 and GASB 96 requires recognizing lease liabilities of $230.2 million and subscription liabilities of $2.8 million with a net decrease of $5.7 million and $0.9 million, respectively due to principal payments made exceeded any new leases and subscriptions that commenced during the year.

The City adopted the provisions of several Governmental Accounting Standards Board (GASB) Statements as of July 1, 2022. Statement No. 91, *Conduit Debt Obligations* clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The net effect of this change was a $106.6 million reduction in the City's beginning net position. Statement No. 96, *Subscription-Based Information Technology Arrangements* clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for arrangements which convey control of the right to use another party's software for a period of time in an exchange or exchange-like transaction. The net effect of this change was a $5.2 million increase in the City's beginning net position. In addition, the City re-evaluated the reporting of Mission Rock Special Tax District (STD) and changed its reporting entity from a fiduciary component unit to a blended component unit. The impact of the change in reporting entity resulted in a decrease of $102.3 million in the City's beginning net position.

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 basic financial statements are related as shown in the graphic below.

Organization of City and County of San Francisco Basic Financial Statements

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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 Financial Statements	Fund Financial Statements		
		Governmental Funds	**Proprietary Funds**	**Fiduciary Funds**
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
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 custodial 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, distributions to other governments, 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), several infrastructure financing districts and infrastructure and revitalization financing districts, 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) and various Community Facilities Districts as fiduciary component units 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 other custodial 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 (asset), pension contributions, 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.

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2023	2022 *	2023	2022 *	2023	2022 *
Assets:						
Current and other assets	$ 9,823,170	$ 11,106,323	$ 8,695,483	$ 8,664,608	$ 18,518,653	$ 19,770,931
Capital assets	7,803,629	7,587,262	25,146,242	24,258,288	32,949,871	31,845,550
Total assets	17,626,799	18,693,585	33,841,725	32,922,896	51,468,524	51,616,481
Deferred outflows of resources:	1,471,655	1,146,971	1,194,152	1,035,907	2,665,807	2,182,878
Liabilities:						
Current liabilities	3,186,880	2,794,731	2,287,448	2,839,086	5,474,328	5,633,817
Noncurrent liabilities	9,413,014	7,668,025	22,575,386	19,802,906	31,988,400	27,470,931
Total liabilities	12,599,894	10,462,756	24,862,834	22,641,992	37,462,728	33,104,748
Deferred inflows of resources:	976,014	4,046,781	2,294,394	3,820,651	3,270,408	7,867,432
Net position:						
Net investment in capital assets **	4,491,155	4,183,166	6,851,218	6,763,452	10,935,272	10,561,965
Restricted **	3,062,057	3,185,319	1,195,544	1,168,057	4,132,463	4,174,837
Unrestricted (deficit) **	(2,030,666)	(2,037,466)	(168,113)	(435,349)	(1,666,540)	(1,909,623)
Total net position	$ 5,522,546	$ 5,331,019	$ 7,878,649	$ 7,496,160	$ 13,401,195	$ 12,827,179

* Prior Year amounts have not been restated for implementation of GASB Statement Nos. 91, 94, and 96 and the change in reporting entity.
** 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 $13.40 billion at the end of fiscal year 2022-23, a 4.5 percent increase over the prior year. The City's governmental activities account for $5.52 billion of this total and $7.88 billion stem from its business-type activities.

The largest portion of the City's net position is the $10.94 billion in net investment in capital assets (e.g. land, buildings, and equipment) which includes the reclassification of $407.1 million from governmental activities to business-type activities related to the City's general obligation bonds and certificates of participation that fund various enterprise fund department's projects. This reflects a $373.3 million or 3.5 percent increase over the prior year. With that, increases of $308.0 million in the governmental activities and $87.8 million in the business-type activities, highlighted by increases of $214.2 million at SFMTA and $142.5 million at Wastewater Enterprise offset by decreases of $276.4 million at Airport and $8.0 million at Port, 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 $4.13 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 $1.65 billion, which consists of a $2.03 billion deficit in governmental activities and $168.1 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording net liabilities related to pension and other postemployment benefits (see Note 9). The governmental activities deficit also included $532.2 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities and Embarcadero seawall earthquake safety 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	
	2023	2022 *	2023	2022 *	2023	2022 *
Revenues						
Program revenues:						
Charges for services	$ 889,685	$ 785,299	$ 4,395,388	$ 3,848,186	$ 5,285,073	$ 4,633,485
Operating grants and contributions	1,762,809	2,185,343	444,009	545,636	2,206,818	2,730,979
Capital grants and contributions	150,625	105,459	235,952	185,816	386,577	291,275
General revenues:						
Property taxes	3,167,382	3,004,800	-	-	3,167,382	3,004,800
Business taxes	1,290,918	1,326,675	-	-	1,290,918	1,326,675
Sales and use tax	309,385	293,155	-	-	309,385	293,155
Hotel room tax	278,961	174,609	-	-	278,961	174,609
Utility users tax	110,661	105,225	-	-	110,661	105,225
Other local taxes	564,753	676,304	-	-	564,753	676,304
Interest and investment income (loss)	157,267	(160,687)	108,704	(108,628)	265,971	(269,315)
Other	99,471	80,295	240,145	327,454	339,616	407,749
Total revenues	8,781,917	8,576,477	5,424,198	4,798,464	14,206,115	13,374,941
Expenses						
Public protection	1,671,702	1,252,725	-	-	1,671,702	1,252,725
Public works, transportation and commerce	446,286	336,059	-	-	446,286	336,059
Human welfare and neighborhood development	2,883,425	2,332,530	-	-	2,883,425	2,332,530
Community health	1,206,314	1,151,847	-	-	1,206,314	1,151,847
Culture and recreation	537,393	398,314	-	-	537,393	398,314
General administration and finance	482,618	335,772	-	-	482,618	335,772
Distributions to other governments	49,113	47,296	-	-	49,113	47,296
General City responsibilities	175,522	129,138	-	-	175,522	129,138
Unallocated Interest on long-term debt	155,749	155,467	-	-	155,749	155,467
Airport	-	-	1,278,517	1,175,430	1,278,517	1,175,430
Transportation	-	-	1,439,742	1,076,249	1,439,742	1,076,249
Port	-	-	127,817	110,108	127,817	110,108
Water	-	-	666,970	606,409	666,970	606,409
Power	-	-	544,742	477,202	544,742	477,202
Hospitals	-	-	1,419,409	1,300,196	1,419,409	1,300,196
Sewer	-	-	343,018	326,952	343,018	326,952
Total expenses	7,608,122	6,139,148	5,820,215	5,072,546	13,428,337	11,211,694
Increase/(decrease) in net position before transfers	1,173,795	2,437,329	(396,017)	(274,082)	777,778	2,163,247
Transfers	(885,106)	(866,631)	885,106	866,631	-	-
Change in net position	288,689	1,570,698	489,089	592,549	777,778	2,163,247
Net position at beginning of year, as previously reported	5,331,019	3,759,197	7,496,160	6,896,026	12,827,179	10,655,223
Cumulative effect of accounting change	(97,162)	1,124	(106,600)	7,585	(203,762)	8,709
Net position at beginning of year, as restated	5,233,857	3,760,321	7,389,560	6,903,611	12,623,417	10,663,932
Net position at end of year	$ 5,522,546	$ 5,331,019	$ 7,878,649	$ 7,496,160	$13,401,195	$12,827,179

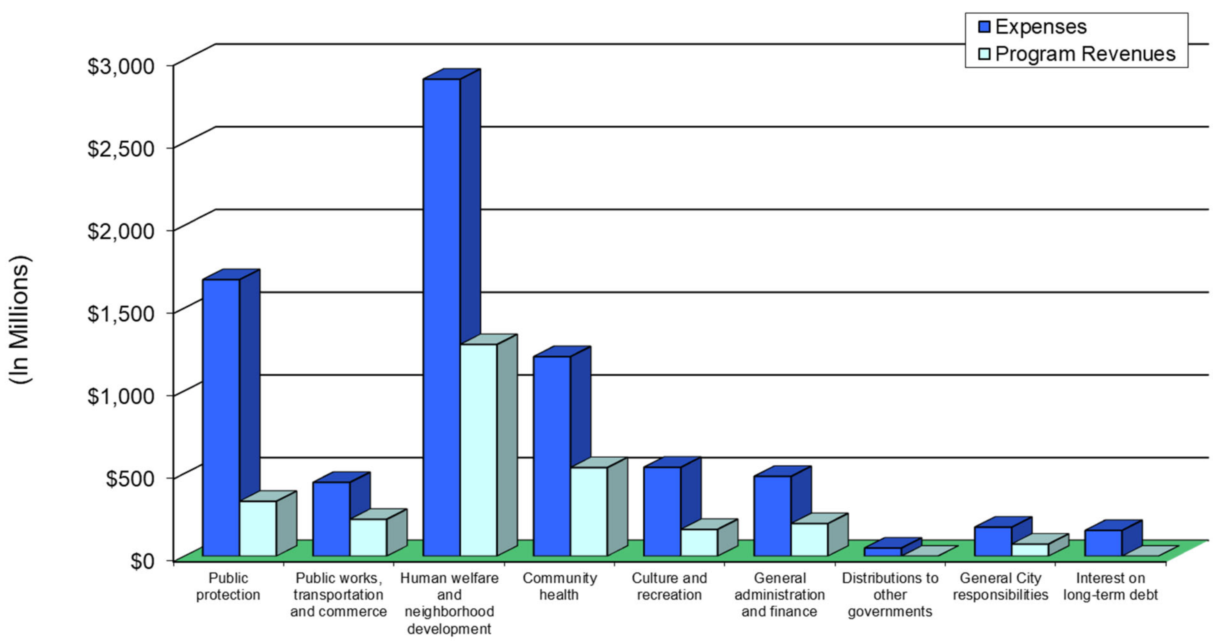
* Prior Year amounts have not been restated for implementation of GASB Statement Nos. 91, 94, and 96 and the change in reporting entity.

<u>Analysis of Changes in Net Position</u>

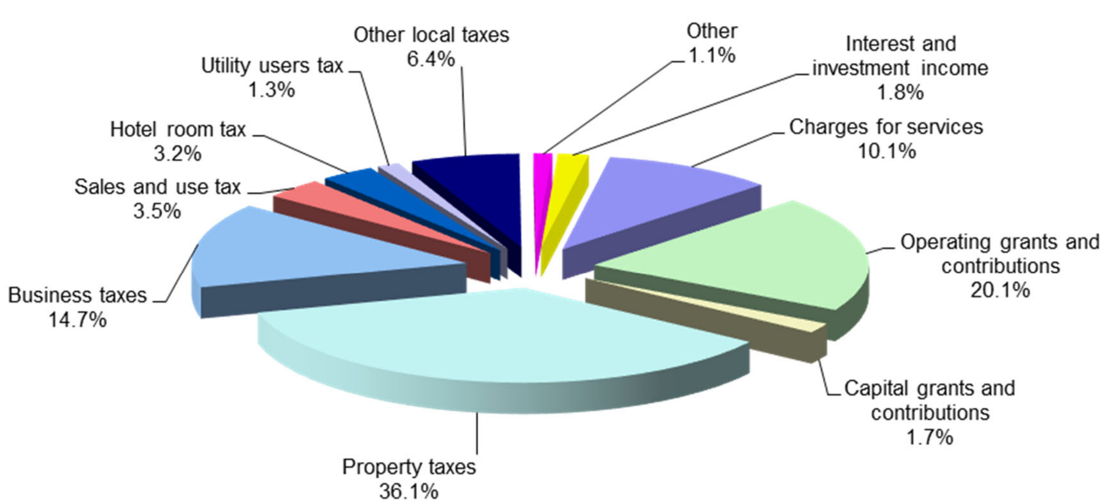
The City's change in net position was $777.8 million in fiscal year 2022-23, a 64.0 percent decrease from the prior fiscal year before the cumulative effect of $203.8 million for the adoption of GASB Statement Nos. 91 and 96 and change of reporting entity effective July 1, 2022, as noted above. The decrease in the change in net position was due to decreases of $1.28 billion and $103.5 million from governmental activities and business-type activities, respectively.

The City's governmental activities experienced a $205.4 million or 2.4 percent growth in total revenues with an increase in total expenses of $1.47 billion or 23.9 percent this fiscal year. Business-type activities revenues increased by $625.7 million or 13.0 percent, and total expenses increased by $747.7 million, or 14.7 percent. The net transfer to business-type activities increased by $18.5 million. The major components of increased revenue Citywide are increased charges for services of $651.6 million, property taxes of $162.6 million and interest and investment income of $535.3 million, offset by decreases of operating grants and contributions of $524.2 million, business taxes of $35.8 million and other local taxes of $111.5 million. 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 $288.7 million, excluding the impact of a $97.2 million restatement. Key factors contributing to the changes are discussed below.

Overall, total revenues from governmental activities were $8.78 billion, a $205.4 million or 2.4 percent improvement over the prior year. For the same period, expenses totaled $7.61 billion, a $1.47 billion or 23.9 percent increase before transfers of $885.1 million.

Property tax revenues rose by $162.6 million or 5.4 percent mainly due to $143.0 million increased collections of secured and unsecured property taxes and $17.4 million growth of in-lieu of vehicle license fee. Business tax revenues, however, fell moderately by $35.8 million or 2.7 percent primarily because of increased deferrals related to tax litigation for gross receipt taxes in fiscal year 2022-23.

Other local taxes dropped by $111.6 million, or 16.5 percent, of which the real property transfer tax accounted for $334.1 million decrease. This revenue is one of the most volatile of all sources due to its highly progressive rate structure, and is entirely driven by high-value transfers, predominately commercial properties in the City's downtown core. This tax is also highly sensitive to economic cycles and interest rates. Since the beginning of the COVID-19 pandemic in spring 2020, businesses in office-using sectors have largely adopted remote and hybrid work practices, resulting in persistently high office vacancies and reduced commercial real estate values. The rising interest rate environment increased the cost of borrowing and dampened investment in the commercial real sector. Additional factors affecting transfer tax revenue include credit availability, foreign capital flows, and the relative attractiveness of San Francisco real estate compared to other investment options. The number of transfers of high-value commercial real estate decreased from 101 in fiscal year 2021-22 to only 55 in fiscal year 2022-23. In addition, the fiscal year 2021-22 revenue included two once-in-a-generation transfers, which together yielded approximately $88.0 million. The decrease in transfer tax revenues was partly offset by $206.0 million of the Overpaid Executive Tax (OET) which was approved by voters in November 2020, and became effective in tax year 2022, with the first collections in fiscal year 2022-23. As pandemic restrictions eased and economic activity increased, the City's parking tax also saw an improvement of $11.6 million, and traffic congestion mitigation tax an increase of $2.3 million.

Hotel room tax was up by $104.4 million owing to the steady and strong levels of domestic and international tourism and the return of some conferences and conventions. Total enplanements at San Francisco International Airport improved by 34.6 percent over fiscal year 2021-22, although still below that of fiscal year 2018-19. By region, international enplanement to Asia, Canada and Oceania had the strongest growth. Revenue per Available Room (RevPAR), a measure highly correlated with hotel tax revenue, is a function of occupancy and average daily room rates (ADR). The annual average RevPAR increased from $108.16 in fiscal year 2021-22 to $154.76 in fiscal year 2022-23, an improvement of $46.60, or 43.1 percent. The annual ADR increased from $194.24 in fiscal year 2021-22 to $243.03 in fiscal year 2022-23, an improvement of $48.79 or 25.1 percent. The annual average occupancy levels also lifted from 54.2 percent to 63.8 percent, or 9.6 percent over the prior year. In addition, there was a total of 33 conferences with over 286,000 attendees that took place in Moscone Center in the current year compared to 23 conferences and 126,000 attendees in the prior year. The effect of convention compression pricing drove the RevPar to spike with each event.

Sales and use tax revenue grew by $16.2 million or 5.5 percent as business rebounded, primarily in restaurants and hotels sector as in-person activities, tourism, conventions and other events increased daytime population. This was followed by fuel and service stations from increased prices of crude oil, jet fuel, diesel and gasoline, consumer consumption and air travel. The gain was, however, slightly offset by decrease of allocation from e-commerce as a major online merchant began to deliver goods to San Franciscans through in-state fulfillment centers, resulting in shifting sales tax revenue from San Francisco to the jurisdictions in which the centers are located.

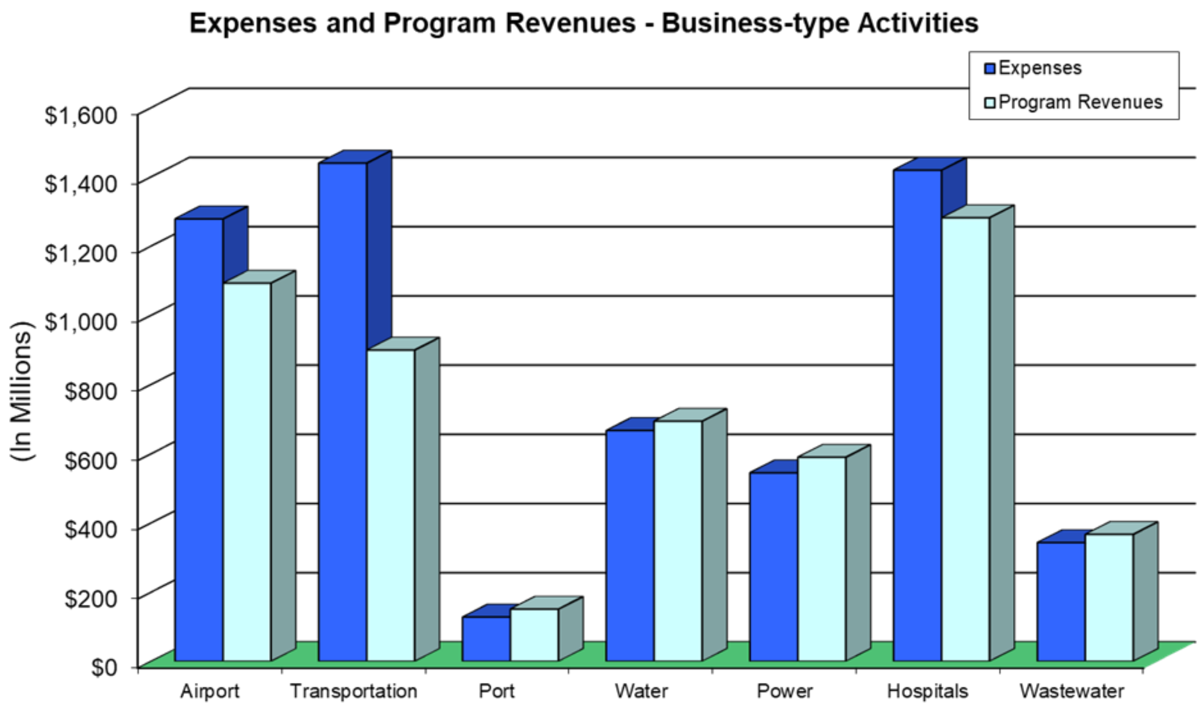
Interest and investment income jumped by $318.0 million, principally because the unrealized loss adjustment of the City Treasury investments pool decreased from $259.7 million with an earned income yield of 0.91% at June 2022 to $17.9 million and 3.01%, at June 2023. The variance is due to the inverted yield curve as the Federal Reserve continued to aggressively increase interest rates to stem surging inflation. Actual interest earnings also improved due to the Pool's higher year-to-date interest earning rate of 2.12% this fiscal year versus 0.6% in the prior year.

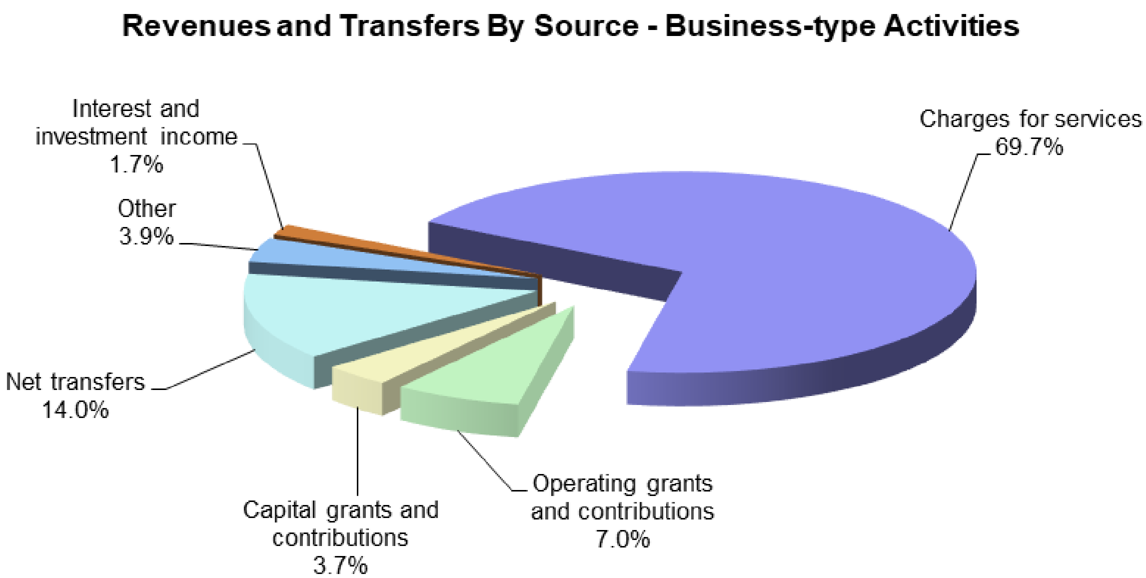
Total grants and contributions decreased by $377.4 million or 16.5 percent. Operating grants and contributions declined by $422.5 million or 19.3 percent primarily due to the reduction and expiration of the significant, one-time COVID disaster relief sources to the City. In fiscal years 2020-21 and 2021-22, the City received $312.4 million of American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund (SLFRF) revenues in each year, and used the aid to replace revenue losses that the City experienced due to business closures and other dynamics related to the COVID-19 emergency. There were no SLFRF revenues in 2023. Additionally, the City received $2.6 million of FEMA reimbursements for COVID-19 expenses compared to $183.4 million in the prior year. The $180.8 million reduction is primarily driven by FEMA's re-prioritization to review submissions of jurisdictions who have not yet received reimbursements of any COVID-related costs. The City expects additional reimbursement from FEMA in future years. Capital grants and contributions increased by $45.2 million or 42.8 percent mostly driven by property acquisitions funded by federal grants for human welfare projects.

Total charges for services rose by $104.4 million or 13.3 percent owing to the continual rebound in economic activity. Gains included $54.0 million in rents and concessions from convention, performance, and recreational facilities, $20.8 million in private grants, and $15.2 million in services to other agencies. Licenses, permits, and other revenues made up the remaining increases.

Net transfers from governmental activities to business-type activities were $885.1 million, a $18.5 million or 2.1 percent increase from the prior year. Major changes included $62.8 million more transfers from General Fund to General Hospital and $23.0 million more to Laguna Honda Hospital, respectively, to support salary, fringe, pharmaceutical and other expenditure increases. The Port also received $39.2 million transfers primarily from Series 2023B General Obligation Bond proceeds for seawall projects. This was partly offset by a decrease of net transfers to SFMTA primarily due to a total of $122.3 million transfers of two general obligation bonds proceeds issued in the Street Improvement Capital Project Funds to fund the transportation and road improvement projects in the prior year versus no similar issuance in this fiscal year. Transfers from General Fund to SFMTA increased by $36.9 million due in part to increased voter mandated funding requirements tied to aggregate discretionary revenue and the opening of the Central subway service in this fiscal year. The net transfers to SFMTA decreased by $77.9 million compared to prior year. Water also received $14.4 million less transfer due to the one-time bond proceeds from the Series 2021E Earthquake Safety and Emergency Response General Obligation Bonds issuance in fiscal year 2021-22. In addition, the transfer from the San Francisco International Airport to the General Fund increased by $10.8 million due to higher concession, parking, and transportation revenues driven by the rise in air travel.

Total governmental expenses grew by $1,469.0 million, or 23.9 percent, mainly attributed to the surge of pension liability expenses of $668.4 million resulting from investment losses and changes in assumption of the discount rate from 7.4 percent to 7.2 percent. Though the loss was slightly offset by the decrease in the Supplemental COLA assumptions, there were liability experience losses that further increased the net pension liability and the related expenses. City grants payments increased by $346.0 million, aid assistance payments and issuance of loans with related allowance have a combined increase of $137.4 million. Salaries, fringe and overhead costs also increased by $223.4 million due to citywide wage increases over the prior year. Departments in human welfare and neighborhood development functions had major combined increases in expenses of $550.9 million, followed by public protection departments of $419.0 million, and general administration and finance and culture and recreation of $146.8 million and $139.1 million, respectively.


Expenses and Program Revenues - Business-type Activities
Expenses
Program Revenues
(In Millions)
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
Airport
Transportation
Port
Water
Power
Hospitals
Wastewater


Revenues and Transfers By Source - Business-type Activities
Interest and investment income 1.7%
Charges for services 69.7%
Other 3.9%
Net transfers 14.0%
Capital grants and contributions 3.7%
Operating grants and contributions 7.0%

Business-type activities increased the City's net position by $489.1 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had a decrease in net position at fiscal year-end of $56.1 million, compared to a $165.4 million decrease in the prior year, a $109.3 million difference. Operating revenues totaled $1,064.1 million for fiscal year 2022-23, an increase of $242.9 million or 29.6 percent over the prior year and included an increase of $161.4 million in aviation primarily due to passenger traffic beginning to rebound, $22.9 million in rents and concessions, $51.3 million in parking and transportation, and $7.3 million in other revenues due to increased passenger traffic. For the same period, the Airport's operating expenses increased by $92.9 million, or 11.5 percent, for a net operating income of $161.4 million for the period. Net nonoperating activities saw a deficit of $197.4 million versus $180.0 million deficit in the prior year, a $17.4 million increase. The increase of $92.9 million in operating expenses is primarily due to an increase in personal services of $66.8 million due to an increase in pension expenses as a result of investment losses, and $16.3 million in contractual services due to increased expenses for various professional services contracts, such as parking, shuttle buses, and technology services. The net increase of $17.4 million in nonoperating activities is primarily due to a decrease in other nonoperating revenues of $144.9 million from the Federal ARPA grant being fully expended in fiscal year 2021-22, offset by an increase in interest income and investment income of $106.7 million due to investment fair value adjustments, and an increase of $19.5 million in passenger facility charges from the growth of passenger traffic and the easing of the COVID-19 restrictions. Capital contributions decreased by $12.3 million primarily due to assets transferred from SFO Fuel to Airport in the prior year. Transfers out increased by $10.8 million due to higher service payments to the City resulting from higher revenues.

- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of $58.7 million at the end of fiscal year 2022-23, compared to a decrease of $17.9 million at the end of the previous year, a $76.6 million difference. Operating revenues totaled $691.1 million, operating expenses totaled $460.3 million, nonoperating activities totaled a net expense of $154.9 million and the net decrease from transfers was $20.0 million. Compared to the prior year, operating revenues increased $118.0 million which was mainly due to an adopted rate increase of 15.9 percent for wholesale customers and a 5.0 percent drought surcharge for retail customers beginning July 1, 2022. The enterprise reported a total increase in operating expenses of $58.5 million in fiscal year 2022-23 mostly due to an increase of $52.3 million in personal services from adjustments to pension expenses based on actuarial estimates. Net nonoperating activity decreased by $18.8 million of net expense primarily due to increased interest and investment income of $22.1 million from prior year unrealized losses and higher interest earned on pooled cash. Transfers out increased $20.0 million due to various Mountain Tunnel Improvement projects.

- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2022-23 with a net position increase of $82.8 million, compared to a $43.5 million increase the prior year, a difference of $39.3 million. This change consisted of an increase in operating income of $37.5 million, an increase in net nonoperating activities of $8.8 million, an increase in capital contributions of $2.5 million, and a decrease in net transfers from the City of $9.5 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $24.9 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a $24.2 million increase in change in net position, and CleanPowerSF, which reported a $33.7 million increase in net position. Hetchy Water operating revenues increased by $3.4 million mainly due to an increase in water assessment fees from the Water Enterprise to fund upcountry water-related costs, while operating expenses decreased by $2.3 million mainly due to lower capital spending on the Mountain Tunnel Improvement Project. Hetchy Power's operating revenues increased by $30.8 million mainly due to increases of $19.5 million in wholesale revenue from Congestion Revenue Right credits from California Independent System Operator and $12.2 million in billings from non-work order City departments as a result of increased operations due to easing of COVID-19 restrictions. On the operating expenses side, Hetchy Power reported an increase of $35.2 million mainly attributed to an increase of $20.4 million in purchased electricity and transmission, distribution, and other power costs attributed to volatile and higher pricing in power market and $11.0 million in general and administrative expenses due to higher judgments and claims expenses. CleanPowerSF's operating revenues increased by $68.9 million mostly due to increases in electricity sales to retail and commercial customers resulting from increased consumption. Operating expenses for CleanPowerSF increased by $32.7 million mainly due to increases in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission.

- The City's Wastewater Enterprise's net position increased by $36.2 million, compared to a $60.1 million increase in the prior year, a $23.9 million change. Operating revenues decreased by $4.9 million primarily due to decreases in capacity fees resulting from fewer permits issued. Operating expenses increased by $4.2 million mainly due to expenses related to GASB 68 pension adjustment and 5.25 percent increase in cost of living adjustment. Net nonoperating activities increased by $17.8 million of net expense principally due to $15.0 million federal and state grants received prior year for customer utility arrearage relief and principal forgiveness of capital project improvements for the Southeast Plant.

- The Port ended fiscal year 2022-23 with a net position increase of $79.6 million, $43.2 million more than the $36.4 million increase in the previous year. In fiscal year 2022-23, operating revenues increased by $7.7 million primarily due to increased commercial and industrial, and cruise activity. Operating expenses increased $17.9 million over the prior year. This was primarily due to increases of $6.4 million in personal services from increased pension expenses attributed to investment losses, and $3.5 million of increased spending on contractual services primarily due to an increase in spending on the Waterfront Resilience Program and Mission Rock development project.

- The SFMTA had an increase in net position of $158.1 million for fiscal year 2022-23, compared to an increase of $527.8 million in the prior year, a $369.7 million change. SFMTA's total operating revenues were $350.2 million, while total operating expenses reached $1.42 billion. Operating revenues increased by $34.7 million compared to the prior year and is mainly due to increases in fare collections of $26.8 million and parking of $8.6 million. Operating expenses increased by $363.4 million, primarily due to an increase in personal services by $318.3 million primarily from significant increase in pension expenses and other postemployment benefits obligations based on actuarial reports. Net nonoperating activities decreased by $17.4 million, mainly from a $108.6 million decrease in federal grants, offset by an increase of $55.0 million in interest and investment income and $24.7 million increase in state grants, and $7.8 million increase in development fees. Capital contributions increased by $58.6 million. Transfers in decreased by $82.0 million.

- LHH, the City's skilled nursing care hospital, had an increase in net position of $15.0 million at the end of fiscal year 2022-23, compared to an increase of $61.4 million at the end of the previous year, a $46.4 million difference. The LHH's loss before transfers for the year was $108.1 million versus a loss of $26.3 million for the prior year. This change of $81.8 million was mostly due to a $3.7 million increase in operating revenues, a $96.4 million increase in operating expenses, and a $10.9 million increase in net nonoperating activities. Net transfers increased by approximately $35.4 million, due to a $24.6 million increase in transfers in and a $10.8 million decrease in transfers out.

- SFGH, the City's acute care hospital, ended fiscal year 2022-23 with a net position increase of $114.8 million, compared to an increase of $46.8 million the prior year, a $68.0 million change. Operating revenues increased $42.2 million from prior year, mainly due to a $37.3 million increase in net patient service revenue. Operating expenses increased approximately $34.6 million, mainly due to a $41.6 million increase in contractual services and $16.8 million increase in materials and supplies, offset by a $27.0 million decrease in personal services. Net nonoperating activities increased $10.0 million, mainly due to a decrease in interest expense. Net transfers increased by approximately $50.4 million, due to a $61.7 million increase in transfers in and a $11.3 million decrease in transfers out.

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 2022-23, the City governmental funds reported combined fund balances of $6.50 billion, a decrease of $276.2 million or 4.1 percent over the prior year. Of the total fund balances, $2.02 billion is assigned and $475.6 million is unassigned. The assigned and unassigned balances of $2.49 billion or 38.3 percent, represents the portion of the total fund balances that the City could potentially take administrative or legislative action to change prior appropriation decisions to make them available to meet the City's needs. Within these fund balance classifications, the General Fund has an assigned fund balance of $1.72 billion. The remainder of the governmental fund balances includes $1.5 million nonspendable for items that are not expected to be converted to cash such as advances, $3.68 billion restricted for programs at various levels and $330.0 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 $2.20 billion while total fund balance was $2.65 billion. Combined assigned and unassigned fund balances represent 41.8 percent of total expenditures, while total fund balance represents 50.2 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $867.7 million, before transfers and other items of $1.12 billion, resulting in total fund balance decreasing by $257.0 million. Overall, property tax collections increased by $123.0 million, other local taxes grew by $205.8 million mainly driven by the new OET, and hotel room taxes rose by $94.7 million as the economy and tourism continued to recover. Interest and investment income rebounded from the historic low in prior year with a net increase of $161.8 million primarily due to the significant reduction of the Pool's unrealized loss evaluation of $158.9 million. The Pool's yield rate increased by 3.5 times to 2.12 percent at the end of the fiscal year as the Federal Reserve aggressively raised interest rates to stem surging inflation. State grants revenues also increased by $34.7 million mostly for mental health programs and services. This growth was partly offset by the significant drop in federal grants revenues of $489.2 million as prior year one time ARPA SLFRF revenues went away and FEMA shifted focus to reimbursing other jurisdictions' COVID response cost claims. Real property transfer tax also fell by $334.1 million due to two once-in-a-generation high value property transfers in prior year, coupled with reduced total number of property transfers in current year. In addition, the net transfers out of General Fund were $71.4 million more, largely attributed to increased subsidy to the two hospitals and baseline transfers to SFMTA.

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 2022-23, the unrestricted net position for the proprietary funds was as follows: Airport: $47.1 million, Water Enterprise: $115.9 million, Hetch Hetchy Water and Power: $349.1 million, Wastewater Enterprise: $160.1 million, and Port: $204.8 million. In addition, the following funds had net deficits in unrestricted net position: SFMTA: $354.8 million, San Francisco General Hospital: $473.2 million, and Laguna Honda Hospital: $217.2 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 $489.1 million due to the current year financial activities. 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	Interfund Transfers, Net	Change In Net Position
Airport	$ 1,064,104	$ 902,750	$ 161,354	$ (197,389)	$ 28,679	$ (48,701)	$ (56,057)
Water	691,091	460,253	230,838	(154,882)	2,717	(20,027)	58,646
Hetch Hetchy	583,477	536,343	47,134	13,161	2,535	19,968	82,798
Municipal Transportation Agency	350,188	1,423,618	(1,073,430)	386,506	199,145	645,927	158,148
General Hospital	993,532	1,075,847	(82,315)	71,468	-	125,658	114,811
Wastewater Enterprise	363,936	261,350	102,586	(69,202)	2,740	43	36,167
Port	128,667	123,152	5,515	34,755	136	39,201	79,607
Laguna Honda Hospital	220,393	341,417	(121,024)	12,956	-	123,037	14,969
Total	$ 4,395,388	$ 5,124,730	$ (729,342)	$ 97,373	$ 235,952	$ 885,106	$ 489,089

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 lower than the final budget by $50.3 million. The City realized $152.3 million, $87.3 million, $66.3 million, $64.0 million, $61.3 million and $28.0 million revenues above budget in other local taxes, property taxes, interest and investment income, hotel room tax, state grants and subventions and utility users tax. The greater than expected local taxes were predominately driven by the new OET with tax year 2022 as the first year of collection. The OET, generally, imposes an additional gross receipts tax on taxable gross receipts from businesses in which the highest-paid managerial employee, within or outside of San Francisco, earns more than 100 times the median compensation of employees based in San Francisco. The City did not require any quarterly prepayments in the first tax year, so the entire first year of the tax was due and paid in fiscal year 2022-23. Additionally, two quarterly prepayments for tax year 2023 were collected in this same fiscal period. Property tax was higher primarily due to $43.7 million larger collection on secured annual and escape property tax than budgeted, $25.8 million excess residual property tax increment returned to the City due to obligations to the Successor Agency of the Redevelopment Agency being less than expected, and $16.5 million more Educational Revenue Augmentation Fund monies returned to General Fund than projected. Interest and investment income was better than budgeted by $66.3 million as the City assumed more time lag between interest rate increases and increases to earned income yields in the Pool because the City makes higher-yield investment as lower-yield investment matures. The Pool's interest rates rose 3.5 times to 2.12% at the end of fiscal year 2022-23, as the Federal Reserve aggressively increased interest rates to stem the surge in inflation. The $64.0 million above budget hotel tax was mainly derived from increased hotel stays with strong growth in international tourism and continued domestic recovery. State grants and subventions outperformed budget by $61.3 million, primarily attributed to increased statewide sales tax collection and higher aid payments and caseload than assumed in the budget for the health and welfare realignment segment. As the economy continued to recover, pandemic restrictions lifted and higher prices from inflation, some taxes, including utility users, sales and use, franchise and parking, performed better than projected.

These favorable budget variances were offset by lower than budgeted revenues of $262.2 million, $204.2 million and $51.7 million in federal grants and subventions, real property transfer tax and business taxes. The $262.2 million below budgeted federal grant revenues were predominantly due to FEMA disaster relief reimbursements being reprioritized by FEMA to review claims of jurisdictions who have not yet received the funding. The real property transfer tax, the most volatile revenue stream of the City, was expected to return to the prior long-term rate-adjusted average by fiscal year 2024-25, taking prior year's levels as a low after adjusting for the two once-in-a-generation transfers in fiscal year 2021-22, to reflect a multi-year recovery in the commercial real estate sector. However, commercial transactions slowed substantially in response to higher interest rates and uncertainty about the future value of office space. In addition, the actual impact from the City's tiered property transfer tax was also about $94.0 million less than anticipated. Business taxes were $51.7 million lower than budget mostly driven by the significant increase of deferrals to pay potential refunds related to eight new litigation matters. The rebound in charges for services, rents and concessions and other resources was slightly slower than anticipated.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $181.8 million in expenditure savings. Highlights of the variances include:

- $40.1 million savings for community health primarily in professional services and salaries and fringe for Health Network Services for managed care, Maternal, Child & Adolescent Health, Behavioral Health and Public Health Administration Divisions.

- $26.1 million savings for human welfare and neighborhood development largely due to less than budgeted expenditures for community-based organization services, salaries and fringe benefits and services from other City departments in Human Services Agency, Homelessness and Supporting Housing, Mayor's Office and Children, Youth and Their Families.

- $23.2 million savings for general administration and finance, primarily in salaries and fringe and non-personnel services. General Services Agency - Administrative Services has $5.6 million less spending than the budgeted for general administration, 311 Customer Services Center, Labor Standards, Procurement, Animal Care and Control, and other divisions. This is followed by Treasurer/Tax Collector, Planning and Elections, each with a saving of about $3.0 million, respectively.

- $17.9 million savings for public protection departments for salaries and fringe benefits and non-personnel services.

- Remaining savings for general city responsibilities, public works, transportation and commerce and culture and recreation departments are largely due to lower than budgeted salaries, fringe and overhead, capital outlay and services provided by other departments. The City also has a $46.5 million budgetary reserve and designation for self-insurance funds.

These changes in operating revenues and expenditures, as well as appropriations of reserves, resulted in a net available budgetary fund balance of $852.2 million at the end of fiscal year 2022-23. Within unassigned fund balances, the City's fiscal year 2023-24 and 2024-25 Adopted Original Budget assumed $291.7 million as a source in fiscal year 2024-25 and $499.3 million designated for various purposes, leaving $3.1 million available for future appropriations (see also Note to the Required Supplementary Information for additional budgetary fund balance details). The Adopted 2023-24 and 2024-25 Budget spent $193.5 million of reserves, including $41.3 million of Federal and State Emergency Grant Disallowance Reserve, $21.2 million of Public Health revenue anticipated and spent in FY 2023-24 but received in FY 2022-23, and the remaining balances of a number of other reserves: $90.2 million Fiscal Cliff Reserve, and $29.4 million Business Tax Stabilization Reserve, and $11.4 million in other reserves.

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2023, increased by $1.10 billion, 3.5 percent, to $32.95 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 $216.4 million or 19.6 percent to this total while $888.0 million or 80.4 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2023	2022*	2023	2022*	2023	2022*
Land	$ 936,793	$ 774,213	$ 360,765	$ 353,558	$ 1,297,558	$ 1,127,771
Construction in progress	616,327	586,526	4,864,424	5,821,916	5,480,751	6,408,442
Facilities and improvements	4,401,005	4,400,210	14,474,718	14,582,595	18,875,723	18,982,805
Machinery and equipment	136,864	146,321	1,905,717	1,949,387	2,042,581	2,095,708
Infrastructure	1,101,023	1,079,859	3,273,550	1,275,202	4,374,573	2,355,061
Right-to-use assets*	512,708	502,781	222,777	228,503	735,485	731,284
Intangible assets	98,909	97,352	44,291	47,127	143,200	144,479
Total	$ 7,803,629	$ 7,587,262	$ 25,146,242	$ 24,258,288	$ 32,949,871	$ 31,845,550

* See Note 17 to the basic financial statements. Fiscal year 2021-22 balances were not restated for GASB Statement Nos. 94 and 96.

Major capital asset events during the current fiscal year included the following:

- Under governmental activities, net capital assets increased by $216.4 million or 2.9 percent. About $248.5 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. The completed projects include about $88.2 million in the 333 12th street building for homeless residents project, $41.3 million for Southeast Family Health Center, $13.9 million in the Castro Mission Health Center renovation, $9.6 million for Van Ness Bus Rapid Transit street paving project, $6.1 million in Geary Street facility for public health crisis stabilization unit, $5.8 million in Mission Street permanent supportive housing development to house families exiting homelessness, and $4.8 million for County Jail #2 kitchen complex renovation. The remaining completed projects are mainly public works. Right-to-use assets increased by $9.9 million which included $33.6 million additions from the GASB Statement No. 96 implementation. The increases were offset by the $23.7 million decrease in lease assets primarily caused by lease termination.

- Under business-type activities, net capital assets included right-to-use assets which arose from GASB Statement Nos. 87 and 96 and declined by $5.7 million or 2.5 percent. The decreases were mainly due to $8.7 million lease assets amortization, offset by $3.0 million GASB Statement 96 implementation additions. Additional business-type activities are discussed below.

- The Water Enterprise's net capital assets increased by $30.7 million or 0.5 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Mountain Tunnel Improvements, San Francisco Westside Recycled Water Project, and New Water Utility Service Facilities. Facilities, improvements, machinery, and equipment decreased by $51.1 million mainly due to depreciation and amortization. As of June 30, 2023, Water Enterprise's Water System Improvement Program was 99.0 percent completed with $4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2023, 35 local projects were completed. For regional projects, 48 projects are completed and for the remaining 4 projects the expected completion date is February 2027.

- SFMTA's net capital assets increased by $204.6 million or 3.6 percent mainly from procurement of new revenue vehicles and from the Central Subway Project construction in progress offset by decrease in total leases and subscription IT assets. Equipment cost included light rail vehicles and motor buses procurement, Central Control System upgrades, and parking meters replacement. Infrastructure costs incurred during the fiscal year were primarily for Central Subway Project, Muni Forward Program, traffic signs installation and calming, street improvements, and traffic signal upgrade.

- The Wastewater Enterprise net capital assets reported an increase of $638.2 million or 15.8 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, 2023, 43 projects were completed, 7 projects in pre-construction phase, 11 projects in construction phase, and 9 projects in close-out phase. The Westside Pump Station Reliability Improvements is on-going construction.

- Hetch Hetchy's net capital assets increased by $80.1 million or 10.2 percent to $867.3 million primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Moccasin Powerhouse Rewind Project and the Mountain Tunnel Improvement Project.

- The Airport's net capital assets decreased by $42.6 million or 0.6 percent primarily due to the disposal of assets. Due to the COVID-19 pandemic and the reduction in travel demand, the Airport has reprioritized its Capital Improvement Plan to focus on projects that are essential to Airport operations and resiliency priorities given the present-day recovery landscape. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departures level security checkpoints. The T1 Redevelopment Program completed the Harvey Milk Boarding Area B, for a total of 22 operational gates, in May 2021. Construction activity continues in the Terminal 1 North area, and this work is forecasted to complete in fiscal year 2023-24. Notable projects that were completed in fiscal year 2022-23 included the completion of the Noise Insulation Program 2019-2023 Phase and the 12KV Cable Replacement and System Upgrade.

At the end of the year, the City's business-type activities had approximately $1.51 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $187.9 million, SFMTA had $353.0 million, Wastewater had $750.1 million, Airport had $40.6 million, Hetch Hetchy had $99.5 million, Port had $12.4 million, Laguna Honda Hospital had $52.5 million, and the General Hospital had $13.4 million.

For government-wide financial statement presentation, all depreciable/amortizable capital assets were depreciated/amortized from acquisition date or lease/subscription inception date to the end of the current fiscal year. Governmental fund financial statements record capital asset purchases as expenditure.

Additional information about the City's capital assets can be found in Note 7 to the Basic Financial Statements.

Debt Administration

At June 30, 2023, the City had total long-term and commercial paper debt outstanding of $24.66 billion. Of this amount, $2.84 billion which includes $253.5 million of bond premium represents 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. The remaining $21.82 billion represents revenue bonds, commercial paper notes, certificates of participation, leases and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total debt including all bonds, loans, commercial paper notes, leases and other debts increased by $880.0 million or 3.7 percent during the fiscal year.

For the year ended June 30, 2023, the net decrease in the long-term debt in the governmental activities was $123.9 million and the net increase in business-type activities was $1.70 billion as discussed in the 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 $332.02 billion in value as of the close of the fiscal year. As of June 30, 2023, the City had $2.84 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.80 percent of gross (0.86 percent of net) taxable assessed value of property. As of June 30, 2023, there were an additional $1.26 billion 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 1.16 percent of gross (1.23 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2023, were:

S&P Global Ratings	AAA
Moody's Investors Service, Inc.	Aaa
Fitch Ratings	AA+

During the fiscal year, S&P Global Ratings (S&P), Moody's Investors Service (Moody's) and Fitch Ratings maintained the City's general obligation bonds ratings of "AAA", "Aaa", and "AA+", respectively, with a stable rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "A+" from S&P and "Aa3" from Moody's. Moody's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1" and "A+", respectively. S&P raised its underlying long-term credit ratings on the outstanding debt of the Airport to "A+". The Water Enterprise carried underlying ratings of "Aa2" and "AA-" from Moody's and S&P, respectively. The Wastewater Enterprise carried underlying ratings of "Aa2" and "AA" from Moody's and S&P, respectively. The Hetch Hetchy Power Enterprise's power revenue bonds have been rated "AA-" by Fitch Ratings and "AA" by S&P as of June 30, 2023. In March 2023, S&P affirmed its "A" rating on Port's outstanding revenue bonds and revised its outlook from negative to stable. In April 2023, Fitch affirmed its "A" rating and stable outlook. In May 2023, Moody's affirmed its "Aa3" rating and revised its outlook from negative to stable on Port's outstanding revenue bonds.

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

Recent trends in economic indicators paint an overall picture of slowing growth. Local job losses reversed between August and October, with a net growth of 3,300 jobs over the two months. Gains were led by the education, health and government sectors, while the tech-heavy information and professional service sectors continued to shed jobs.

Despite the uptick in employment, the unemployment rate stayed flat at 3.4 percent over the two months.

The Kastle return-to-office indicator was also flat from September through mid-November. Other indicators of downtown recovery, including BART and MUNI metro ridership, showed slight declines, as did bridge crossings.

Travel through San Francisco International Airport has nearly recovered to pre-pandemic levels, with both domestic and international travel above 95 percent of normal. City hotel revenues, however, were still pegged at 70 percent of normal in October.

While housing permits spiked in October, apartment asking rents are trending down, and local housing prices are not yet participating in the statewide housing recovery.

The FY 2023-24 and FY 2024-25 budget was balanced with a heavy reliance on one-time solutions, leaving the City with an ongoing structural deficit. To begin addressing the anticipated shortfall, the Mayor's Office issued General Fund mid-year target cuts of 3 percent to City departments in October 2023. Additional cut targets of 10 percent, plus a 5 percent contingency, were issued in December 2023, for the FY 2024-25 and FY 2025-26 budget years.

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

Department and Component Unit 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, 7th 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

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 338
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position
Year Ended June 30, 2023
(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	$ 7,927,961	$ 3,456,847	$ 11,384,808	$ -
Deposits and investments outside City Treasury	247,270	33,012	280,282	-
Receivables (net of allowance for uncollectible amounts of $434,559 for the primary government):				
Property taxes and penalties	190,786	-	190,786	-
Other local taxes	387,442	-	387,442	-
Federal and state grants and subventions	450,784	164,406	615,190	3,431
Charges for services	152,089	361,557	513,646	3,657
Interest and other	86,220	217,822	304,042	17
Leases	4,678	168,141	172,819	2,365
Due from component units	13,096	372	13,468	-
Inventories	14,604	117,096	131,700	-
Due from primary government	-	-	-	38
Other assets	24,253	13,228	37,481	4,206
Restricted assets:				
Deposits and investments with City Treasury	-	737,613	737,613	-
Deposits and investments outside City Treasury	6,449	181,969	188,418	-
Grants and other receivables	-	113,587	113,587	-
Total current assets	9,505,632	5,565,650	15,071,282	13,714
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $2,445,643)	216,166	-	216,166	-
Leases receivable	83,909	1,426,181	1,510,090	16,588
Advance to component unit	-	6,805	6,805	-
Other assets	101	43,914	44,015	-
Net pension asset	17,362	-	17,362	-
Restricted assets:				
Deposits and investments with City Treasury	-	929,063	929,063	-
Deposits and investments outside City Treasury	-	706,595	706,595	-
Grants and other receivables	-	17,275	17,275	-
Capital assets:				
Land and other assets not being depreciated/amortized	1,554,026	5,237,232	6,791,258	34,846
Facilities, infrastructure and equipment, net of depreciation/amortization	6,249,603	19,909,010	26,158,613	23,180
Total capital assets	7,803,629	25,146,242	32,949,871	58,026
Total noncurrent assets	8,121,167	28,276,075	36,397,242	74,614
Total assets	17,626,799	33,841,725	51,468,524	88,328
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	5,965	156,111	162,076	-
Pensions	1,114,295	703,972	1,818,267	16
OPEB	351,395	334,069	685,464	-
Total deferred outflows of resources	$ 1,471,655	$ 1,194,152	$ 2,665,807	$ 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)

Year Ended June 30, 2023
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 680,111	$ 308,135	$ 988,246	$ 2,085
Accrued payroll	203,580	146,686	350,266	154
Accrued vacation and sick leave pay	128,356	89,830	218,186	-
Accrued workers' compensation	72,304	50,502	122,806	-
Estimated claims payable	155,464	46,288	201,752	-
Bonds, loans, leases, and other payables	369,811	285,803	655,614	-
Accrued interest payable	23,352	72,037	95,389	-
Unearned grant and subvention revenues	208,649	-	208,649	-
Due to primary government	-	-	-	9,846
Due to component unit	38	-	38	-
Internal balances	74,069	(74,069)	-	-
Unearned revenues and other liabilities	1,271,146	941,502	2,212,648	2,497
Liabilities payable from restricted assets:				
Bonds, loans, leases, and other payables	-	20,075	20,075	-
Accrued interest payable	-	64,062	64,062	-
Other	-	336,597	336,597	-
Total current liabilities	3,186,880	2,287,448	5,474,328	14,582
Noncurrent liabilities:				
Accrued vacation and sick leave pay	117,886	75,556	193,442	-
Accrued workers' compensation	305,486	225,544	531,030	-
Estimated claims payable	260,222	74,073	334,295	-
Bonds, loans, leases, and other payables	4,718,093	19,263,656	23,981,749	-
Advance from primary government	-	-	-	6,805
Unearned revenues and other liabilities	-	144,980	144,980	-
Net pension liability	1,954,150	1,113,763	3,067,913	11
Net other postemployment benefits (OPEB) liability	2,057,177	1,677,814	3,734,991	-
Total noncurrent liabilities	9,413,014	22,575,386	31,988,400	6,816
Total liabilities	12,599,894	24,862,834	37,462,728	21,398
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	79,536	12,387	91,923	-
Pensions	401,406	251,941	653,347	3
OPEB	402,124	343,577	745,701	-
Leases	87,017	1,686,489	1,773,506	18,570
Public-private partnerships	5,931	-	5,931	-
Total deferred inflows of resources	976,014	2,294,394	3,270,408	18,573
NET POSITION				
Net investment in capital assets, Note 10(d)	4,491,155	6,851,218	10,935,272	58,026
Restricted for:				
Reserve for rainy day	114,539	-	114,539	-
Debt service	156,851	171,232	328,083	-
Capital projects, Note 10(d)	319,105	1,014,138	1,208,105	-
Community development	998,679	-	998,679	-
Transportation Authority activities	72,024	-	72,024	-
Building inspection programs	74,418	-	74,418	-
Children and families	669,822	-	669,822	-
Culture and recreation	297,396	-	297,396	-
Grants	174,758	-	174,758	-
Other purposes	184,465	10,174	194,639	-
Total restricted	3,062,057	1,195,544	4,132,463	-
Unrestricted (deficit), Note 10(d)	(2,030,666)	(168,113)	(1,666,540)	(9,653)
Total net position	$ 5,522,546	$ 7,878,649	$ 13,401,195	$ 48,373

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, 2023

(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	$ 1,671,702	$ 103,361	$ 228,498	$ 142	$ (1,339,701)	$ -	$ (1,339,701)	$ -
Public works, transportation and commerce	446,286	133,565	40,431	49,160	(223,130)	-	(223,130)	-
Human welfare and neighborhood development	2,883,425	170,535	1,038,243	70,845	(1,603,802)	-	(1,603,802)	-
Community health	1,206,314	91,056	439,738	4,737	(670,783)	-	(670,783)	-
Culture and recreation	537,393	135,998	600	25,607	(375,188)	-	(375,188)	-
General administration and finance	482,618	188,245	8,941	134	(285,298)	-	(285,298)	-
Distributions to other governments	49,113	-	-	-	(49,113)	-	(49,113)	-
General city responsibilities	175,522	66,925	6,358	-	(102,239)	-	(102,239)	-
Unallocated interest on long-term debt and cost of issuance	155,749	-	-	-	(155,749)	-	(155,749)	-
Total governmental activities	7,608,122	889,685	1,762,809	150,625	(4,805,003)	-	(4,805,003)	-
Business-type activities:								
Airport	1,278,517	1,064,104	-	28,679	-	(185,734)	(185,734)	-
Transportation	1,439,742	350,188	350,111	199,145	-	(540,298)	(540,298)	-
Port	127,817	128,667	22,024	136	-	23,010	23,010	-
Water	666,970	691,091	-	2,717	-	26,838	26,838	-
Power	544,742	583,477	3,737	2,535	-	45,007	45,007	-
Hospitals	1,419,409	1,213,925	67,985	-	-	(137,499)	(137,499)	-
Sewer	343,018	363,936	152	2,740	-	23,810	23,810	-
Total business-type activities	5,820,215	4,395,388	444,009	235,952	-	(744,866)	(744,866)	-
Total primary government	$ 13,428,337	$ 5,285,073	$ 2,206,818	$ 386,577	(4,805,003)	(744,866)	(5,549,869)	-
Component unit:								
Treasure Island Development Authority	$ 21,532	$ 12,430	$ 896	$ -				$ (8,206)
General Revenues								
Taxes:								
Property taxes					3,167,382	-	3,167,382	-
Business taxes					1,290,918	-	1,290,918	-
Sales and use tax					309,385	-	309,385	-
Hotel room tax					278,961	-	278,961	-
Utility users tax					110,661	-	110,661	-
Parking tax					82,716	-	82,716	-
Real property transfer tax					186,247	-	186,247	-
Other local taxes					295,790	-	295,790	-
Interest and investment income					157,267	108,704	265,971	109
Other					99,471	240,145	339,616	9,403
Transfers - internal activities of primary government					(885,106)	885,106	-	-
Total general revenues and transfers					5,093,692	1,233,955	6,327,647	9,512
Change in net position					288,689	489,089	777,778	1,306
Net position at beginning of year, as previously reported					5,331,019	7,496,160	12,827,179	47,067
Cumulative effect of accounting change					(97,162)	(106,600)	(203,762)	-
Net position at beginning of year, as restated					5,233,857	7,389,560	12,623,417	47,067
Net position at end of year					$ 5,522,546	$ 7,878,649	$ 13,401,195	$ 48,373

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, 2023
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets:			
Deposits and investments with City Treasury	$ 3,709,353	$ 4,153,137	$ 7,862,490
Deposits and investments outside City Treasury	263	247,007	247,270
Receivables (net of allowance for uncollectible amounts of $366,442):			
Property taxes and penalties	182,148	8,638	190,786
Other local taxes	277,384	110,058	387,442
Federal and state grants and subventions	244,642	206,142	450,784
Charges for services	130,109	21,761	151,870
Interest and other	56,090	29,714	85,804
Leases	81,413	-	81,413
Due from other funds	7,309	15,219	22,528
Due from component units	3,603	9,493	13,096
Loans receivable (net of allowance for uncollectible amounts of $2,445,643 in 2023)	10,705	205,461	216,166
Inventories	14,604	-	14,604
Other assets	7,805	16,448	24,253
Total assets	$ 4,725,428	$ 5,023,078	$ 9,748,506
Liabilities:			
Accounts payable	$ 417,250	$ 252,267	$ 669,517
Accrued payroll	165,431	34,468	199,899
Unearned grant and subvention revenues	33,593	175,056	208,649
Due to other funds	210	96,387	96,597
Due to component units	-	38	38
Unearned revenues and other liabilities	1,028,387	239,644	1,268,031
Bonds, loans, leases, and other payables	-	38,790	38,790
Total liabilities	1,644,871	836,650	2,481,521
Deferred inflows of resources	432,420	331,103	763,523
Fund balances:			
Nonspendable	1,174	356	1,530
Restricted	114,539	3,565,843	3,680,382
Committed	330,010	-	330,010
Assigned	1,724,903	291,062	2,015,965
Unassigned	477,511	(1,936)	475,575
Total fund balances	2,648,137	3,855,325	6,503,462
Total liabilities, deferred inflows of resources and fund balances	$ 4,725,428	$ 5,023,078	$ 9,748,506

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2023
(In Thousands)

Fund balances – total governmental funds	$ 6,503,462
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.	7,770,546
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,972,094)
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.	677,676
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(22,446)
Deferred outflows and inflows of resources in governmental activities related to refunding of debt are not financial resources and, therefore, are not reported in the governmental funds.	(73,971)
Net pension asset/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.	(1,209,646)
Net OPEB asset/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.	(2,064,500)
Internal service funds are used by management to charge the costs of 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.	(86,481)
Net position of governmental activities	$ 5,522,546

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2023
(In Thousands)

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	$ 2,459,052	$ 697,986	$ 3,157,038
Business taxes	850,593	440,325	1,290,918
Sales and use tax	197,911	111,474	309,385
Hotel room tax	252,898	26,063	278,961
Utility users tax	110,661	-	110,661
Parking tax	82,716	-	82,716
Real property transfer tax	186,247	-	186,247
Other local taxes	278,112	17,678	295,790
Licenses, permits and franchises	28,953	14,203	43,156
Fines, forfeitures, and penalties	3,191	41,131	44,322
Interest and investment income	68,319	88,568	156,887
Rents and concessions	11,775	172,433	184,208
Intergovernmental:			
Federal	306,673	329,007	635,680
State	1,031,456	262,448	1,293,904
Other	1,582	7,356	8,938
Charges for services	243,234	144,319	387,553
Other	29,677	177,669	207,346
Total revenues	6,143,050	2,530,660	8,673,710
Expenditures:			
Current:			
Public protection	1,654,953	94,234	1,749,187
Public works, transportation and commerce	265,019	240,402	505,421
Human welfare and neighborhood development	1,577,163	1,421,283	2,998,446
Community health	967,381	201,222	1,168,603
Culture and recreation	172,832	340,295	513,127
General administration and finance	301,748	138,019	439,767
General City responsibilities	189,570	-	189,570
Distributions to other governments	-	49,113	49,113
Debt service:			
Principal retirement	66,707	334,253	400,960
Interest and other fiscal charges	7,970	173,493	181,463
Bond issuance costs	-	5,747	5,747
Capital outlay	72,033	148,884	220,917
Total expenditures	5,275,376	3,146,945	8,422,321
Excess (deficiency) of revenues over (under) expenditures	867,674	(616,285)	251,389
Other financing sources (uses):			
Transfers in	119,361	582,869	702,230
Transfers out	(1,316,074)	(271,483)	(1,587,557)
Issuance of bonds:			
Face value of bonds issued	-	267,975	267,975
Premium on issuance of bonds	-	6,364	6,364
Inception of leases and subscriptions	72,033	-	72,033
Total other financing sources (uses)	(1,124,680)	585,725	(538,955)
Net changes in fund balances	(257,006)	(30,560)	(287,566)
Fund balances at beginning of year, as previously reported	2,905,143	3,874,527	6,779,670
Cumulative effect of accounting change	-	11,358	11,358
Fund balances at beginning of year, as restated	2,905,143	3,885,885	6,791,028
Fund balances at end of year	$ 2,648,137	$ 3,855,325	$ 6,503,462

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, 2023
(In Thousands)

Net changes in fund balances - total governmental funds	$ (287,566)
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, the loss on disposal of capital assets, and contributed capital assets.	194,830
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.	532,057
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.	10,344
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 increased in the governmental funds.	57,151
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.	14
Changes to net pension asset/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.	(340,404)
Changes to net OPEB asset/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.	4,930
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt, leases and subscriptions consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond, lease and subscription proceeds in the current period.	60,952
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.	(6,364)
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.	34,259
The activities of internal service funds are reported with governmental activities.	28,486
Change in net position of governmental activities	$ 288,689

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

June 30, 2023
(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	Governmental Activities - Internal Service Funds
ASSETS										
Current assets:										
Deposits and investments with City Treasury	$ 998,115	$ 402,885	$ 399,864	$ 722,409	$ 240,856	$ 355,770	$ 336,948	$ -	$ 3,456,847	$ 65,471
Deposits and investments outside City Treasury	23,773	192	154	8,708	7	173	5	-	33,012	-
Receivables (net of allowance for uncollectible amounts of $68,117):										
Federal and state grants and subventions	-	-	2,369	101,278	1,879	-	450	58,430	164,406	-
Charges for services	67,438	69,514	54,307	4,727	82,249	40,093	18,168	25,061	361,557	219
Interest and other	11,204	9,441	2,357	9,039	171,502	2,178	11,415	686	217,822	416
Leases	114,523	3,521	-	7,437	375	212	41,963	110	168,141	15,120
Due from other funds	-	115	4,309	77,100	17	128	-	-	81,669	-
Due from component unit	-	-	372	-	-	-	-	-	372	-
Inventories	3,232	8,191	1,840	84,716	12,328	3,340	1,875	1,574	117,096	-
Other assets	4,862	-	7,312	308	-	570	176	-	13,228	-
Restricted assets:										
Deposits and investments with City Treasury	575,751	-	-	802	-	-	58,686	102,374	737,613	-
Deposits and investments outside City Treasury	111,574	10,863	5,371	17	-	48,717	5,402	25	181,969	6,449
Grants and other receivables	54,646	39,657	4,151	-	-	15,133	-	-	113,587	-
Total current assets	1,965,118	544,379	482,406	1,016,541	509,213	466,314	475,088	188,260	5,647,319	87,675
Noncurrent assets:										
Other assets	-	19,103	21,105	-	-	1,457	2,249	-	43,914	-
Leases receivable	831,198	40,109	-	82,081	7,426	1,245	463,121	1,001	1,426,181	75,347
Advance to component unit	-	-	6,805	-	-	-	-	-	6,805	-
Restricted assets:										
Deposits and investments with City Treasury	545,745	21,000	28,586	295,158	-	38,574	-	-	929,063	-
Deposits and investments outside City Treasury	565,059	66,482	3,840	4,555	220	66,439	-	-	706,595	-
Grants and other receivables	2,650	4	-	1,957	-	417	-	12,247	17,275	-
Capital assets:										
Land and other assets not being depreciated/amortized	1,036,900	640,995	377,088	739,752	28,153	2,280,581	117,432	16,331	5,237,232	313
Facilities, infrastructure, and equipment, net of depreciation/amortization	5,897,598	5,011,957	490,216	5,217,077	68,692	2,405,765	375,542	442,163	19,909,010	32,770
Total capital assets	6,934,498	5,652,952	867,304	5,956,829	96,845	4,686,346	492,974	458,494	25,146,242	33,083
Total noncurrent assets	8,879,150	5,799,650	927,640	6,340,580	104,491	4,794,478	958,344	471,742	28,276,075	108,430
Total assets	10,844,268	6,344,029	1,410,046	7,357,121	613,704	5,260,792	1,433,432	660,002	33,923,394	196,105
DEFERRED OUTFLOWS OF RESOURCES										
Unamortized loss on refunding of debt	30,534	124,635	-	786	-	8	148	-	156,111	602
Pensions	105,957	70,101	20,976	238,265	157,362	32,592	14,987	63,732	703,972	18,551
OPEB	38,931	28,616	8,226	124,604	87,540	11,493	5,702	28,957	334,069	9,052
Total deferred outflows of resources	175,422	223,352	29,202	363,655	244,902	44,093	20,837	92,689	1,194,152	28,205

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, 2023

(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**	**Governmental Activities - Internal Service Funds**
LIABILITIES										
Current liabilities:										
Accounts payable	$ 78,054	$ 22,671	$ 50,347	$ 87,188	$ 23,908	$ 23,207	$ 6,353	$ 16,407	$ 308,135	$ 10,594
Accrued payroll	19,383	11,807	4,836	50,364	36,497	7,631	2,695	13,473	146,686	3,681
Accrued vacation and sick leave pay	12,326	7,057	3,393	31,093	21,479	6,040	1,818	6,624	89,830	2,652
Accrued workers' compensation	2,710	1,914	617	32,236	7,035	1,509	611	3,870	50,502	256
Estimated claims payable	122	11,125	766	32,400	-	1,650	225	-	46,288	-
Due to other funds	-	2,440	1,946	594	-	2,620	-	-	7,600	-
Unearned revenues and other liabilities	461,730	13,977	12,136	62,664	312,340	6,457	19,371	52,827	941,502	2,581
Accrued interest payable	-	35,104	1,599	5,447	38	27,918	1,304	627	72,037	906
Bonds, loans, leases, and other payables	73,941	139,951	2,233	20,695	4,726	33,000	4,567	6,690	285,803	24,694
Liabilities payable from restricted assets:									-	
Bonds, loans, leases, and other payables	20,075	-	-	-	-	-	-	-	20,075	-
Accrued interest payable	64,062	-	-	-	-	-	-	-	64,062	-
Other	118,746	40,863	28,866	23,799	-	122,825	-	1,498	336,597	-
Total current liabilities	851,149	286,909	106,739	346,480	406,023	232,857	36,944	102,016	2,369,117	45,364
Noncurrent liabilities:										
Accrued vacation and sick leave pay	11,861	6,528	3,332	24,991	16,555	5,622	1,684	4,983	75,556	2,953
Accrued workers' compensation	9,857	7,821	2,840	140,795	35,432	6,489	2,272	20,038	225,544	1,084
Estimated claims payable	4,150	8,500	6,118	52,200	-	2,700	405	-	74,073	-
Unearned revenues and other liabilities	24	1,271	580	-	-	7,988	135,117	-	144,980	-
Bonds, loans, leases, and other payables	9,414,592	5,203,198	318,237	599,343	7,297	3,520,696	136,244	64,049	19,263,656	88,173
Net pension liability	162,200	115,343	33,468	372,813	258,127	49,549	21,192	101,071	1,113,763	27,142
Net other postemployment benefits (OPEB) liability	257,767	148,601	37,180	642,513	355,774	49,035	30,862	156,082	1,677,814	44,150
Total noncurrent liabilities	9,860,451	5,491,262	401,755	1,832,655	673,185	3,642,079	327,776	346,223	22,575,386	163,502
Total liabilities	10,711,600	5,778,171	508,494	2,179,135	1,079,208	3,874,936	364,720	448,239	24,944,503	208,866
DEFERRED INFLOWS OF RESOURCES										
Unamortized gain on refunding of debt	-	-	-	-	-	11,353	-	1,034	12,387	202
Pensions	37,692	28,504	10,500	80,301	57,206	10,023	4,830	22,885	251,941	5,662
OPEB	50,948	27,075	9,775	125,493	89,337	8,286	6,573	26,090	343,577	8,207
Leases	1,042,367	41,558	-	79,850	7,699	1,453	512,492	1,070	1,686,489	7,101
Total deferred inflows of resources	1,131,007	97,137	20,275	285,644	154,242	31,115	523,895	51,079	2,294,394	21,172
NET POSITION										
Net investment in capital assets	(1,603,694)	545,542	556,035	5,332,130	85,126	1,235,215	313,084	387,780	6,851,218	6,896
Restricted:										
Debt service	75,798	14,625	56	-	-	3,510	-	77,243	171,232	-
Capital projects	653,258	15,959	5,233	275,406	13,188	-	47,811	3,283	1,014,138	-
Other purposes	4,660	-	-	3,284	-	-	-	2,230	10,174	-
Unrestricted (deficit)	47,061	115,947	349,155	(354,823)	(473,158)	160,109	204,759	(217,163)	(168,113)	(12,624)
Total net position	$ (822,917)	$ 692,073	$ 910,479	$ 5,255,997	$ (374,844)	$ 1,398,834	$ 565,654	$ 253,373	$ 7,878,649	$ (5,728)

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

Year Ended June 30, 2023
(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	Governmental Activities - Internal Service Funds
Operating revenues:										
Aviation	$ 630,250	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 630,250	$ -
Water and power service	-	661,241	583,194	-	-	-	-	-	1,244,435	-
Passenger fees	-	-	-	87,803	-	-	-	-	87,803	-
Net patient service revenue	-	-	-	-	975,675	-	-	219,592	1,195,267	-
Sewer service	-	-	-	-	-	354,491	-	-	354,491	-
Rents and concessions	165,396	13,282	283	12,606	3,183	822	99,792	-	295,364	492
Parking and transportation	183,520	-	-	191,911	-	-	21,271	-	396,702	-
Other charges for services	-	-	-	30,642	-	-	-	-	30,642	186,082
Other revenues	84,938	16,568	-	27,226	14,674	8,623	7,604	801	160,434	-
Total operating revenues	1,064,104	691,091	583,477	350,188	993,532	363,936	128,667	220,393	4,395,388	186,574
Operating expenses:										
Personal services	283,669	135,709	68,459	892,654	535,413	89,726	36,988	231,100	2,273,718	59,920
Contractual services	97,718	16,919	20,334	155,725	317,047	20,777	21,283	54,892	704,695	62,003
Light, heat and power	28,771	-	344,036	-	-	-	5,110	-	377,917	-
Materials and supplies	13,384	20,046	4,274	77,100	144,956	14,306	1,189	24,978	300,233	18,147
Depreciation and amortization	355,475	155,714	24,671	229,262	15,575	78,039	25,272	12,576	896,584	14,762
General and administrative	3,883	51,955	58,201	(2,249)	1,154	17,503	2,120	-	132,567	442
Services provided by other departments	27,247	79,910	16,368	93,497	59,693	40,999	27,798	17,871	363,383	16,337
Other	92,603	-	-	(22,371)	2,009	-	3,392	-	75,633	831
Total operating expenses	902,750	460,253	536,343	1,423,618	1,075,847	261,350	123,152	341,417	5,124,730	172,442
Operating income (loss)	161,354	230,838	47,134	(1,073,430)	(82,315)	102,586	5,515	(121,024)	(729,342)	14,132
Nonoperating revenues (expenses):										
Operating grants:										
Federal	-	-	1,776	147,596	-	152	-	-	149,524	-
State / other	-	-	1,961	202,515	66,767	-	22,024	1,218	294,485	225
Interest and investment income	42,540	11,156	4,603	27,561	5,163	2,556	13,950	1,175	108,704	2,321
Interest expense	(350,349)	(204,942)	(7,907)	(16,124)	(462)	(81,133)	(4,530)	(1,683)	(667,130)	(3,146)
Other nonoperating revenues	135,838	40,679	13,220	24,958	-	9,758	3,446	12,246	240,145	682
Other nonoperating expenses	(25,418)	(1,775)	(492)	-	-	(535)	(135)	-	(28,355)	-
Total nonoperating revenues (expenses)	(197,389)	(154,882)	13,161	386,506	71,468	(69,202)	34,755	12,956	97,373	82
Income (loss) before capital contributions and transfers	(36,035)	75,956	60,295	(686,924)	(10,847)	33,384	40,270	(108,068)	(631,969)	14,214
Capital contributions	28,679	2,717	2,535	199,145	-	2,740	136	-	235,952	-
Transfers in	-	5	20,000	645,927	137,399	75	39,233	123,165	965,804	362
Transfers out	(48,701)	(20,032)	(32)	-	(11,741)	(32)	(32)	(128)	(80,698)	(141)
Change in net position	(56,057)	58,646	82,798	158,148	114,811	36,167	79,607	14,969	489,089	14,435
Net position (deficit) at beginning of year as previously reported	(660,243)	633,418	827,678	5,097,849	(489,655)	1,362,662	486,047	238,404	7,496,160	(20,163)
Cumulative effect of accounting change	(106,617)	9	3	-	-	5	-	-	(106,600)	-
Net position (deficit) at beginning of year, as restated	(766,860)	633,427	827,681	5,097,849	(489,655)	1,362,667	486,047	238,404	7,389,560	(20,163)
Net position (deficit) at end of year	$ (822,917)	$ 692,073	$ 910,479	$ 5,255,997	$ (374,844)	$ 1,398,834	$ 565,654	$ 253,373	$ 7,878,649	$ (5,728)

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2023
(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	Governmental Activities - Internal Service Funds
Cash flows from operating activities:										
Cash received from customers, including cash deposits	$ 1,136,744	$ 587,435	$ 587,802	$ 395,054	$ 923,464	$ 364,866	$ 34,572	$ 237,473	$ 4,267,410	$ 203,491
Cash received from tenants for rent	-	13,098	287	3,190	842	3,126	89,808	-	110,351	-
Cash paid for employees' services	(328,397)	(142,866)	(72,404)	(911,461)	(665,007)	(95,895)	(47,090)	(245,672)	(2,508,792)	(65,455)
Cash paid to suppliers for goods and services	(280,170)	(174,938)	(420,868)	(362,781)	(519,904)	(95,599)	(61,056)	(84,953)	(2,000,269)	(94,281)
Cash paid for judgments and claims	-	(6,927)	(7,604)	(17,608)	-	(5,500)	-	-	(37,639)	-
Net cash provided by (used in) operating activities	528,177	275,802	87,213	(893,606)	(260,605)	170,998	16,234	(93,152)	(168,939)	43,755
Cash flows from noncapital financing activities:										
Operating grants	-	-	2,108	361,529	66,304	177	116,429	1,218	547,765	225
Transfers in	-	5	20,000	584,145	137,399	75	-	122,784	864,408	362
Transfers out	(48,701)	(20,032)	(32)	-	(11,741)	(32)	(32)	(128)	(80,698)	(141)
Other noncapital financing sources	31,692	6,750	6,551	26,986	-	5,000	3,531	-	80,510	-
Other noncapital financing uses	(25,348)	(1,775)	(499)	-	-	(535)	-	-	(28,157)	-
Net cash provided by (used in) noncapital financing activities	(42,357)	(15,052)	28,128	972,660	191,962	4,685	119,928	123,874	1,383,828	446
Cash flows from capital and related financing activities:										
Capital grants and other proceeds restricted for capital purposes	8,713	-	-	140,109	-	-	4,196	14,003	167,021	-
Transfers in	-	-	-	61,782	-	-	39,233	381	101,396	-
Bond sale proceeds and loans received	1,064	12,371	-	-	-	1,617,314	-	-	1,630,749	-
Proceeds from sale/transfer of capital assets	-	1,370	7	499	-	127	1	-	2,004	-
Proceeds from commercial paper borrowings	417,250	165,162	76,333	-	-	177,564	-	-	836,309	-
Proceeds from passenger facility charges	95,856	-	-	-	-	-	-	-	95,856	-
Acquisition of capital assets	(259,793)	(172,835)	(98,397)	(457,867)	(12,413)	(681,615)	(8,637)	(7,785)	(1,699,342)	(1,263)
Retirement of leases, subscriptions, bonds and loans	(29,308)	(130,320)	(3,020)	(8,837)	(1,957)	(1,016,772)	(5,143)	(6,508)	(1,201,865)	(21,080)
Bond issue costs paid	-	-	-	-	-	(3,124)	-	-	(3,124)	-
Interest paid on debt	(387,197)	(214,364)	(9,213)	(17,207)	(467)	(89,055)	(4,800)	(2,792)	(725,095)	(2,957)
Federal interest income subsidy from Build America Bonds	-	23,260	502	-	-	3,991	-	-	27,753	-
Other capital financing sources	-	-	-	1,978	-	-	154	-	2,132	-
Net cash provided by (used in) capital and related financing activities	(153,415)	(315,356)	(33,788)	(279,543)	(14,837)	8,430	25,004	(2,701)	(766,206)	(25,300)
Cash flows from investing activities:										
Purchases of investments with trustees	(659,908)	(348,315)	(10,224)	-	-	(514,288)	-	-	(1,532,735)	-
Proceeds from sale of investments with trustees	628,083	348,315	10,224	-	-	514,288	-	-	1,500,910	-
Interest and investment income	36,369	9,141	5,784	19,839	5,163	4,948	11,053	705	93,002	220
Other investing activities	-	-	-	-	-	-	-	-	-	79
Net cash provided by investing activities	4,544	9,141	5,784	19,839	5,163	4,948	11,053	705	61,177	299
Net increase (decrease) in cash and cash equivalents	336,949	(45,465)	87,337	(180,650)	(78,317)	189,061	172,219	28,726	509,860	19,200
Cash and cash equivalents-beginning of year	1,810,483	560,366	364,127	1,212,299	319,400	333,163	228,557	73,673	4,902,068	52,720
Cash and cash equivalents-end of year	$ 2,147,432	$ 514,901	$ 451,464	$ 1,031,649	$ 241,083	$ 522,224	$ 400,776	$ 102,399	$ 5,411,928	$ 71,920

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, 2023

(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	Governmental Activities - Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:										
Operating income (loss)	$ 161,354	$ 230,838	$ 47,134	$ (1,073,430)	$ (82,315)	$ 102,586	$ 5,515	$ (121,024)	$ (729,342)	$ 14,132
Adjustments for non-cash and other activities:										
Depreciation and amortization	355,475	155,714	24,671	229,262	15,575	78,039	25,272	12,576	896,584	14,762
Provision for uncollectibles	-	4,584	4,219	(54)	-	5,500	(114)	-	14,135	-
Write-off of capital assets	-	4,628	403	-	-	911	-	-	5,942	-
Other	532	4,832	8,725	-	-	686	-	-	14,775	52
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:										
Receivables, net	8,026	(6,946)	841	3,879	(16,105)	(5,557)	(508)	26,250	9,880	13,899
Due from other funds	-	63	345	-	(17)	1,208	369	(31,066)	(29,098)	-
Inventories	92	(1,389)	37	188	(714)	(382)	(301)	1,007	(1,462)	-
Other assets	(1,053)	-	6,152	336	-	-	44	-	5,479	-
Accounts payable	8,127	(181)	1,699	5,222	5,632	830	1,400	10,404	33,133	3,851
Accrued payroll	2,245	1,312	681	6,109	4,353	1,229	522	1,233	17,684	507
Accrued vacation and sick leave pay	3	(144)	413	171	331	761	96	(1,280)	351	272
Accrued workers' compensation	474	762	(21)	18,407	1,816	452	336	526	22,752	(85)
Estimated claims payable	-	(16,444)	5,202	(30,063)	-	(7,695)	130	-	(48,870)	-
Due to other funds	-	2,440	1,566	151	-	2,102	-	-	6,259	(31)
Unearned revenues and other liabilities	44,677	(94,080)	(9,516)	(10,038)	(50,763)	60	(305)	23,298	(96,667)	2,683
Related to leases	(4,325)	1,470	-	-	(2,304)	2,856	(6,860)	(24)	(9,187)	(58)
Net pension liability/asset and pension related deferred outflows and inflows of resources	(50,910)	(21,699)	(10,557)	(89,497)	(105,011)	(13,551)	(7,109)	(18,358)	(316,692)	(5,805)
Net OPEB liability and OPEB related deferred outflows and inflows of resources	3,460	10,042	5,219	45,751	(31,083)	963	(2,253)	3,306	35,405	(424)
Total adjustments	366,823	44,964	40,079	179,824	(178,290)	68,412	10,719	27,872	560,403	29,623
Net cash provided by (used in) operating activities	$ 528,177	$ 275,802	$ 87,213	$ (893,606)	$ (260,605)	$ 170,998	$ 16,234	$ (93,152)	$ (168,939)	$ 43,755
Reconciliation of cash and cash equivalents to the statement of net position:										
Deposits and investments with City Treasury:										
Unrestricted	$ 998,115	$ 402,885	$ 399,864	$ 722,409	$ 240,856	$ 355,770	$ 336,948	$ -	$ 3,456,847	$ 65,471
Restricted	1,121,496	21,000	28,586	295,960	-	38,574	58,686	102,374	1,666,676	-
Deposits and investments outside City Treasury:										
Unrestricted	23,773	192	154	8,708	7	173	5	-	33,012	-
Restricted	676,633	77,345	9,211	4,572	220	115,156	5,402	25	888,564	6,449
Total deposits and investments	2,820,017	501,422	437,815	1,031,649	241,083	509,673	401,041	102,399	6,045,099	71,920
Adjustments: Investments outside City Treasury not meeting the definition of cash equivalents and fair value adjustments	(672,585)	13,479	13,649	-	-	12,551	(265)	-	(633,171)	-
Cash and cash equivalents at end of year on statement of cash flows	$ 2,147,432	$ 514,901	$ 451,464	$ 1,031,649	$ 241,083	$ 522,224	$ 400,776	$ 102,399	$ 5,411,928	$ 71,920
Non-cash capital and related financing activities:										
Acquisition of capital assets on accounts payable and via leases and subscriptions	$ 110,362	$ 40,863	$ 28,866	$ -	$ -	$ 122,825	$ 1,038	$ -	$ 303,954	$ 3,370
Donated inventory	-	-	-	-	2,760	-	-	-	2,760	-
Capital contributions and other non-cash capital items	-	2,717	2,535	-	-	2,740	941	-	8,933	-
Bond refunding through fiscal agent	263,976	-	-	-	-	-	-	-	263,976	-
Interfund loan	-	2,440	-	-	-	2,620	-	-	5,060	-
Sale of land promissory note	-	11,007	-	-	-	-	-	-	11,007	-

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Private-Purpose Trust Fund	Custodial Funds: External Investment Pool	Custodial Funds: Other Custodial Funds
Assets:				
Deposits and investments with City Treasury	$ 122,525	$ 185,710	$ 1,433,817	$ 1,232,871
Deposits and investments outside City Treasury:				
Cash and deposits	17,929	-	-	163,776
Short-term investments	384,206	-	-	-
Debt securities	2,041,070	-	-	-
Equity securities	11,018,114	-	-	-
Real assets	5,243,926	-	-	-
Private equity and other alternative investments	15,891,557	-	-	-
Foreign currency contracts, net	(1,029)	-	-	-
Invested securities lending collateral	562,491	-	-	-
Receivables:				
Employer and employee contributions	57,545	-	-	-
Brokers, general partners and others	135,854	-	-	-
Federal and state grants and subventions	-	1,553	-	8,537
Charges for services	-	-	-	4
Taxes	-	-	-	155,105
Interest and other	18,879	2,642	9,175	7,449
Loans (net of allowance for uncollectible amounts)	-	1,471	-	-
Net OPEB asset	-	2,118	-	-
Other assets	5,201	2,131	-	-
Restricted assets:				
Deposits and investments outside City Treasury	-	319,563	-	28,885
Capital assets:				
Land and other assets not being depreciated	-	4,152	-	-
Total assets	35,498,268	519,340	1,442,992	1,596,627
Deferred outflows of resources:				
Unamortized loss on refunding of debt	-	33,862	-	-
Pensions	-	14,513	-	-
OPEB	2,366	3,619	-	-
Total deferred outflows of resources	2,366	51,994	-	-
Liabilities:				
Accounts payable	66,283	52,768	-	12,160
Estimated claims payable	38,152	-	-	-
Due to the primary government	-	3,622	-	-
Custodial obligations to State of California	-	-	-	690
Taxes payable to other governments	-	-	-	252,451
Accrued interest payable	-	12,773	-	-
Payable to brokers	55,038	-	-	-
Payable to borrowers of securities	562,408	-	-	-
Other liabilities	3,999	1,067	-	117,083
Long-term obligations	-	876,559	-	-
Net pension liability	-	37,328	-	-
Net OPEB liability	11,279	-	-	-
Total liabilities	737,159	984,117	-	382,384
Deferred inflows of resources:				
Pensions	-	5,095	-	-
OPEB	1,878	580	-	-
Total deferred inflows of resources	1,878	5,675	-	-
Net position restricted for:				
Pensions	33,688,428	-	-	-
Postemployment healthcare benefits	968,425	-	-	-
External pool participants	-	-	1,442,992	-
Individuals, organizations, and other governments	104,744	(418,458)	-	1,214,243
Total net position	$ 34,761,597	$ (418,458)	$ 1,442,992	$ 1,214,243

The notes to the financial statements are an integral part of this statement.

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2023
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Private-Purpose Trust Fund	Custodial Funds	
			External Investment Pool	Other Custodial Funds
Additions:				
Property taxes	$ -	$ 122,603	$ -	$ 5,596,107
Charges for services	-	18,391	-	-
Contributions:				
Employee contributions	688,270	-	-	-
Employer contributions	1,820,021	-	-	-
Contributions to pooled investments	-	-	3,178,531	-
Total contributions	2,508,291	140,994	3,178,531	5,596,107
Investment income (expenses):				
Interest	83,464	11,280	27,129	15,424
Dividends	94,883	-	-	-
Net appreciation in fair value of investments	1,630,129	-	-	-
Securities lending income	29,305	-	-	-
Total investment income	1,837,781	11,280	27,129	15,424
Less investment expenses:				
Other investment expenses	(80,465)	-	-	-
Net investment income	1,757,316	11,280	27,129	15,424
Custodial additions	-	-	-	1,022,757
Other additions	-	13,040	-	51,829
Total additions, net	4,265,607	165,314	3,205,660	6,686,117
Deductions:				
Neighborhood development	-	86,207	-	-
Interest on debt	-	40,581	-	29,393
Benefit payments	3,123,304	-	-	-
Refunds of contributions	24,096	-	-	-
Distribution from pooled investments	-	-	3,016,296	-
Property taxes distributed to other governments	-	-	-	5,551,457
Custodial distributions to State	-	-	-	12,822
Other custodial deductions	-	-	-	169,761
Administrative expenses	23,135	7,082	-	-
Total deductions	3,170,535	133,870	3,016,296	5,763,433
Change in net position	1,095,072	31,444	189,364	922,684
Net position (deficit) at beginning of year, as previously reported	33,666,525	(449,902)	1,253,628	302,917
Cumulative effect of accounting change	-	-	-	(11,358)
Net position (deficit) at beginning of year, as restated	33,666,525	(449,902)	1,253,628	291,559
Net position (deficit) at end of year	$ 34,761,597	$ (418,458)	$ 1,442,992	$ 1,214,243

The notes to the financial statements are an integral part of this statement.

(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.

Infrastructure Financing Districts and Infrastructure and Revitalization Financing Districts (Tax Increment Financing Districts or "TIFD") – An infrastructure financing district (IFD) and an infrastructure and revitalization financing district (IRFD) are legally constituted government entities formed under California law, and with the approval of the Board of Supervisors. Several TIFDs have been established for the purpose of financing public infrastructure and affordable housing. The Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to allocate tax increments to the TIFDs, issue debt, as well as to appoint, hire, reassign, or dismiss City employees who administrate the TIFDs. There is also a financial burden relationship between the City and these TIFDs due to the allocation of tax increment revenues by the City to the TIFDs. As such, TIFDs are a blended component unit of the City. The TIFDs are reported in a special revenue fund in the City's financial statements. Separate financial statements are not prepared for TIFDs. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

Mission Rock Special Tax District (STD) – Mission Rock STD is a legally constituted governmental entity established pursuant to the San Francisco Special Tax Financing Law, which incorporates the State's Mello-Roos law. The Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the STD. Pursuant to the Pledge Agreement between the City and Mission Rock STD, certain increment taxes allocated to the City's Infrastructure Financing District (IFD) No. 2, Project Area I are pledged toward the debt service of Mission Rock STD Special Tax Bonds once a minimum of one hundred thousand dollars in increment taxes have been collected within a Sub-Project Area. In prior years, the increment taxes allocated to the IFD were below the one hundred thousand dollars threshold for each Sub-Project Area. Therefore, Mission Rock STD has historically been reported as a fiduciary component unit in custodial fund. In fiscal year 2023, the increment taxes allocated surpassed the one hundred thousand dollars threshold. Accordingly, the increment taxes collected are pledged towards the debt service of the Mission Rock STD Special Tax Bonds. The allocation of tax increment revenues to the Mission Rock STD created a financial burden relationship between the City and Mission Rock STD. This change in circumstances triggered Mission Rock STD to become a blended component unit reported in a special revenue fund in the City's financial statements. Separate financial statements are not prepared for Mission Rock STD. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

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 percent 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 338, 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, 3rd 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 Units

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 (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.

In order to facilitate construction and rehabilitation in the City, seven Community Facilities Districts (CFDs) were formed by the former Agency and Successor Agency. The Successor Agency can impose its will on the CFDs but does not have a financial benefit or burden from the CFDs. The CFDs are fiduciary component units of the Successor Agency and financial activities of the CFDs are included as custodial funds of the City.

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 (such members represent a voting majority of the Oversight Board); the Vice Chancellor of the San Francisco Community College District; a 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.

Community Facilities Districts and Special Tax Districts – A community facilities district (CFD) is a legally constituted governmental entity formed under the State's Mello-Roos law and with approval of the Board of Supervisors. A special tax district (STD) is established pursuant to the San Francisco Special Tax Financing Law, which incorporates the Mello-Roos law. Several CFDs and STDs were established for the sole purpose of financing facilities and services. Although there is no financial benefit or burden relation between the City and a CFD or STD, the Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the CFD or STD. CFDs and STDs are fiduciary component units of the City because assets are held by the City for the benefit of the CFD or STD. The combined activities of all CFDs and STDs are presented as a custodial fund. Separate financial statements are not prepared for CFDs and STDs.

Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

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 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.

(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. 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 and investment income 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 nonprofit 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, constructing, 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 ***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 ***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 ***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.

- 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 ***Custodial Funds*** account for the external portion of the Treasurer's Office investment pool and resources held by the City in a custodial capacity on behalf of the State of California and other governmental agencies; individuals; and human welfare, community health, and transportation programs. The external portion of the Treasurer's Office investment pool represents funds held for the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California.

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/amortization 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, 2023, involuntary participants accounted for approximately 92.6 percent of the pool. Voluntary participants accounted for 7.4 percent of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and medical reimbursement recipients are external participants of the City's pool. At June 30, 2023, $2.31 billion 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 14.4 percent. Internal participants accounted for 85.6 percent 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 the partnership interests, which include private equity, real assets, private credit, and some public equity investments are based on net asset values (NAV) provided by the general partners and investment managers.

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, co-investments 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 underlying 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. The Airport had an interest rate swap outstanding as of July 1, 2022, which was terminated during the year. As of June 30, 2023, the Airport did not have any outstanding derivative instruments. The Airport will implement the provisions of Statement No. 99 in the future when it is applicable.

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.

Interest income related to certain funds in fiduciary activities that are recorded in the General Fund on a budget basis is recorded as other income instead of as a transfer on the GAAP basis.

(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, 2023, it was determined that $2,445.6 million of the $2,661.8 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 governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. 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.

(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 prior to July 1, 2021 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 right-to-use assets under leases and subscriptions 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/amortization 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/expenses 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 (asset) 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 position 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 (asset) 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 have 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 are reported 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. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods.

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, amounts related to pensions and OPEB, lease-related items, and items related to public-private partnerships.

(s) Leases and Subscription-Based Information Technology Arrangements

Leases are defined as the right-to-use an underlying asset for a specified period. The City is a lessee and lessor for various noncancellable leases. Subscription-based information technology arrangements (SBITAs) are defined as a contract that conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets for a specified period. The City has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs).

Measurement of Lease Amounts as Lessee or Subscriber

As lessee or subscriber, the City recognizes a lease liability or subscription liability and an intangible right-to-use asset at the beginning of a lease or subscription. The lease assets or subscription assets are valued based on the net present value of the future lease payments or subscription payments at inception, using the City's incremental borrowing rate. For SBITAs, subscription assets also include qualified software implementation costs. Subsequently, the lease asset or subscription asset is amortized on a straight-line basis over the shorter of the lease or subscription term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease or SBITA, the lease asset or subscription asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts as Lessor

As lessor, at the beginning of the lease term, the City recognizes a lease receivable based on the net present value of future lease payments to be received for the lease term and a deferred inflow of resources based on the net present value plus any payments received at or before the commencement of the lease term that relate to future periods with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease.

Remeasurement

The City monitors changes in circumstances that may require remeasurement of a lease or SBITA. When certain changes occur that are expected to significantly affect the amount of the lease receivable, lease liability or subscription liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources, lease asset or subscription asset, respectively.

Short-term Leases or SBITAs

For short-term lease contracts or SBITAs, generally those with a maximum possible term of 12 months or less, the City recognizes revenue or expense based on the payment provisions of the lease contract or SBITA. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

(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.

(u) Change in the Reporting Entity

In fiscal year 2023, the City re-evaluated the reporting of Mission Rock Special Tax District (STD) and changed its reporting entity from a fiduciary component unit to a blended component unit (see Note 1).

(Dollars in Thousands)

The impact of the change in reporting entity resulted in restatement of assets, liabilities, net position, and fund balance as of July 1, 2022, as follow:

	Governmental Activities	Total Primary Government
Assets:		
Deposits and investments outside City Treasury:		
Cash and deposits	$ 11,529	$ 11,529
Receivables:		
Interest and other	10	10
Liabilities:		
Accounts payable	(181)	(181)
Accrued interest payable	(1,592)	(1,592)
Bonds, loans, leases, and other payables	(112,107)	(112,107)
Change in beginning net position	$ (102,341)	$ (102,341)

	Governmental Funds		Fiduciary Funds	
	Other Governmental Funds	Total Governmental Funds	Custodial Funds	Total Fiduciary Funds
Assets:				
Deposits and investments outside City Treasury:				
Cash and deposits	$ 11,529	$ 11,529	$ (11,529)	$ (11,529)
Receivables:				
Interest and other	10	10	(10)	(10)
Liabilities:				
Accounts payable	(181)	(181)	181	181
Change in beginning fund balance	$ 11,358	$ 11,358	$ (11,358)	$ (11,358)

(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, $6,503,462, differs from net position of governmental activities, $5,522,546, 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 sheet.

	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	$ 7,862,490	$ -	$ 65,471	$ -	$ 7,927,961
Deposits and investments outside City Treasury	247,270	-	6,449	-	253,719
Receivables, net					
Property taxes and penalties	190,786	-	-	-	190,786
Other local taxes	387,442	-	-	-	387,442
Federal and state grants and subventions	450,784	-	-	-	450,784
Charges for services	151,870	-	219	-	152,089
Interest and other	85,804	-	416	-	86,220
Leases	81,413	-	7,174	-	88,587
Due from other funds	22,528	-	-	(22,528)	-
Due from component units	13,096	-	-	-	13,096
Loans receivable, net	216,166	-	-	-	216,166
Inventories	14,604	-	-	-	14,604
Capital assets, net	-	7,770,546	33,083	-	7,803,629
Net pension asset	-	17,362	-	-	17,362
Other assets	24,253	101	-	-	24,354
Total assets	9,748,506	7,788,009	112,812	(22,528)	17,626,799
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	5,363	602	-	5,965
Pensions	-	1,095,744	18,551	-	1,114,295
OPEB	-	342,343	9,052	-	351,395
Total deferred outflows of resources	-	1,443,450	28,205	-	1,471,655
Liabilities					
Accounts payable	669,517	-	10,594	-	680,111
Accrued payroll	199,899	-	3,681	-	203,580
Accrued vacation and sick leave pay	-	240,637	5,605	-	246,242
Accrued workers' compensation	-	376,450	1,340	-	377,790
Estimated claims payable	-	415,686	-	-	415,686
Accrued interest payable	-	22,446	906	-	23,352
Unearned grant and subvention revenues	208,649	-	-	-	208,649
Due to other funds	96,597	-	-	(22,528)	74,069
Due to component unit	38	-	-	-	38
Unearned revenues and other liabilities	1,268,031	3,074	41	-	1,271,146
Bonds, loans, leases, and other payables	38,790	4,936,247	112,867	-	5,087,904
Net pension liability	-	1,927,008	27,142	-	1,954,150
Net OPEB liability	-	2,013,027	44,150	-	2,057,177
Total liabilities	2,481,521	9,934,575	206,326	(22,528)	12,599,894
Deferred inflows of resources					
Unavailable revenue	683,607	(683,607)	-	-	-
Unamortized gain on refunding of debt	-	79,334	202	-	79,536
Pensions	-	395,744	5,662	-	401,406
OPEB	-	393,917	8,207	-	402,124
Leases	79,916	-	7,101	-	87,017
PPP	-	5,931	-	-	5,931
Total deferred inflows of resources	763,523	191,319	21,172	-	976,014
Fund balances/ net position					
Total fund balances/ net position	$ 6,503,462	$ (894,435)	$ (86,481)	$ -	$ 5,522,546

(Dollars in Thousands)

(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/amortization, among the assets of the City as a whole.

Cost of capital assets	$10,821,006
Accumulated depreciation/amortization	(3,050,460)
	$ 7,770,546

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	$ (240,637)
Accrued workers' compensation	(376,450)
Estimated claims payable	(415,686)
Arbitrage rebate liability	(3,074)
Bonds, loans, leases, and other payables	(4,936,247)
	$(5,972,094)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.	$ (22,446)

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	$ 5,363
Unamortized gain on refunding of debt	(79,334)
	$ (73,971)

Net pension asset is not received in the current period and, therefore, is not reported in the governmental funds. 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 asset	$ 17,362
Net pension liability	(1,927,008)
Deferred outflows of resources related to pensions	1,095,744
Deferred inflows of resources related to pensions	(395,744)
	$(1,209,646)

Net OPEB asset is not received in the current period and, therefore, is not reported in the governmental funds. 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 asset	$ 101
Net OPEB liability	(2,013,027)
Deferred outflows of resources related to OPEB	342,343
Deferred inflows of resources related to OPEB	(393,917)
	$(2,064,500)

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	$ 683,607
PPP	(5,931)
	$ 677,676

(2) Internal service funds are used by management to charge the costs of certain activities, such as 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	$ (5,728)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Receivables from other governmental and enterprise funds	(83,293)
Unearned revenues and other liabilities	2,540
	$ (86,481)

(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, $(287,566), differs from the change in net position for governmental activities, $288,689, 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	$ 3,157,038	$ 10,344	$ -	$ -	$ -	$ 3,167,382
Business taxes	1,290,918	-	-	-	-	1,290,918
Sales and use tax	309,385	-	-	-	-	309,385
Hotel room tax	278,961	-	-	-	-	278,961
Utility users tax	110,661	-	-	-	-	110,661
Parking tax	82,716	-	-	-	-	82,716
Real property transfer tax	186,247	-	-	-	-	186,247
Other local taxes	295,790	-	-	-	-	295,790
Licenses, permits and franchises	43,156	1	-	-	-	43,157
Fines, forfeitures, and penalties	44,322	102	-	-	-	44,424
Interest and investment income	156,887	-	-	380	-	157,267
Rents and concessions	184,208	149	-	-	-	184,357
Intergovernmental:						
Federal	635,680	605	-	-	-	636,285
State	1,293,904	13,792	-	58	-	1,307,754
Other	8,938	497	-	167	-	9,602
Charges for services	387,553	179	-	-	-	387,732
Other	207,346	41,826	40,055	52	-	289,279
Total revenues	8,673,710	67,495	40,055	657	-	8,781,917
Expenditures/ Expenses						
Current:						
Public protection	1,749,187	(96,425)	20,486	(1,546)	-	1,671,702
Public works, transportation and commerce	505,421	(30,426)	(28,709)	-	-	446,286
Human welfare and neighborhood development	2,998,446	(33,182)	(81,839)	-	-	2,883,425
Community health	1,168,603	(13,038)	50,749	-	-	1,206,314
Culture and recreation	513,127	(9,998)	48,992	(14,728)	-	537,393
General administration and finance	439,767	(13,612)	56,463	-	-	482,618
Distributions to other governments	49,113	-	-	-	-	49,113
General City responsibilities	189,570	84	-	(14,132)	-	175,522
Debt service:						
Principal retirement	400,960	-	-	-	(400,960)	-
Interest and other fiscal charges	181,463	-	-	2,798	(34,259)	150,002
Bond issuance costs	5,747	-	-	-	-	5,747
Capital outlay	220,917	-	(220,917)	-	-	-
Total expenditures	8,422,321	(196,597)	(154,775)	(27,608)	(435,219)	7,608,122
Excess (deficiency) of revenues over (under) expenditures	251,389	264,092	194,830	28,265	435,219	1,173,795
Other financing sources (uses) / changes in net position						
Net transfers in (out)	(885,327)	-	-	221	-	(885,106)
Issuance of bonds:						
Face value of bonds issued	267,975	-	-	-	(267,975)	-
Premium on issuance of bonds	6,364	-	-	-	(6,364)	-
Inception of lease and subscriptions	72,033	-	-	-	(72,033)	-
Total other financing sources (uses)	(538,955)	-	-	221	(346,372)	(885,106)
Net change for the year	$ (287,566)	$ 264,092	$ 194,830	$ 28,486	$ 88,847	$ 288,689

(Dollars in Thousands)

(3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	$ 10,344
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 increased in the governmental funds.	57,151
	$ 67,495
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.	$ 532,057
Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as expenditures in governmental funds.	(340,404)
Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as expenditures in governmental funds.	4,930
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.	14
	$ 196,597

(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/amortization 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	$ 538,086
Depreciation expense	(337,807)
Loss on disposal of capital assets	(396)
Gain on lease termination	161
Write-off of construction in progress	(5,214)
Difference	$ 194,830

(5) Internal service funds are used by management to charge the costs of certain activities, such as 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.	$ 28,486

(Dollars in Thousands)

(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. $ (6,364)

Repayment of bond, loans and other debt, lease and subscription principal are reported as expenditures in governmental funds and, thus, have 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.

Bond and other debt principal payments made	$ 334,253
Lease principal payments made	61,744
Subscription principal payments made	4,963
	400,960

Bond, lease, and subscription 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	$ (238,585)
Increment tax bonds	(29,390)
Leases	(70,997)
Subscriptions	(1,036)
	(340,008)
	$ 60,952

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, loans, leases and other payables, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest	$ (434)
Amortization of bond premiums	28,692
Amortization of bond refunding losses and gains	9,075
Increase in arbitrage rebate liability	(3,074)
	$ 34,259

(Dollars in Thousands)

(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2023, the City implemented the following accounting standards:

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. As a result, the City restated the deferred inflows and beginning net position of the San Franciso International Airport in the City's Business-Type Activities and major enterprise fund as of July 1, 2022 to increase deferred inflows and decrease net position by $106.6 million.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. As a result, the City restated its beginning balances as of July 1, 2022 as follows:

	Governmental Activities	Total Primary Government
Building/Facility	$ 3,378	$ 3,378
Equipment	277	277
Infrastructure	1,046	1,046
Deferred inflows related to PPP	(4,701)	(4,701)

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. As a result, the City restated its beginning balances as of July 1, 2022 as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Right-to-use assets, net	$ 49,277	$ 3,696	$ 52,973
Subscription liabilities	(44,098)	(3,653)	(47,751)
Accrued interest	-	(26)	(26)
Change in beginning net position	$ 5,179	$ 17	$ 5,196

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 were adopted by the City for the year ended June 30, 2022. The requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022 and did not have a significant impact on the City's for the year ended June 30, 2023. The City is currently analyzing its accounting practices to determine the potential impact of the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 which are effective for fiscal years beginning after June 15, 2023 and effective for the City's year ending June 30, 2024.

In addition, the City is currently analyzing its accounting practices to determine the potential impact of the following pronouncements:

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 defines various types of accounting changes and prescribes accounting, reporting, and disclosure requirements for accounting changes and error corrections. The new standard is effective for periods beginning after June 15, 2023. Application of this statement is effective for the City's year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this statement is effective for the City's year ending June 30, 2025.

(Dollars in Thousands)

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

Total City cash, deposits and investments, at fair value, are as follows:

	Primary Government			
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Deposits and investments with City Treasury	$ 7,927,961	$ 3,456,847	$ 2,974,923	$ 14,359,731
Deposits and investments outside City Treasury	247,270	33,012	35,322,040	35,602,322
Restricted assets:				
Deposits and investments with City Treasury	-	1,666,676	-	1,666,676
Deposits and investments outside City Treasury	6,449	888,564	348,448	1,243,461
Total deposits and investments	$ 8,181,680	$ 6,045,099	$ 38,645,411	$ 52,872,190
Cash and deposits				$ 113,406
Investments				52,758,784
Total deposits and investments				$ 52,872,190

(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 May 2021.

The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

(Dollars in Thousands)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	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	4-5 years*	5%*	10%*
	3-4 years*	5%*	10%*
	2-3 years*	5%*	10%*
	Up to 2 years*	Up to 30%	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 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, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles.

(Dollars in Thousands)

The Retirement Board's asset allocation policies for the year ended June 30, 2023, are as follow:

Asset Class	Target Allocation
Global Equity	37.00%
Treasuries	8.00%
Liquid Credit	5.00%
Private Credit	10.00%
Private Equity	23.00%
Real Assets	10.00%
Absolute Return	10.00%
Leverage	-3.00%
	100.00%

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. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2023, $166,626 (or 29.6% of reinvested cash collateral) consisted of such agreements.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains 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 investment strategy of the RHCTF is designed to ensure the prudent investment of assets in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board.

At its February 13, 2023 Board Meeting, the RHCTF Board approved a revised asset allocation policy for the City and County's Sub-Trust.

The asset allocation policy remains the same for the Community College District's Sub-Trust since May 2021. For the Community College District's Sub-Trust, the RHCTF Board anticipated that illiquid investments will not be appropriate given the portfolio liquidity needs. The current allocation offers a higher liquidity, lower risk levels profile for the Community College.

(Dollars in Thousands)

The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

	Target Allocation Since February 13, 2023	
Asset Class	City and County of San Francisco Sub-Trust	Community College District Sub-Trust
Equities		
U.S. Equity Large Cap	25.0%	31.0%
U.S. Equity Small Cap	2.0%	3.0%
Developed Market Equity	13.0%	18.0%
Emerging Market Equity	10.0%	16.0%
Credit		
High Yield Bonds	3.0%	3.0%
Bank Loans	3.0%	3.0%
Emerging Market Bonds	-	3.0%
Rate Sensitive		
Short-Term Treasury Inflation-Protected Securities (TIPS)	5.0%	3.0%
Investment Grade Corporate Bonds	7.0%	15.0%
Private Markets		
Private Equity	10.0%	-
Private Credit	5.0%	-
Core Private Real Estate	5.0%	-
Core Private Infastructure	2.0%	-
Risk Mitigating Strategies		
Global Macro	10.0%	-
Long-Term Government Bonds	-	5.0%
	100.0%	100.0%

	Target Allocation from May 2021 to February 2023	
Asset Class	City and County of San Francisco Sub-Trust	Community College District Sub-Trust
Equities		
U.S. Equity Large Cap	28.0%	31.0%
U.S. Equity Small Cap	3.0%	3.0%
Developed Market Equity (Non-U.S.)	15.0%	18.0%
Emerging Market Equity	13.0%	16.0%
Credit		
Bank Loans/ High Yield Bonds	6.0%	6.0%
Emerging Market Bonds	3.0%	3.0%
Rate Sensitive		
Short-Term Treasury Inflation-Protected Securities (TIPS)	4.0%	3.0%
Investment Grade Bonds	9.0%	15.0%
Long-Term Government Bonds	4.0%	5.0%
Private Markets		
Private Equity	5.0%	-
Private Core Real Estate	5.0%	-
Risk Mitigating Strategies		
Global Macro	5.0%	-
	100.0%	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's Treasury pool and investments held by fiscal agents do 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, 2023:

		Fair Value Measurements Using		
	Fair Value 6/30/2023	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. Treasuries	$ 3,374,471	$ -	$ 3,374,471	$ -
U.S. Agencies - Discount	1,019,776	-	1,019,776	-
U.S. Agencies - Coupon (no call option)	4,936,264	-	4,936,264	-
U.S. Agencies (callable option)	1,167,062	-	1,167,062	-
Negotiable Certificates of Deposit	1,916,703	-	1,916,703	-
Supranationals	611,207	-	611,207	-
Commercial Paper	396,915	-	396,915	-
Public Time Deposits	30,000 *	-	-	-
Money Market Mutual Funds	2,573,876 *	-	-	-
Subtotal Investments in City Treasury	16,026,274	$ -	$ 13,422,398	$ -
Investments Outside City Treasury:				
U.S. Treasury Bonds	$ 4,698	$ 4,698	$ -	$ -
U.S. Treasury Notes	607,351	547,250	60,101	-
U.S. Agencies	96,493	-	96,493	-
State and Local Agencies	4,177	-	4,177	-
Corporate Notes	1,563	-	1,563	-
Supranationals	2,382	-	2,382	-
Commercial Paper	19,302	1,340	17,962	-
U.S. Treasury Money Market Funds	188,521 *	-	-	-
Money Market Mutual Funds	667,423 *	-	-	-
Certificates of Deposit	265 *	-	-	-
Subtotal Investments Outside City Treasury	1,592,175	$ 553,288	$ 182,678	$ -

* Not subject to fair value hierarchy

(Dollars in Thousands)

	Fair Value 6/30/2023	Fair Value Measurements Using: 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	$ 345,487	$ 318,714	$ -	$ 26,773
Debt Securities:				
U.S. Government and Agency Securities	812,141	807,738	4,403	-
Other Debt Securities	928,542	90,798	704,431	133,313
Equity Securities:				
Domestic Equity	3,344,356	3,338,640	5,716	-
International Equity	1,579,322	1,579,322	-	-
Foreign Currency Contracts, net	(1,029)	-	-	(1,029)
Invested Securities Lending Collateral	562,491	-	562,500	(9)
Subtotal	7,571,310	$ 6,135,212	$ 1,277,050	$ 159,048
Investments measured at the net asset value (NAV)				
Short-Term Investments	30,801			
Fixed Income invested in:				
Other Debt Securities	94,577			
Equity Funds invested in:				
Domestic	5,052,646			
International	472,372			
Real Assets	5,207,943			
Private Credit	2,606,909			
Private Equity	10,101,396			
Absolute Return	3,056,626			
Total investments measured at the NAV	26,623,270			
Subtotal Investments in Employees' Retirement System	34,194,580			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	7,918			
Fixed Income:				
Debt Index Funds	205,810			
Equities:				
Domestic	330,691			
International	238,727			
Private Equity	29,838			
Real Estate	35,983			
Risk Mitigating Strategies	96,788			
Subtotal Investments in Retiree Health Care Trust	945,755			
Total Investments	**$ 52,758,784**			

Investments Held in City Treasury

U.S. Treasury Bills and Notes totaling $3.37 billion, U.S. Government Agencies totaling $7.12 billion, Negotiable Certificates of Deposit totaling $1.92 billion, Supranationals totaling $611.2 million and Commercial Paper totaling $396.9 million, in fiscal year 2023, 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 are classified in Level 2 of the fair value hierarchy.

Public Time Deposits totaling $30.0 million and Money Market Funds totaling $2.57 billion, in fiscal year 2023, have maturities of one year or less from fiscal year end and are exempt from Statement No. 72.

Investments Held Outside City Treasury

Debt securities classified in Level 1 are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. Debt securities classified in Level 2 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. Certain investments such as Money Market Mutual Funds and Certificates of Deposit are not subject to the 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.

Debt and 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 equity, real assets, private credit, absolute return, and some public equity investments are based on NAV 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 NAV is 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 limit 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 investment strategies include capital preservation, return maximization and opportunistic. Investments in the asset class are achieved through commingled funds and separate account partnerships. Private credit investments are mostly illiquid and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules. There are seventeen public equity investments held in commingled funds valued at NAV. Two investments, value at $175.5 million, are currently put in full redemption with proceeds expected in the next fiscal year. The remaining investments may be subject to varying lock-up provisions and redemption schedules. 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 funds 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, co-investments and commodities. Investments are achieved through limited partnerships. 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.

(Dollars in Thousands)

The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its debt and equity funds, private equity, real assets, private credit, and absolute return investments.

Investment Type	NAV as of June 30, 2023	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years
Debt securities	$ 44,379	N/A	Monthly	On a business day (BD) at least 15 days prior to the last BD of the month	
	49,393		Daily	2 business days	
	805		N/A	N/A	
Total:	**$ 94,577**				
Domestic equity securities	328,459	N/A	Semi-monthly	6 business days	
	841,811		Semi-monthly	9 business days	
	165,704		Semi-annually * SFERS has requested full redemption as of 6/30/2023. Proceeds are expected in fiscal year 2023-2024.	60 calendar days	
	9,836		Semi-annually * SFERS has requested full redemption as of 6/30/2023. Proceeds are expected in fiscal year 2023-2024.	90 calendar days	
	184,470		Semi-annually	60 calendar days	
	596,971		Semi-annually	90 calendar days	
	325,636		Quarterly	30 calendar days	
	677,181		Quarterly	45 calendar days	
	80,171		Quarterly	60 calendar days	
	883,518		Quarterly	90 calendar days	
	621,425		Monthly	30 calendar days	
	337,464		Annually	60 calendar days	
Total:	**$ 5,052,646**				
International equity securities	$ 472,372	N/A	Monthly	30 calendar days	
Absolute return	1,364,321	62,674	Monthly	5-95 Days	No Lock Up
	1,068,669		Quarterly	45-180 Days	$969,505 / No Lock Up $99,164 / Less than 1 Year
	566,070		Semi-annually	60-90 Days	No Lock Up
	57,566		N/A	N/A	No Lock Up
Total:	**$ 3,056,626**				
Real assets	52,039	1,871,190	Annually, subject to available liquidity	No later than June 30 of applicable fiscal year	N/A
	772,528		Quarterly, subject to available liquidity	90 calendar days	N/A
	4,383,376		Illiquid	N/A	N/A
Total:	**$ 5,207,943**				
Private credit	116,031	2,408,911	Capital returned on a realized basis	90 days	One year hard lock followed by one year soft lock (both expired)
	203,579		Capital returned on a realized basis	90 days	One year hard lock (expired)
	423,265		Capital returned on a realized basis subject to 3-year maximum	180 days	N/A
	61,142		Quarterly, subject to 33% investor-level gate	30 days	One year hard lock (expired)
	1,802,892		Illiquid	N/A	N/A
Total:	**$ 2,606,909**				
Private equity	$ 10,101,396	3,517,233	Illiquid	N/A	N/A

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2023, the RHCTF had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) 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. As of June 30, 2023, one debt security investment, valued at $64.3 million, has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment, valued at $111.9 million, has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. In addition, $96.8 million of RHCTF's risk mitigating strategies allows redemptions on a weekly basis with four-day notice. There are no redemption restrictions for the remaining commingled funds.

The fair value of the RHCTF's investments in private equity and real estate are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the RHCTF's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the RHCTF'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 limit 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.

(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 and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by FDIC insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). 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. At June 30, 2023, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

(Dollars in Thousands)

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	5 to 10 years	More than 10 years
Primary Government:						
Investments in City Treasury:						
U.S. Treasury Notes	AA+	$ 3,374,471	$ 734,713	$ 2,639,758	$ -	$ -
U.S. Agencies	NR, AA+	7,123,102	2,881,869	4,241,233	-	-
Negotiable Certificates of Deposit	A-1, A-1+	1,916,703	1,916,703	-	-	-
Money Market Mutual Funds	AAAm	2,573,876	2,573,876	-	-	-
Public time deposits	NR	30,000	30,000	-	-	-
Supranationals	AAA	611,207	122,255	488,952		
Commercial Paper	A-1, A-1+	396,915	396,915	-	-	-
Less: Retiree Health Care Trust						
Investments with City Treasury	n/a	(2,558)	(2,558)	-	-	-
Subtotal pooled investments		16,023,716	$ 8,653,773	$ 7,369,943	$ -	$ -
Investments Outside City Treasury:						
(Governmental and Business - Type)						
U.S. Treasury Bonds	AA+	$ 4,698	$ -	$ -	$ -	$ 4,698
U.S. Treasury Money Market Funds	AAAm,	188,521	188,521	-	-	-
U.S. Treasury Notes	AA+, A-1+	607,351	188,872	418,479	-	-
U.S. Agencies	AA+	96,493	17,972	78,521	-	-
State and Local Agencies	NR, AAA, AA+, AA, AA-	4,177	1,979	2,198	-	-
Supranationals	AAA	2,382	441	1,942	-	-
Corporate notes	AA, A+	1,563	-	1,563	-	-
Money Market Mutual Funds	AAAm, A-1+,A-1	667,423	667,423	-	-	-
Commercial Paper	AAAm, A-1	19,302	19,302	-	-	-
Negotiable Certificates of Deposit	n/a	265	265	-	-	-
Subtotal investments outside City Treasury		1,592,175	$ 1,084,774	$ 502,703	$ -	$ 4,698
Retiree Health Care Trust Investments		948,313				
Employees' Retirement System investments		34,194,580				
Total Investments		**$ 52,758,784**				

As of June 30, 2023, the investments in the City Treasury had a weighted average maturity of 442 days.

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 S&P Global Ratings (S&P) rating for each of the investment types are shown in the table above.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a 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, 2023, the City Treasurer has investments that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank	20.5%
Federal Home Loan Bank	18.4%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2023:

Airport:	
Federal National Mortgage Association	6.6%

(Dollars in Thousands)

(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, 2023:

Statement of Net Position	
Net position held in trust for all pool participants	$ 16,026,407
Equity of internal pool participants	$ 14,592,590
Equity of external pool participants	1,433,817
Total equity	$ 16,026,407

Statement of Changes in Net Position	
Net position at July 1, 2022	$ 14,471,926
Net change in investments by pool participants	1,554,481
Net position at June 30, 2023	$ 16,026,407

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2023:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes	0.20% - 5.40%	07/31/2023 - 03/31/2027	$ 3,625,000	$ 3,374,471
U.S. Agencies	0.19% - 5.94%	07/05/2023 - 08/23/2027	7,373,032	7,123,102
Public Time Deposits	4.85% - 5.46%	07/10/2023 - 12/18/2023	30,000	30,000
Negotiable CDs	3.73% - 5.89%	07/03/2023 - 06/28/2024	1,920,000	1,916,703
Commercial Paper	5.05% - 5.61%	07/03/2023 - 11/06/2023	400,000	396,915
Money Market Mutual Funds	4.99% - 5.04%	07/01/2023 - 07/01/2023	2,573,876	2,573,876
Supranationals	0.57% - 5.75%	10/04/2023 - 06/15/2026	636,156	611,207
			$ 16,558,064	16,026,274
Carrying amount of deposits with Treasurer				133
Total cash and investments with Treasurer				$ 16,026,407

(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2023, are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 376,288
Debt securities:	
U.S. government and agency securities	812,141
Other debt securities	1,023,119
Subtotal debt securities	1,835,260
Total fixed income investments	2,211,548
Equity securities:	
Domestic	8,397,002
International	2,051,694
Total equities securities:	10,448,696
Real assets	5,207,943
Private credit	2,606,909
Private equity	10,101,396
Absolute return	3,056,626
Foreign currency contracts, net	(1,029)
Invested securities lending collateral	562,491
Total Retirement System Investments	$ 34,194,580

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, 2023:

Investments at Fair Value as of June 30, 2023

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset-Backed Securities	$ 12,625	$ -	$ 820	$ 1,114	$ 10,691
Bank Loans	131,153	1,533	82,751	46,869	-
Collateralized Bonds	11,502	-	-	3,526	7,976
Commercial Mortgage-Backed	73,494	1,027	2,120	2,227	68,120
Commingled and Other Fixed Income Funds	179,481	(6,375)	-	50,198	135,658
Corporate Bonds	345,818	4,867	140,757	129,106	71,088
Corporate Convertible Bonds	104,829	1,046	89,616	13,362	805
Government Bonds	885,862	3,663	503,161	327,642	51,396
Government Mortgage-Backed Securities	3,456	-	-	-	3,456
Municipal/Provincial Bonds	946	-	607	339	-
Non-Government Backed Collateralized Mortgage Obligations	74,732	-	-	-	74,732
Options	10	-	10	-	-
Short-Term Investment Funds	376,288	376,288	-	-	-
Swaps*	10,962	12,795	(1,754)	(175)	96
Total	$ 2,211,158	$ 394,844	$ 818,088	$ 574,208	$ 424,018

* $390 Credit default swaps are excluded because they are not subject to interest rate risk.

(Dollars in Thousands)

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 managers typically are limited within their portfolios to no more than 5% 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) S&P Global Ratings (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, 2023. Investments issued or explicitly guaranteed by the U.S. government of $807,737 as of June 30, 2023, are exempt from the credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 14,240	1.0%
AA	9,573	0.7%
A	49,135	3.5%
BBB	128,182	9.1%
BB	145,855	10.4%
B	214,804	15.3%
CCC	28,942	2.1%
CC	3,504	0.2%
D	6,461	0.5%
Not Rated	803,115	57.2%
Total	$ 1,403,811	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 11.0% for 2023.

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, 2023, the Retirement System had no investments of a single issuer that equaled or exceeded 5% 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, 2023, $146,106 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, real assets, and private credit. 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, 2023, are as follows:

Foreign Currency Risk Analysis as of June 30, 2023

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	$ -	$ -	$ 28	$ -	$ -	$ -	$ -	$ 28
Australian dollar	-	11,281	96	29,683	2,247	-	3,750	47,057
Brazil real	-	16,852	4,357	-	-	-	4,495	25,704
Canadian dollar	-	20,105	193	-	-	-	6,964	27,262
Chilean peso	-	1,699	2,282	-	-	-	67	4,048
Chinese r yuan HK	-	-	-	-	-	-	(5,494)	(5,494)
Chinese yuan renminbi	42,763	220,576	5,419	-	-	-	(13,784)	254,974
Colombian peso	-	-	5,877	-	-	-	(2,302)	3,575
Czech koruna	-	-	(220)	-	-	-	2,317	2,097
Danish krone	-	55,215	-	-	-	-	(64)	55,151
Dominican Rep peso	-	-	1,355	-	-	-	(1,061)	294
Euro	-	516,428	44,790	100,233	436,236	122,022	(43,537)	1,176,172
Hong Kong dollar	-	62,255	-	-	-	-	(204)	62,051
Hungarian forint	-	1,865	1,940	-	-	-	1,107	4,912
Indian rupee	-	28,079	-	-	-	-	367	28,446
Indonesian rupiah	-	5,707	5,564	-	-	-	553	11,824
Israeli shekel	-	1,027	-	-	-	-	-	1,027
Japanese yen	-	62,830	1,874	-	48,532	-	15,209	128,445
Malaysian ringgit	-	2,617	3,682	-	-	-	157	6,456
Mexican peso	-	2,017	7,627	-	-	-	798	10,442
New Taiwan dollar	-	31,319	-	-	-	-	-	31,319
Norwegian krone	-	1,713	-	-	-	-	-	1,713
Peruvian sol	-	-	1,094	-	-	-	(441)	653
Philippines peso	-	-	-	-	-	-	28	28
Polish zloty	-	-	1,360	-	-	-	3,108	4,468
Pound sterling	-	148,565	5,761	94,364	61,580	-	(9,958)	300,312
Romanian leu	-	-	562	-	-	-	763	1,325
Singapore dollar	-	4,864	-	-	-	-	(415)	4,449
South African rand	-	6,027	7,587	-	-	-	(2,542)	11,072
South Korean won	-	19,237	-	-	-	-	-	19,237
Swedish krona	-	39,222	-	-	-	-	-	39,222
Swiss franc	-	81,422	-	-	-	-	-	81,422
Thailand baht	-	5,574	2,226	-	-	-	1,457	9,257
Turkish lira	-	960	-	-	-	-	-	960
UAE dirham	-	9,380	-	-	-	-	-	9,380
Total	$ 42,763	$ 1,356,836	$ 103,454	$ 224,280	$ 548,595	$ 122,022	$ (38,662)	$ 2,359,288

(Dollars in Thousands)

Money-Weighted Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was 5.26%.

Derivative Instruments

As of June 30, 2023, 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 or by an external pricing service using various proprietary methods.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2023.

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	$ 196,874	$ (1,029)	$ (832)
Futures			
Bond Futures Long	9,493	(93)	(12)
Equity Index Futures Long	898	28	28
Treasury Futures Long	25,373	(129)	4,766
Treasury Futures Short	(8,038)	102	69
Options			
Credit Contracts	-	-	1
Foreign Exchange Contracts	200	10	(1)
Swaps			
Credit Contracts	23,853	391	116
Currency Contracts	440	416	106
Interest Rate Contracts	152,092	(2,458)	(260)
Total Return Contracts	227,227	13,004	9,803
Rights/Warrants			
Equity Contracts	61,328 shares	80,566	11,495
Total		$ 90,808	$ 25,279

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights, warrants, and equity index futures 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. The table below presents those investments being classified and rated using the lower of (1) S&P Global Ratings (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.

Credit Rating	Fair Value
AA	$ 202
A	16,278
BBB	1,563
Not Rated	31
Total	$ 18,074

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, 2023, 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, 2023.

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Futures					
Treasury Futures Long	$ (129)	$ (129)	$ -	$ -	$ -
Treasury Futures Short	102	102	-	-	-
Options					
Foreign Exchange Contracts	10	-	10	-	-
Swaps					
Currency Contracts	416	307	109	-	-
Interest Rate Contracts	(2,458)	(516)	(1,863)	(175)	96
Total Return Contracts	13,004	13,004	-	-	-
Total	$ 10,945	$ 12,768	$ (1,744)	$ (175)	$ 96

(Dollars in Thousands)

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, 2023:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 0.00%, Pay Variable 1-Day SOFR	$ 22,800	$ (178)
Interest Rate Swap	Receive Fixed 0.25%, Pay Variable 1-Day SOFR	46,800	(2,386)
Interest Rate Swap	Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR	684	(65)
Interest Rate Swap	Receive Fixed 0.57%, Pay Variable 6-Month WIBOR	1,255	(124)
Interest Rate Swap	Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR	1,221	(194)
Interest Rate Swap	Receive Fixed 2.00%, Pay Variable 1-Day BUBOR	1,002	(59)
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 1-Day BUBOR	2,041	(331)
Interest Rate Swap	Receive Fixed 3.34%, Pay Variable 3-Month KLIBOR	214	(5)
Interest Rate Swap	Receive Fixed 3.36%, Pay Variable 1-Day SOFR	11,230	(290)
Interest Rate Swap	Receive Fixed 4.68%, Pay Variable 6-Month PRIBOR	620	24
Interest Rate Swap	Receive Fixed 4.72%, Pay Variable 6-Month PRIBOR	726	6
Interest Rate Swap	Receive Fixed 4.74%, Pay Variable 6-Month PRIBOR	872	9
Interest Rate Swap	Receive Fixed 4.81%, Pay Variable 28-Day MXIBR	1,533	(102)
Interest Rate Swap	Receive Fixed 4.87%, Pay Variable 1-Day BIDOR	3,524	(454)
Interest Rate Swap	Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	609	(36)
Interest Rate Swap	Receive Fixed 5.60%, Pay Variable 1-Day COOVIBR	81	(11)
Interest Rate Swap	Receive Fixed 7.13%, Pay Variable 28-Day MXIBR	204	(19)
Interest Rate Swap	Receive Fixed 9.06%, Pay Variable 28-Day MXIBR	991	16
Interest Rate Swap	Receive Fixed 11.91%, Pay Variable 1-Day BIDOR	1,244	50
Interest Rate Swap	Receive Fixed 11.98%, Pay Variable 1-Day BIDOR	4,436	16
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 1.20%	778	81
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 0.36%	22,800	1,305
Interest Rate Swap	Receive Variable 1-Day SOFR, Pay Fixed 2.94%	2,630	126
Interest Rate Swap	Receive Variable 3-Month BBA, Pay Fixed 0.00%	22,800	175
Interest Rate Swap	Receive Variable 3-Month CLICP, Pay Fixed 5.67%	997	(12)
Total Interest Rate Swaps		$ 152,092	$ (2,458)

(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2023, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2023:

Currency	Forwards	Rights/ Warrants	Swaps	Futures	Total
Argentina peso	$ -	$ -	$ (27)	$ -	$ (27)
Australian dollar	3,750	-	-	-	3,750
Brazil real	4,495	-	(388)	-	4,107
Canadian dollar	6,964	-	-	(11)	6,953
Chilean peso	67	-	(12)	-	55
Chinese r yuan HK	(5,494)	-	-	-	(5,494)
Chinese yuan renminbi	(13,784)	-	-	-	(13,784)
Colombian peso	(2,302)	-	70	-	(2,232)
Czech koruna	2,317	-	(220)	-	2,097
Danish krone	(64)	-	-	-	(64)
Dominican Rep peso	(1,061)	-	-	-	(1,061)
Euro	(43,537)	82	35	(76)	(43,496)
Hong Kong dollar	(204)	-	-	-	(204)
Hungarian forint	1,107	-	(390)	-	717
Indian rupee	367	-	-	-	367
Indonesian rupiah	553	-	-	-	553
Japanese yen	15,209	-	-	-	15,209
Malaysian ringgit	157	-	(5)	-	152
Mexican peso	798	-	(105)	-	693
Peruvian sol	(441)	-	-	-	(441)
Philippines peso	28	-	-	-	28
Polish zloty	3,108	-	(124)	-	2,984
Pound sterling	(9,958)	-	-	(7)	(9,965)
Romanian leu	763	-	-	-	763
Singapore dollar	(415)	-	-	-	(415)
South African rand	(2,542)	-	(36)	-	(2,578)
Swiss franc	-	11	-	-	11
Thailand baht	1,457	-	-	-	1,457
Total	$ (38,662)	$ 93	$ (1,202)	$ (94)	$ (39,865)

Contingent Features

At June 30, 2023, the Retirement System held no positions in derivatives containing contingent features.

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number of securities that can be lent at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

(Dollars in Thousands)

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2023, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2023, the Retirement System has lent $1,243,298 in securities and received collateral of $562,409 and $760,562 in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $562,491. The net unrealized gain of $82 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2023 are summarized in the following table.

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Non-Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	$ 84,817	$ 86,851	$ -
U.S. Equities	228,462	231,649	-
U.S. Government Fixed Income	223,974	229,057	-
International Fixed Income	10,263	10,816	-
International Equities	3,685	4,036	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	1,497	-	1,529
U.S. Equities	229,768	-	242,733
U.S. Government Fixed Income	297,101	-	332,691
International Fixed Income	3,234	-	3,387
International Equities	160,497	-	180,222
	$ 1,243,298	$ 562,409	$ 760,562

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2023.

Investment Type	Fair Value	Maturities Less Than 1 Year
Floating Rate Notes	$ 379,128	$ 379,128
Commercial Paper	16,746	16,746
Repurchase Agreements	166,626	166,626
Payable/Receivable	(9)	(9)
Total	$ 562,491	$ 562,491

(Dollars in Thousands)

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2023 is as follows:

Credit Rating		Fair Value	Fair Value as a Percentage of Total
A-1	$	59,289	10.5%
AA		128,026	22.8%
A		208,559	37.1%
Not Rated *		166,617	29.6%
Total	$	562,491	100.0%

* This figure includes $166,626 in repurchase agreements and $9 in payable.

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, 2023, are summarized as follows:

Beginning of the year	$	5,113,451
Capital investments		593,518
Equity in net earnings		103,109
Net depreciation in fair value		(73,552)
Capital distributions		(528,583)
End of the year	$	5,207,943

(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 but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2023, 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	8.7
Government Bond Index Fund	22.5
Inflation Protected Debt Index Fund	2.6
Emerging Markets Debt Fund	11.6
Multi-Sector Debt Fund	6.2
City Investment Pool	1.2
Treasury Money Market Fund	0.03

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, Government Bond Index Fund, Inflation Protected Debt Index Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City 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, 2023, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal to or greater than 5% at the issuer level and likely very little, if any, overlap.

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, 2023, 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 custodian bank's trust department or agent. Investments in the City pool are held by the City's custodial agent and are not subject to custodial credit risk.

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 most appropriate exchange rates as identified by each manager. 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, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 10.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(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 1.0% 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 $354.0 million for the year ended June 30, 2023.

Taxable valuation for the year ended June 30, 2023, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $309.84 billion, an increase of 8.61% compared to the prior fiscal year. The secured tax rate was $1.1797 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 $0.1797 for voter-approved bond debt service for four of the taxing entities. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.79% and 1.93%, respectively, of the current year tax levy, for an average delinquency rate of 0.85% 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 annual and escape 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 custodial fund. To the extent the custodial 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, 2023, was $38.0 million, which is included in the custodial fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(Dollars in Thousands)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2023, was as follows:

Governmental Activities:	**Balance July 1, 2022** [1]	**Increases** [2]	**Decreases** [2]	**Balance June 30, 2023**
Capital assets, not being depreciated/amortized:				
Land	$ 774,213	$ 162,830	$ (250)	$ 936,793
Intangible assets	906	-	-	906
Construction in progress	586,526	283,466	(253,665)	616,327
Total capital assets, not being depreciated/amortized	1,361,645	446,296	(253,915)	1,554,026
Capital assets, being depreciated/amortized:				
Facilities and improvements [3]	6,120,159	147,357	(431)	6,267,085
Machinery and equipment [3]	646,323	22,694	(2,710)	666,307
Infrastructure [3]	1,539,804	90,121	-	1,629,925
Right-to-use assets [3]	626,100	75,093	(31,603)	669,590
Intangible assets	142,224	10,839	-	153,063
Total capital assets, being depreciated/amortized	9,074,610	346,104	(34,744)	9,385,970
Less accumulated depreciation/amortization for:				
Facilities and improvements [3]	1,716,571	149,940	(431)	1,866,080
Machinery and equipment [3]	499,725	32,282	(2,564)	529,443
Infrastructure [3]	458,899	70,003	-	528,902
Right-to-use assets [3]	74,042	91,062	(8,222)	156,882
Intangible assets	45,778	9,282	-	55,060
Total accumulated depreciation/amortization	2,795,015	352,569	(11,217)	3,136,367
Total capital assets, being depreciated/amortized, net	6,279,595	(6,465)	(23,527)	6,249,603
Governmental activities capital assets, net	$ 7,641,240	$ 439,831	$ (277,442)	$ 7,803,629

(1) Balance of July 1, 2022, as restated due to implementation of GASB 96 SBITAs and GASB 94 Public-Private Partnership. See Note 17 for additional information.

(2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

(3) See Note 17 for additional information.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)
June 30, 2023
(Dollars in Thousands)

Total Business-type Activities:	**Balance July 1, 2022** [1]	**Increases** [2]	**Decreases** [2]		**Balance June 30, 2023**
Capital assets, not being depreciated/amortized:					
Land	$ 353,558	$ 7,326	$ (119)		$ 360,765
Intangible assets	12,043	-	-		12,043
Construction in progress	5,821,916	1,781,861	(2,739,353)	[4]	4,864,424
Total capital assets, not being depreciated/amortized	6,187,517	1,789,187	(2,739,472)		5,237,232
Capital assets, being depreciated/amortized:					
Facilities and improvements	22,878,575	444,913	(16,511)		23,306,977
Machinery and equipment	4,107,985	217,254	(155,821)	[5]	4,169,418
Infrastructure	2,123,636	2,054,518	(907)		4,177,247
Right-to-use assets [3]	264,230	15,290	(10,459)		269,061
Intangible assets	120,709	3,070	(478)		123,301
Total capital assets, being depreciated/amortized	29,495,135	2,735,045	(184,176)		32,046,004
Less accumulated depreciation/amortization for:					
Facilities and improvements	8,295,980	552,791	(16,512)		8,832,259
Machinery and equipment	2,158,598	257,912	(152,809)	[5]	2,263,701
Infrastructure	848,434	55,263	-		903,697
Right-to-use assets [3]	32,031	24,712	(10,459)		46,284
Intangible assets	85,625	5,906	(478)		91,053
Total accumulated depreciation/amortization	11,420,668	896,584	(180,258)		12,136,994
Total capital assets, being depreciated/amortized, net	18,074,467	1,838,461	(3,918)		19,909,010
Business-type activities capital assets, net	$ 24,261,984	$ 3,627,648	$ (2,743,390)		$ 25,146,242

(1) Balance of July 1, 2022, as restated due to implementation of GASB 96 SBITAs. See Note 17 for additional information.
(2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
(3) See Note 17 for additional information.
(4) For fiscal year 2023, decreases in construction in progress were higher than increases to the total capital assets primarily due to $41.1 million in capital project write-offs.
(5) The decreases include equipment transfers between departments.

(Dollars in Thousands)

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities:		
Public protection	$	31,293
Public works, transportation and commerce		95,621
Human welfare and neighborhood development		26,898
Community health		55,034
Culture and recreation		60,930
General administration and finance		68,031
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis		14,762
Total depreciation/amortization expense - governmental activities	$	352,569

Business-type Activities:		
Airport	$	355,475
Water		155,714
Power		24,671
Transportation		229,262
Hospitals		28,151
Wastewater		78,039
Port		25,272
Total depreciation/amortization expense - business-type activities	$	896,584

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 $5.37 billion as of June 30, 2023. 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, 2023. 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, 2023.

(Dollars in Thousands)

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2023, was as follows:

Treasure Island Development Authority:	**Balance July 1, 2022**	**Increases**	**Decreases**	**Balance June 30, 2023**
Capital assets, not being depreciated:				
Land	$ 34,344	$ -	$ -	$ 34,344
Construction in progress	13,093	1,995	(14,586)	502
Total capital assets, not being depreciated	47,437	1,995	(14,586)	34,846
Capital assets, being depreciated:				
Facilities and improvements	4,844	-	-	4,844
Machinery and equipment	36	-	-	36
Infrastructure	6,854	14,586	-	21,440
Total capital assets, being depreciated	11,734	14,586	-	26,320
Less accumulated depreciation for:				
Facilities and improvements	514	109	-	623
Machinery and equipment	35	1	-	36
Infrastructure	-	2,481	-	2,481
Total accumulated depreciation	549	2,591	-	3,140
Total capital assets, being depreciated, net	11,185	11,995	-	23,180
Component unit capital asssets, net	$ 58,622	$ 13,990	$ (14,586)	$ 58,026

During the year ended June 30, 2023, TIDA recorded construction in progress for the building improvements. The Southgate Road project was completed in fiscal year 2022-23. For 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.

(Dollars in Thousands)

(8) BONDS, LOANS, LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2023, are as follows:

Commercial Paper	July 1, 2022	Additional Obligation	Current Maturities	June 30, 2023
Governmental activities:				
Multiple Capital Projects	$ 29,771	$ 240,491	$ (231,472)	$ 38,790
Governmental activities short-term obligations	$ 29,771	$ 240,491	$ (231,472)	$ 38,790
Business-type activities:				
San Francisco International Airport *	$ 85,975	$ 417,250	$ -	$503,225
San Francisco Water Enterprise**	206,297	371,459	(206,297)	371,459
Hetch Hetchy Water and Power***	40,019	116,352	(40,019)	116,352
San Francisco Wastewater Enterprise	379,157	-	(379,157)	-
Business-type activities short-term obligations	$ 711,448	$ 905,061	$ (625,473)	$991,036

* The $503.2 million in outstanding CP by the Airport includes $497.8 million CP that was repaid by the Series 2023CD bonds that were issued in November 2023. The $497.8 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

** The $371.5 million outstanding CP by the Water Enterprise was repaid by the Series 2023AB bonds that were issued in July 2023. The $371.5 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

*** The $116.4 million outstanding CP by the Hetch Hetchy Water and Power Enterprise was repaid by the Series 2023A bonds that were issued in October 2023. The $116.4 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023.

City and County of San Francisco Commercial Paper Program

The City launched a 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) in March 2009, when 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 in July 2013. The City currently has revolving credit agreements (RCA) 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 has a fixed maturity date from one to 270 days and in the City's general practice, matures between 14 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility. The City's CP program has had several credit facilities, which included two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank National Association, that supported the issuance of Commercial Paper Certificates of Participation Series 1&2 (Series 1&2). In March 2023, the two RCAs supporting Series 1&2 were replaced by an RCA issued by Wells Fargo Bank (WFB RCA) in the maximum principal and interest commitment not to exceed $150.0 million and $13.5 million, respectively. The WFB RCA will only support the Commercial Paper Certificates of Participation Series 2 and it will not support in any respect the payment of the principal of and interest with respect to any

Series 1/1-T Commercial Paper Certificates. Additionally, no letter of credit, revolving line of credit, or similar facility established by any bank or financial institution with respect to any other obligation of the City is anticipated to be available in any respect to pay the principal of and interest with respect to any Series 1/1-T Commercial Paper Certificates. The WFB RCA stipulates a quarterly commitment fee of 0.25%, on the maintenance of ratings of at least "AA+" by Fitch, "AA+" by S&P, and "Aa1" by Moody's. The WFB RCA is scheduled to expire on March 30, 2026.

The Commercial Paper Certificates of Participation Series 3 (Series 3) is supported by an RCA with Bank of the West (BOTW RCA), in the maximum principal and interest commitment not to exceed $100.0 million and $9.0 million, respectively. The BOTW RCA stipulates a semiannual commitment fee of 0.12%, on the maintenance of ratings at least "AA-" by Fitch, "AA-" by S&P, and "Aa3" by Moody's. The BOTW RCA is scheduled to expire on April 30, 2026.

In fiscal year 2023, the City issued $240.5 million and retired $231.5 million of CP notes to provide interim financing for the development, acquisition, construction or rehabilitation of affordable rental housing projects; to finance and refinance capital projects at certain HOPE SF properties; to fund approved capital improvement projects, including but not limited to certain projects generally known as the Homeless Services Center, Laguna Honda Hospital Wings Reuse Project, and AITC Immunization and Travel Clinic Relocation; to finance critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments; to provide financing for the acquisition of police vehicles; and to finance and refinance improvement and equipping of certain existing real property including the existing Hall of Justice facilities and related facilities. As of June 30, 2023, the outstanding principal of taxable and tax-exempt CP of governmental activities was $20.1 million and $18.7 million with an interest rate of 5.25% and 3.20%, respectively.

Events of default under the RCA for Commercial Paper Series 2, consist of failure by the City to pay any Reimbursement Obligation or interest thereon to the Bank; failure by the City to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; the City fails to make payment on any other Special Lease Obligation Debt; City files for bankruptcy or has certain types of involuntary cases or proceedings filed against it that remain undismissed or unstayed for 60 days; a non-appealable judgment or legislation or order or decree invalidates the Agreement or Certificates; City is downgraded below investment grade; City sustains unsatisfied judgment of $25.0 million or more. Upon the occurrence and during the continuance of an Event of Default, advances and all other amounts outstanding under the credit facility shall bear interest at the default rate, the Commitment shall automatically and immediately terminate with respect to all outstanding Certificates and the Bank's obligation to make any Revolving Loan or Advances shall terminate; the Bank may exercise any other rights or remedies available by law or under contract. The RCA for Series 2 has no acceleration provision.

Events of default under the RCA for Commercial Paper Series 3, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure by the City to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; the City fails to make payment on any other material debt; City or trustee files for bankruptcy or has certain types of involuntary cases or proceedings filed against it that remain undismissed or unstayed for 60 days; City is downgraded below "BBB+/Baa1"; City sustains unsatisfied judgment of $25.0 million or more; the IRS declares the interest taxable with respect to any Certificate issued as tax-exempt; any governmental authority of appropriate jurisdiction declares a moratorium with respect to any of the debt of the City. Upon the occurrence of an event of default under the RCA, the Credit Bank may terminate the RCA. No additional Certificates shall be issued, the available Commitment shall immediately be reduced to the then outstanding principal amount of Certificates, and the available Commitment shall further be reduced in a similar manner as and when such Certificates mature. Revolving Bank Certificate, and some or all of Reimbursement Obligations or other Obligations may be converted to Term Loans at the Default Rate. For any special event of default, the RCA shall automatically and immediately terminate with respect to all outstanding Certificates and the Bank shall have no obligation to make any revolving loan. The RCA for Series 3 has no acceleration provision.

(Dollars in Thousands)

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended, and supplemented (the 1997 Note Resolution), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $600.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP.

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 Airport's 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 1997 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 1997 Note Resolution), less Operation and Maintenance Expenses (as defined in the 1997 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 1997 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 1997 Note Resolution.

As of June 30, 2023, the CP program was supported by six direct-pay LOC with a combined maximum stated principal amount of $600.0 million, from State Street Bank and Trust Company ($100.0 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires April 7, 2027), Barclays Bank PLC ($100.0 million, expires May 24, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch ($100.0 million, expires June 6, 2028), Barclays Bank PLC ($125.0 million, expires April 23, 2027), and Bank of America, N.A. ($75.0 million, expires May 4, 2026). Each of the LOC supports a separate subseries of CP notes.

The following table summarizes CP activity during the year ended June 30, 2023:

Commercial Paper	**Interest rate**	**July 1, 2022**	**Increases**	**Decreases**	**June 30, 2023**
Commercial paper (Taxable) - short-term…	3.50% - 5.45%	$ 2,700	$ 2,750	$ -	$ 5,450
Commercial paper (AMT) - long-term…......	2.32% - 3.42%	65,225	392,000	-	457,225
Commercial paper (Non-AMT) - long-term..	2.42% - 3.35%	18,050	22,500	-	40,550
Total		$ 85,975	$417,250	$ -	$ 503,225

The table presents the CP notes' net increase and decrease activity during the fiscal year 2022-23. This excludes the issuance of CP notes to repay maturing CP notes.

As of June 30, 2023, the Airport had $503.2 million in outstanding CP including $497.8 million that was repaid by Series 2023CD bonds that were issued in November 2023. The $497.8 million has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

As of June 30, 2023, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2022-23, the Airport issued new money CP notes in the aggregate principal amount of $392.0 million (AMT), $22.5 million (Non-AMT), and $2.8 million (Taxable) to fund capital improvement projects.

Events of default for the CP notes include nonpayment events, bankruptcy events, noncompliance with covenants, and default under the 1991 Master Bond Resolution. The CP notes are not subject to acceleration.

Events of default with respect to the LOC supporting the CP notes include nonpayment events (both on CP notes and Senior Bonds), bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1997 Note Resolution, or a determination of taxability of interest on the tax-exempt CP notes. A downgrade of the Airport's Senior Bonds to below "Baa1" by Moody's or "BBB+" by S&P or Fitch is an event of termination with respect to all of the LOC supporting the CP notes. In addition, the State Street Bank and Trust LOC supporting $100.0 million of CP notes includes certain changes in law affecting the Airport's payment obligations to the bank as events of termination. Remedies include the LOC bank's ability to stop issuance of the CP notes it supports and to require a final drawing on the LOC. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized over a three-, four- or five-year period.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2023, the amount outstanding under Proposition E was $371.5 million. CP interest rates ranged from 1.2% to 5.3%. 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. The Water Enterprise had $128.5 million in unused authorization as of June 30, 2023.

As of June 30, 2023, the Water Enterprise had $371.5 million in outstanding CP which was repaid by the 2023 Series AB Water Revenue Bonds issued in July 2023. The $371.5 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 1.1% to 3.2% in fiscal year 2022-23. Hetch Hetchy Water and Power had $116.4 million CP outstanding and $133.6 million in unused authorization as of June 30, 2023.

As of June 30,2023, The Hetch Hetchy Water and Power had $116.4 million CP which was repaid by the 2023 Series A bonds issued in October 2023. The $116.4 million CP has been reclassed to long-term debt in the financial statements as of June 30, 2023. See Note 19 Subsequent Events.

Events of default as specified in the Reimbursement Agreements include non-payment; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise has no CP outstanding as of June 30, 2023.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment defaults, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2023, there were no such events described herein.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2023:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Affordable housing	2048	0.396% - 6.00%	$ 421,865
Earthquake safety and emergency response	2046	2.25% - 5.00%	315,685
Clean and safe neighborhood parks	2037	2.00% - 6.26%	86,025
Health and recovery	2048	4.00% - 5.00%	193,180
Preservation and seismic safety (PASS) program	2060	0.616% - 4.321%	162,280
Public health and safety	2045	3.00% - 5.00%	205,125
Road repaving and street safety	2035	2.25% - 5.00%	30,095
San Francisco General Hospital	2030	5.30% - 6.26%	117,950
Seismic safety loan program	2031	3.36% - 5.83%	12,173
Transportation and road improvement	2046	2.00% - 5.00%	302,655
Refunding	2035	4.00% - 5.00%	740,765
General obligation bonds			2,587,798
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2030	2.20% - 5.00% *	83,085
SALES TAX REVENUE BONDS			
SFCTA revenue bonds [(g)]	2034	3.00% - 4.00%	194,185
CERTIFICATES OF PARTICIPATION:			
Certificates of participation [(c) & (d)]	2050	2.00% - 5.00%	1,102,005
SPECIAL TAX BONDS:			
Development special tax bonds [(h)]	2052	3.00% - 5.25%	106,230
INCREMENT TAX BONDS:			
Tax increment revenue bonds [(i)]	2053	5.00%	29,390
OTHER LONG-TERM OBLIGATIONS:			
Loans [(d), (f)]	2045	4.50%	19,900
Lease purchase - Public Safety Radio Replacement [(d)]	2027	1.6991%	12,619
Governmental activities total long-term obligations			$ 4,135,212

* 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, 2023 for Series 2008-1 & 2 averaged 2.20%.

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 and Special Revenue 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 and Special Revenue Funds.
(g) Sales tax revenues by the San Francisco County Transportation Authority.
(h) Certain tax increment revenue by Infrastructure Financing District and special tax revenue by Special Tax District.
(i) Tax increment revenue by the Infrastructure and Revitalization Financing District.

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	1.98% - 5.50%*	$ 8,049,665
San Francisco Water Enterprise:			
Revenue bonds	2051	0.26% - 6.95%	4,459,365
Certificates of participation	2042	2.00% - 6.49%	92,499
State Revolving fund loans	2051	1.00% - 1.10%	163,627
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2052	3.00% - 5.00%	162,984
Certificates of participation	2042	2.00% - 6.49%	12,593
Municipal Transportation Agency:			
Revenue bonds	2051	0.389% - 5.00%	430,365
Loans	2047	3.30%	10,934
San Francisco General Hospital:			
Certificates of participation	2026	5.55%	5,388
San Francisco Wastewater Enterprise:			
Revenue bonds	2052	1.00% - 5.82%	2,397,670
Revenue notes	2027	1.00%	347,465
Certificates of participation	2042	2.00% - 6.49%	24,458
State Revolving fund loans	2056	0.80% - 1.80%	318,689
WIFIA Loans	2059	1.45%	122,357
Port of San Francisco:			
Revenue bonds	2044	1.79% - 5.0%	38,490
Certificates of participation	2043	4.75% - 5.25%	24,765
Loans	2037	4.50%	6,229
Laguna Honda Hospital:			
Certificates of participation	2031	3.00% - 5.00%	63,120
Business-type activities total long-term obligations			$ 16,730,663

* Includes Second Series Revenue Bonds Issue 2018B and 2018C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2023, the average interest rates on Issue 2018B and 2018C, were 1.99% and 2.03%, 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's 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, 2023, the City's general obligation bond debt limit (3% of valuation subject to taxation) was $9.96 billion. The total amount of debt applicable to the debt limit was $2.84 billion. The resulting legal debt margin was $7.12 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, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City has recognized an arbitrage liability of $3.1 million, and the Finance Corporation does not have an arbitrage liability as of June 30, 2023. Each enterprise fund has performed a similar analysis of its debt which was subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

Conduit Debt Obligations

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 to facilitate affordable housing 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. These bonds are secured by the related project revenues and other sources of funds, and are not considered obligations of the City. No commitments beyond the maintenance of the tax-exempt status of the conduit debt obligation were extended by the City for any of the mortgage revenue bonds. As of June 30, 2023, the total obligation outstanding was $2.20 billion.

San Francisco International Airport Special Facilities Lease Revenue Bonds

In February 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (Fuel Bonds), in an aggregate principal amount of $125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Airport for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. As of June 30, 2023, the outstanding balance was $96.7 million. The 2019 Fuel Bonds have a final maturity of January 1, 2047.

SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Airport and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers for into-plane fueling at the Airport and are not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel.

(Dollars in Thousands)

Community Facilities Districts and Special Tax Districts Bonds

Community Facilities District No. 2014-1 (Transbay Transit Center)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) as of June 30, 2023:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Special Tax Bonds Series 2017A	2.750% - 4.00%	2049	$ 34,710
Special Tax Bonds Series 2017B	2.750% - 4.00%	2049	164,865
Special Tax Bonds Series 2019A	3.038% - 4.25%	2050	32,485
Special Tax Bonds Series 2019B	3.028% - 4.371%	2050	151,975
Special Tax Bonds Series 2020B	1.683% - 3.572%	2051	80,060
Special Tax Bonds Series 2021B	0.645% - 3.482%	2051	33,450
Special Tax Bonds Series 2022A	5.00%	2053	31,190
Special Tax Bonds Series 2022B	4.798% - 6.332%	2052	47,380
Total obligations			$ 576,115

In December 2022, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) issued Special Tax Bonds, Series 2022A (Tax-Exempt) and Series 2022B (Federally Taxable – Green Bonds) in the par amounts of $31.2 million and $47.4 million, respectively. The 2022A Bonds were issued to fund streetscape and pedestrian improvements around the Salesforce Transit Center, acquisition of transit vehicles, and enhancements at BART Embarcadero Station. The 2022B Bonds were issued to fund planning, design, engineering, right of way acquisition and construction of certain capital improvements that are part of the Transbay Program's Downtown Rail Extension. The 2022A Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear interest rates ranging from 4.798% to 6.332%, with principal amortizing from September 1, 2023, through September 1, 2051.

The Special Tax Bonds of CFD 2014-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that 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 Special Tax Bonds of CFD 2014-1.

Community Facilities District No. 2016-1 (Treasure Island)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2016-1 (CFD 2016-1) as of June 30, 2023:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Improvement Area No.1 Special Tax Bonds Series 2020	3.00% - 4.00%	2051	$ 16,825
Improvement Area No.1 Special Tax Bonds Series 2021	4.00%	2052	41,340
Improvement Area No.2 Special Tax Bonds Series 2022A	4.00%	2053	25,130
Total obligations			$ 83,295

(Dollars in Thousands)

The Special Tax Bonds of CFD 2016-1 Improvement Area No. 1 and Improvement Area No. 2 were issued in order to finance infrastructure and development costs for the Treasure Island/Yerba Buena Island Development Project. The bonds are secured under the provisions of their respective Fiscal Agent Agreements and will be payable solely from Special Tax Revenues and funds pledged under those agreements. 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 Special Tax Bonds of CFD 2016-1.

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2023, are as follows:

	Restated July 1, 2022	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2023	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,625,533	$ 238,585	$ (276,320)	$ 2,587,798	$ 179,681
Lease revenue bonds	96,340	-	(13,255)	83,085	14,455
Sales tax revenue bonds	208,310	-	(14,125)	194,185	14,545
Certificates of participation	1,140,925	-	(38,920)	1,102,005	40,985
Special tax bonds*	106,230	-	-	106,230	-
Increment tax bonds	-	29,390	-	29,390	465
Subtotal	4,177,338	267,975	(342,620)	4,102,693	250,131
Issuance premiums:					
Add: unamortized premiums*	403,789	6,364	(27,785)	382,368	-
Total bonds payable, net	4,581,127	274,339	(370,405)	4,485,061	250,131
Loans	20,418	-	(518)	19,900	542
Others	16,089	-	(3,470)	12,619	3,530
Accrued vacation and sick leave pay	243,885	166,974	(164,617)	246,242	128,356
Accrued workers' compensation	359,835	86,314	(68,359)	377,790	72,304
Estimated claims payable	296,919	182,206	(63,439)	415,686	155,464
Lease liabilities	511,317	74,057	(89,178)	496,196	62,481
Subscription liabilities **	44,098	1,036	(9,796)	35,338	14,337
Arbitrage rebate liability	-	3,074	-	3,074	3,074
Governmental activities long-term obligations	$ 6,073,688	$ 788,000	$ (769,782)	$ 6,091,906	$ 690,219

* Restated 7/1/2022 balance due to change of reporting entity for Mission Rock Special Tax District

**Restated 7/1/2022 balance due to implementation of GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs)

(Dollars in Thousands)

	Restated July 1, 2022	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2023	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$15,027,450	$ 1,353,375	$ (881,270)	$15,499,555	$ 267,525
Revenue notes	347,465	-	-	347,465	-
Clean renewable energy bonds	40,956	-	(1,972)	38,984	710
Certificates of participation	236,940	-	(14,117)	222,823	14,073
Subtotal	15,652,811	1,353,375	(897,359)	16,108,827	282,308
Issuance premiums / discounts:					
Add: unamortized premiums	1,528,556	200,058	(113,636)	1,614,978	-
Less: unamortized discounts	(130)	-	15	(115)	-
Total bonds payable, net	17,181,237	1,553,433	(1,010,980)	17,723,690	282,308
Commercial paper notes - long-term *	-	985,586	-	985,586	-
Notes, loans, and other payables	442,353	182,734	(3,251)	621,836	3,333
Accrued vacation and sick leave pay	165,036	70,908	(70,558)	165,386	89,830
Accrued workers' compensation	253,294	83,459	(60,707)	276,046	50,502
Estimated claims payable	167,117	37,195	(83,951)	120,361	46,288
Lease liabilities	235,905	17,122	(22,842)	230,185	13,100
Subscription liabilities **	3,653	2,697	(3,563)	2,787	1,687
Arbitrage rebate liability	-	188	-	188	-
Business-type activities long-term obligations	$18,448,595	$ 2,933,322	$ (1,255,852)	$20,126,065	$ 487,048

* CP notes repaid by long-term debt in fiscal year 2024 were reclassed to long-term debt

**Restated 7/1/2022 balance due to implementation of GASB 96 - Subscription-Based Information Technology Arrangements (SBITAs)

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.

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2023, for governmental and business-type activities are as follows:

(Dollars in Thousands)

Governmental Activities (1)

Fiscal Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest (2)	Principal	Interest (3)	Principal	Interest	Principal	Interest
2024............	$ 179,681	$ 104,758	$ 14,455	$ 2,682	$ 60,067	$ 58,952	$ 254,203	$ 166,392
2025............	181,456	96,441	13,105	2,166	63,629	56,302	258,190	154,909
2026............	168,787	88,137	13,730	1,721	64,794	53,540	247,311	143,398
2027............	175,771	80,526	14,375	1,256	65,889	50,659	256,035	132,441
2028............	182,379	72,846	8,735	808	66,983	47,823	258,097	121,477
2029-2033...	793,649	252,750	18,685	680	378,821	194,950	1,191,155	448,380
2034-2038..	432,100	130,609	-	-	308,542	128,661	740,642	259,270
2039-2043..	230,790	72,238	-	-	266,743	68,839	497,533	141,077
2044-2048...	172,265	29,092	-	-	120,846	28,457	293,111	57,549
2049-2053...	28,690	10,734	-	-	68,015	5,489	96,705	16,223
2054-2058...	34,325	5,102	-	-	-	-	34,325	5,102
2059-2060...	7,905	368	-	-	-	-	7,905	368
Total........	$ 2,587,798	$ 943,601	$ 83,085	$ 9,313	$ 1,464,329	$ 693,672	$ 4,135,212	$ 1,646,586

Business-Type Activities (1)

Fiscal Year Ending June 30	Revenue Bonds and Revenue Notes (4) (5)		Certificates of Participation (5)		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024............	$ 268,235	$ 717,051	$ 14,073	$ 12,289	$ 3,333	$ 2,116	$ 285,641	$ 731,456
2025............	358,989	707,251	14,754	11,502	6,428	3,311	380,171	722,064
2026............	632,138	689,491	14,297	10,681	10,324	5,397	656,759	705,569
2027............	586,791	667,627	13,775	9,918	13,943	7,920	614,509	685,465
2028............	485,680	645,047	14,430	9,150	14,149	7,715	514,259	661,912
2029-2033...	2,349,351	2,893,474	61,994	35,424	77,720	36,890	2,489,065	2,965,788
2034-2038..	2,723,395	2,303,994	44,475	21,309	81,853	31,178	2,849,723	2,356,481
2039-2043..	3,188,525	1,621,606	45,025	6,183	86,262	25,436	3,319,812	1,653,225
2044-2048...	3,040,330	920,428	-	-	111,234	18,851	3,151,564	939,279
2049-2053...	2,174,150	211,849	-	-	120,444	11,014	2,294,594	222,863
2054-2058...	78,420	7,839	-	-	85,263	3,629	163,683	11,468
2059-2060...	-	-	-	-	10,883	119	10,883	119
Total........	$ 15,886,004	$ 11,385,657	$ 222,823	$ 116,456	$ 621,836	$ 153,576	$ 16,730,663	$ 11,655,689

(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 the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately $10.2 million and $2.1 million, respectively, through the year ending 2030. The federal sequester reduction was 5.7% in fiscal year 2023. 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 2.20%, together with liquidity fee of 0.27% and remarketing fee of 0.05% 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 $190.8 million less.

(5) The interest is before the federal subsidy for the Revenue Bonds, Certificates of Participation, Clean Renewable Energy, and Energy Conservation Bonds by the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidy was reduced by 5.7% or a total reduction of $18.8 million, $2.5 million, and $201, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

(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, 2023, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2022	$ 1,496,115
Bonds issued:	
Series 2023A Health and Recovery	(28,785)
Series 2023B Embarcadero Seawall Earthquake Safety	(39,020)
Series 2023C Social Bonds - Affordable Housing	(170,780)
Net authorized and unissued as of June 30, 2023	$ 1,257,530

In April 2023, the City issued Tax-Exempt General Obligation Bonds Series 2023A (Health and Recovery), and Taxable General Obligation Series 2023B (Embarcadero Seawall Earthquake Safety) and Series 2023C (Social Bonds – Affordable Housing) with the par value of $28.8 million, $39.0 million, and $170.8 million, respectively.

The proceeds of the Series 2023A bonds will be used to finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other right-of-way and related assets; and to pay certain costs related to the issuance of the Series 2023A bonds. The Series 2023A bonds bear interest rates of 4.0% and 5.0% and with maturities from June 2024 through June 2048.

The proceeds of the Series 2023B bonds will be used to finance projects to protect the waterfront, BART and MUNI infrastructure, buildings, historic piers, and roads from earthquakes, flooding and rising sea level by repairing the 100-year-old Embarcadero Seawall, strengthening the Embarcadero roadway, fortifying transit infrastructure and utilities serving residents and businesses and to pay certain costs related to the issuance of the Series 2023B bonds. The Series 2023B bonds bear an interest rate of 6.0% and finally matured in June 2023.

The proceeds of the Series 2023C bonds will be used to finance the construction, development, acquisition, and preservation of affordable housing to extremely-low, low and middle-income households through programs that will prioritize vulnerable populations such as the City's working families, veterans, seniors, and persons with disabilities; to assist in the acquisition, rehabilitation, and preservation of existing affordable housing to prevent displacement of residents; to repair and reconstruct distressed and dilapidated public housing developments and their underlying infrastructure; to assist the City's middle-income residents or workers in obtaining affordable rental or home ownership opportunities including down payment assistance and support for new construction of affordable housing for San Francisco Unified School District and City College of San Francisco employees; and to pay related costs on the issuance of the Series 2023C bonds. The Series 2023C bonds bear interest rates ranging from 4.45% to 6.0% with principal amortizing from June 2023 through June 2048.

(Dollars in Thousands)

The General Obligation Bonds debt service payments are funded through ad valorem taxes on property. The City is obligated to levy ad valorem taxes without limitation as to rate or amount on all real property subject to taxation (except in certain limited circumstances) for the payment of general obligation bonds. No City property is pledged to the repayment of general obligation bonds nor is the City required to maintain a reserve fund for the payment of principal and interest.

An event of default is the non-payment of interest or principal, when due. Remedies include mandamus action for payment. General Obligation Bonds are not subject to acceleration.

Certificates of Participation

As of June 30, 2023, the City has a total of $1.10 billion of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund has been established for payment of certain COP issuances, equivalent to either 50% or 100% of the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original principal amount of the COPs. The total debt service requirement on the certificates of participation is $1.62 billion payable through April 1, 2050. For the year ended June 30, 2023, principal and interest paid by the City totaled $38.9 million and $46.6 million, respectively.

An event of default on every outstanding series of Certificates of Participation, include: (i) the failure to make lease payments when due; or (ii) failure to observe covenants under the respective Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting the leased property for the account of the City, or hold the Project Lease and sue each year for rent. Certificates of Participation are not subject to acceleration.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2023, were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2022	$ 204,916
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	4,538
Authorized and unissued as of June 30, 2023	$ 209,454

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, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are 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 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 $92.4 million payable through June 2030. For the year ended June 30, 2023, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled $13.3 million and $2.7 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 nonprofit 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, 2023, all the previously issued equipment lease revenue bonds have been repaid. $95.3 million of unused authorization is still available for new issuance.

Events of Default and Remedies

*Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-*2 - Events of default as specified in the Letter of Credit Agreements include: (i) the City fails to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise fails to pay the Credit Bank when due; (ii) the City fails to observe any covenant under Credit Agreement; (iii) the San Francisco Finance Corporation fails to observe any covenant or warranty under Credit Agreement; (iv) the City defaults on any appropriation debt; (v) the City files for bankruptcy; (vi) downgrade of the City's rating on the Bonds or any other Lease Obligation Debt below "BBB" (or its equivalent). Upon the occurrence of an Event of Default, the bank's remedies are as follows: (i) by notice require the City to post collateral up to the Available Amount of the letter of credit (except the City has no such right upon bankruptcy event), (ii) declare all Obligations due and payable (except such declaration is automatic upon bankruptcy event), (iii) by notice to Trustee declare Event of Default and cause a mandatory tender of bonds, thereby causing the letter of credit to expire 15 days thereafter; (iv) pursue other rights under the Indenture and otherwise available under equity and law.

Emergency Communications System Lease Revenue Refunding Bonds, Series 2010-R1 - Events of default as specified in the Master Trust Agreement include: (i) failure to make lease payments when due; or (ii) failure to observe covenants under the Master Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Master Lease, including the right to terminate the Master Lease, enter the leased property, and remove all persons and property, reletting leased property for account of the City for public purpose, or hold the Master Lease and sue each year for rent. The bonds are not subject to acceleration.

Open Space Fund Lease Revenue Refunding Bonds, Series 2018A and Branch Library Improvement Program Lease Revenue Refunding Bonds, Series 2018B - Events of default as specified in the Project Lease include: (i) failure to make lease payments when due, (ii) or failure to observe covenants under the Project Lease. In an event of default, the trustee may enforce all of its rights and remedies under the Project Lease, including reletting property for account of the City, or sue each year for rent. The bonds are not subject to acceleration.

<u>San Francisco County Transportation Authority Long-Term Debt</u>

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) 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, repay a portion of the outstanding amount of a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 Bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. The outstanding principal on June 30, 2023, is $194.2 million. The Series 2017 Bonds are repaid and secured by a pledge of Prop K half-cent sales tax and other legally available revenues of the SFCTA. Based on the total sales tax revenue of $111.5 million for the year ended June 30, 2023, the total debt service payments of $21.3 million on the Series 2017 Bonds, the SFCTA's senior debt service coverage ratio was 522% or 5.22x. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

(Dollars in Thousands)

In October 2021, the SFCTA entered into a Revolving Credit Agreement (RCA) with U.S. Bank National Association for $125.0 million. The RCA is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the Series 2017 Bonds and will expire in October 2024.The SFCTA will use the RCA to fund the capital projects and programs included in the Prop K Expenditure Plan. As of June 30, 2023, the SFCTA has no outstanding balance in the RCA. Events of Default under the RCA include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below "Baa2" by Fitch, "BBB" by Moody's or "BBB" by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the RCA.

Events of Default and Remedies - Other Long-Term Obligations

Marina West Harbor Loans - Events of default include the failure to make loan payments within 30 days of the due date, or failure to observe or comply with requirements under the Agreement within 180 days of receipt of written notice. Remedies by the Department of Boating and Waterways by the State of California includes the repossession of the project area, declaring that the loan is immediately due and payable, and the exercise of all other rights and remedies available by law. The Marina West Harbor Loan is subject to an acceleration provision.

Public Safety Radio Lease Financing - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Lease Purchase Financing Agreement. Remedies of the lender are repossessing the leased equipment, enforcing rights under the Lease, and other remedies available by law. The Public Safety Radio Lease Financing has no acceleration provision.

Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

The following is a summary of long-term obligations of the City and County of San Francisco Special Tax District No. 2020-1 as of June 30, 2023:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Development Special Tax Bonds Series 2021A	3.00% - 4.00%	2052	$ 41,950
Development Special Tax Bonds Series 2021B	4.00% - 5.25%	2050	54,280
Development Special Tax Bonds Series 2021C	4.00%	2052	10,000
Total obligations			$ 106,230

The Development Special Tax Bonds of STD 2020-1 were issued in order to finance infrastructure and development costs for the Mission Rock Development Project. The bonds are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from the Revenues and funds pledged under that agreement. Revenues generally consist of Special Tax Revenues and certain tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to the bonds under a Pledge Agreement.

In fiscal year 2022-23, tax increment revenues collected from the City's Infrastructure Financing District No. 2, Project Area I surpassed the one hundred thousand dollars threshold stipulated in the Pledge Agreement. Accordingly, the taxes increment revenues collected were pledged by the City to the Special Tax District. The pledge of allocated tax increment revenues to the STD created a financial burden relationship between the City and the STD. This change in circumstance triggered Mission Rock STD to become a blended component unit reported in a special revenue fund in the City's financial statements. These bonds are not payable from any other 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 Special Tax Bonds of STD 2020-1.

(Dollars in Thousands)

The District is obligated to fund the 2021A Reserve Fund for the benefit of the 2021A bonds, the 2021C Bonds and any other 2021A Related parity Bonds in an amount equal to the 2021A Reserve Requirement, or the lesser of: (i) maximum annual debt service on the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds; (ii) 125% of average annual debt service on the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds; or (iii) 10% of the outstanding principal amount of the 2021A Bonds, 2021C Bonds and any 2021A Related Parity Bonds.

The District is obligated to fund the 2021B Reserve Fund for the benefit of the 2021B bonds and any 2021B Related Parity Bonds in an amount equal to the 2021B Reserve Requirement, or the lesser of: (i) maximum annual debt service on the 2021B Bonds and any 2021B Related Parity Bonds; (ii) 125% of average annual debt service on the 2021B bonds and any 2021B Related Parity Bonds; or (iii) 10% of the outstanding principal amount of the 2021B Bond and any 2021B Related Parity Bonds.

As authorized under the Special Tax Financing Law, the City covenants with and for the benefit of the Owners of the Bonds that it will order, and cause to be commenced as hereinafter provided, and thereafter diligently prosecute to judgment (unless such delinquency is theretofore brought current), an action in the superior court to foreclose the lien of any Development Special Tax or installment thereof not paid when due. If by May 1 of each fiscal year, the City determines that any single Leasehold Interest in a Taxable Parcel subject to the Development Special Taxes is delinquent in the payment of one or more installments, then the City shall cause notice to be sent to the owner of the Leasehold Interest within 45 days of such determination, and (if the delinquency remains unsecured) foreclosure proceedings shall be commenced by the City within 60 days of such determination. The City may defer any of such actions if (i) the District is participating in the Teeter Plan, (ii) the amount in the 2021A Reserve Fund is at least equal to the 2021A Reserve Requirement and (iii) the amount in the reserve account for any Parity Bonds that are not 2021A Related Parity Bonds is at least equal to the required amount. The principal of the Bonds shall not be subject to acceleration.

<u>Infrastructure and Revitalization Financing District No. 1 (Treasure Island)</u>

The following is a summary of long-term obligations of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) as of June 30, 2023:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Tax Increment Revenue Bonds, Series 2022A (Facilities Increment)	5.00%	2053	$ 24,270
Tax Increment Revenue Bonds, Series 2022B (Housing Increment)	5.00%	2053	5,120
Total obligations			$ 29,390

In September 2022, the City, on behalf of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment) (the 2022A Bonds and 2022B Bonds) in the original par amounts of $24.3 million and $5.1 million, respectively. The 2022A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2022B Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2022A Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear an interest rate of 5.0%, with principal amortizing from September 1, 2023, through September 1, 2052.

The 2022A Bonds and 2022B Bonds are secured under the provisions of separate Indentures of Trust and will be payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. These bonds are not a debt of the City, the State, or any political subdivision (other than the IRFD).

The District is obligated to fund the 2022 Facilities Reserve Requirement in an amount equal to the least of (a) Maximum Annual Debt Service on the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds, if any, (b) 125% of average Annual Debt Service on the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds, if any and (c) 10% of the original principal of the Series 2022A Facilities Bonds and 2022 Related Facilities Bonds.

The District is also obligated to fund the 2022 Housing Reserve Requirement in an amount equal to the least of (a) Maximum Annual Debt Service on the Series 2022B Housing Bonds and 2022 Related Housing Bonds, if any, (b) 125% of average Annual Debt Service on the Series 2022B Housing Bonds and 2022 Related Housing Bonds, if any and (c) 10% of the original principal of the Series 2022B Housing Bonds and 2022 Related Housing Bonds.

Events of default as specified in the Indenture of Trust for the Facilities Bonds consist of (i) default by the IRFD in the due and punctual payment of principal and interest or redemption premium (if any) on the Bonds when due and payable; (ii) default by the IRFD in the observance of any of the covenants, agreements, or conditions in the Indenture or Facilities Bonds; and (iii) IRFD files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the U.S. In an Event of Default, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Facilities Bonds then Outstanding the Trustee shall (i) declare the principal of the Facilities Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Facilities Bonds to the contrary notwithstanding, and (ii) exercise any other remedies available to the Trustee and the Owners of the Facilities Bonds in law or at equity.

Events of default as specified in the Indenture of Trust for the Housing Bonds consist of (i) default by the IRFD in the due and punctual payment of principal and interest or redemption premium (if any) on the Bonds when due and payable; (ii) default by the IRFD in the observance of any of the covenants, agreements, or conditions in the Indenture or Housing Bonds; and (iii) IRFD files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the U.S. In an Event of Default, the Trustee, may, and, if requested in writing by the Owners of a majority in aggregate principal amount of the Housing Bonds then Outstanding the Trustee shall (i) declare the principal of the Housing Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in the Indenture or in the Housing Bonds to the contrary notwithstanding, and (ii) exercise any other remedies available to the Trustee and the Owners of the Housing Bonds in law or at equity.

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.

(Dollars in Thousands)

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2022, as of June 30, 2023, the Airport has authorized the issuance of up to $10.8 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, funding capitalized interest, and for paying costs of issuance. As of June 30, 2023, $4.2 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2023, as of June 30, 2023, the Airport has authorized the issuance of up to $17.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding CP, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2023, $7.2 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2022-23, the Airport issued the following bonds for refunding and other purposes under the 1991 Master Bond Resolution:

In March 2023, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2023A (AMT), and Second Series Revenue Bonds, Series 2023B (Non-AMT/Governmental Purpose), in an aggregate principal amount of $241.9 million to refund a combined $261.5 million of its Series 2010A Bonds, Series 2013A Bonds, and Series 2013B Bonds, to fund the termination payment of an interest rate swap, and to pay costs of issuance.

The proceeds of the Series 2023A, and Series 2023B, (consisting of $241.9 million par amount and original issue premium of $21.6 million, less underwriters' discount of $0.5 million), together with $8.6 million accumulated in the debt service fund were used to deposit $265.0 million into redemption accounts and escrow funds with the Senior Trustee to refund $261.5 million in revenue bonds as described below, $5.5 million to fund the swap termination to payment, and $1.1 million to pay costs of issuance.

The Series 2010A bonds were redeemed on March 31, 2023, and Series 2013A and Series 2013B bonds identified in the table below were redeemed on May 1, 2023.

	Interest Rate	June 30, 2022	Amount Refunded	June 30, 2023
Second Series Revenue Bonds Issue:				
Series 2010A1 (AMT)	variable	$ 71,845	$ 71,845	$ -
Series 2010A2 (AMT)	variable	47,900	47,900	-
Series 2013A (AMT)	5.00%-5.50%	295,650	53,860	241,790
Series 2013B (Non-AMT/Governmental Purpose)	5.00%	87,860	87,860	-
Total		$ 503,255	$ 261,465	$ 241,790

In aggregate, the Series 2023A/B refundings resulted in the recognition of a deferred accounting loss of $3.5 million for the year ended June 30, 2023. The Series 2023A/B refundings decreased the Airport's aggregate gross debt service payments by approximately $23.9 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of $10.6 million.

(Dollars in Thousands)

Variable Rate Demand Bonds

As of June 30, 2023, the Airport had outstanding aggregate principal amount of $276.3 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of 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 issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a letter of credit 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 letters of credit range between 0.34% and 0.37% per annum. As of June 30, 2023, there were no unreimbursed draws under these facilities.

The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2023, are as follows:

	Series 2018B	Series 2018C
Principal amount	$ 138,170	$ 138,170
Expiration date	June 3, 2026	April 5, 2027
Credit provider	Barclays (1)	SMBC (2)

(1) Barclays Bank PLC
(2) Sumitomo Mitsui Banking Corporation, acting through its New York branch

Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, 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 allows 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 (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 are issued pursuant to a Trust Agreement (Hotel Trust Agreement). In February 2021, the Hotel Special Facility Bonds, and the trust agreement pursuant to which they were issued were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020, through September 30, 2023. The interest rate will then increase incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020, is no longer an interest payment date, and there is no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility 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 subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. 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.

Because the Airport is the issuer of the Hotel Special Facility Bonds and the sole beneficiary of the trust entity serving as holder of the Hotel Special Facility Bonds, neither the Hotel Special Facility Bonds debt service payments nor the Airport's receipts from the trust are included in the accompanying financial statements. The financial statements net the interest income received from the trust against the combined interest expenses of the Hotel Special Facility Bonds and the Series 2018B/C Bonds.

As of June 30, 2023, the Airport had $260.0 million of outstanding Hotel Special Facility Bonds.

<u>Interest Rate Swaps</u>

The Airport entered into forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, on February 10, 2010. The swap structure was intended as a means to increase the Airport's debt service savings by setting a low synthetic fixed rate in advance of the first date that tax-exempt variable rate refunding bonds could be issued in the future to refinance callable bonds.

The Airport terminated these interest rate swaps in August 2019 and March 2023.

<u>Debt Service Reserves and Requirements</u>

Issue 1 Reserve Account - As of June 30, 2023, the reserve requirement for the Issue 1 Reserve Account was $534.9 million, which was satisfied by $539.5 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of $108.6 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, $27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2017 Reserve Account - As of June 30, 2023, the reserve requirement for the 2017 Reserve Account was $40.6 million, which was satisfied by $57.1 million in cash and investment securities.

Series Not Secured by Reserve Accounts - The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2018B/C, all of which are secured by letters of credit.

(Dollars in Thousands)

Cash Defeasance of Bonds

In June 2023, the Airport legally defeased $28.8 million of its Series 2019D Bonds, using monies previously deposited by the Airport in the Debt Service Fund.

The outstanding balance of Series 2019D Bonds for the year ended June 30, 2023, is as follows:

Bond Series	June 30, 2022	Cash Defeasance Amount	June 30, 2023
2019D	$ 402,115	$ 28,820	$ 373,295

Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants, including the rate covenants described below. The bonds are not subject to acceleration.

Payment of principal, interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

San Francisco Water Enterprise

Clean Water State Revolving Fund (CWSRF) Loan and Grant

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 and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $186.2 million, which includes $15.0 million of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2023, was $131.5 million. In addition, there was $15.0 million of principal forgiveness.

Drinking Water State Revolving Fund (DWSRF) Loan

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of $238.2 million. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2023, was $32.1 million.

Events of Default and Remedies

Water Revenue Bonds, and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners, by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

Hetch Hetchy Water and Power

Events of Default and Remedies

Power Revenue Bonds and Energy Bonds - Significant events of default as specified in the Power Enterprise Indenture and Equipment Lease/Purchase Agreement include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations) declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

Wastewater Enterprise

Wastewater Revenue Refunding Bonds 2022 Series B

In July 2022, the Wastewater Enterprise issued tax-exempt revenue bonds, 2022 Series B in the aggregate amount of $137.1 million on a forward delivery basis. The 2022 Series B bonds were issued for the purpose of refunding a portion of the outstanding 2013 Series A bonds maturing on October 1, 2024, and October 1, 2025, and a portion of the outstanding 2013 Series B bonds maturing on October 1, 2024, through October 1, 2034.

The 2022 Series B bonds include serial bonds, each with an interest rate of 5.0% and have a final maturity in 2034. The refunding resulted in the recognition of a deferred accounting gain of $6.9 million, gross debt service savings of $12.4 million and an economic gain of $12.0 million or 8.0% of refunded bonds.

Wastewater Revenue Refunding Bonds 2023 Series ABC

In April 2023, the Wastewater Enterprise issued tax-exempt revenue bonds, 2023 Series ABC in an aggregate principal amount of $974.4 million to refund approximately $557.8 million aggregate principal amount of CP notes, finance various capital projects of the Wastewater Enterprise, and refund certain outstanding revenue bonds.

The $530.6 million 2023 Series A bonds were issued as tax-exempt Green Bonds to refund approximately $400.9 million of CP notes for SSIP capital projects and finance certain capital projects benefitting the Wastewater Enterprise. The Series A bonds were issued as serial bonds with coupons of 5.0% and 5.3% and a final maturity of 2042.

The $278.1 million 2023 Series B bonds were issued as tax-exempt bonds to refund a portion of the outstanding 2013 Series B bonds maturing on October 1, 2035, through October 1, 2039, refund approximately $156.9 million of CP notes for certain capital projects benefitting the Wastewater Enterprise. The Series B bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of 2042. The refunding resulted in the recognition of a deferred accounting gain of $5.3 million and gross debt service savings of $10.6 million.

The $165.7 million 2023 Series C bonds were issued as tax-exempt Green Bonds to refund all of the outstanding 2018 Series C bonds. The Series C bonds were issued as serial bonds with a coupon of 4.0% and a final maturity of 2048. The refunding resulted in the recognition of a deferred accounting gain of $1.0 million, gross debt service savings of $24.6 million, and an economic gain of $15.8 million or 8.8% of refunded bonds.

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; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling $6.1 million and a construction period interest of $0.17 million transferred to principal. As of June 30, 2023, the principal amount outstanding of the loan was $5.9 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 occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $39.7 million. As of June 30, 2023, the principal amount outstanding of the loan was $36.4 million.

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 loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $17.7 million. As of June 30, 2023, the principal amount outstanding of the loan was $15.2 million.

Southeast Plant (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 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 0.8% 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 Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $29.2 million. As of June 30, 2023, the principal amount outstanding of the loan was $25.3 million.

Oceanside (OSP) Digester Gas Utilization Upgrade Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $54.4 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% 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. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $33.2 million, which included a loan forgiveness grant of $4.0 million. As of June 30, 2023, the principal amount outstanding of the loan was $29.2 million.

Southeast Plant (SEP) Biosolids Digester Facilities Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $132.0 million, which includes $4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% 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 in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $132.0 million, which includes a $4.0 million loan forgiveness grant. As of June 30, 2023, the principal amount outstanding of the loan was $128.0 million.

Southeast Plant (SEP) New Headworks (Grit) Replacement Project

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of $112.0 million. The loan bears an interest rate of 1.1% 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 in March 2024. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling $64.7 million and a receivable for reimbursement of $13.9 million. As of June 30, 2023, the principal amount outstanding of the loan was $78.6 million.

WIFIA Loan Agreement-Biosolids Digester Facility Project

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 into pursuant to the WIFIA statute 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 CWSRF Loans entered into with the California State Water Resources Control Board.

The original 2018 loan bears 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 the project construction. In June 2020, the SFPUC re-executed the WIFIA Loan Agreement to have a fixed interest rate of 1.45% for a 35-year term. All other terms of the WIFIA Loan Agreement were unchanged.

In March of 2023, the SFPUC received disbursement of $122.3 million in respect to eligible project costs and a capitalized interest of $74 added to principal. As of June 30, 2023, the principal amount of loan outstanding was $122.4 million.

WIFIA Loan Agreement-Southeast Treatment Plant Improvements

In June 2020, the SFPUC entered into a WIFIA Loan with the United States Environmental Protection Agency in the amount of $513.9 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised 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 CWSRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

WIFIA Master Loan Agreement and Project 1 Loan Agreement

In April 2023, the SFPUC entered into a Loan Agreement with the United States Environmental Protection Agency. The WIFIA Master Agreement and Project 1 Loan was entered into pursuant to the WIFIA authorized by Congress in 2014. The SFPUC entered the WIFIA Master Loan Agreement with the EPA in an amount not to exceed $791.3 million to provide partial funding for projects in the Wastewater Enterprise Capital Plan. The Master Agreement defines the general terms for funding a series of WIFIA loans, the first of which is the "Project 1 Loan Agreement". The incurrence of the Project 1 Loan Agreement, in an aggregate initial principal amount not to exceed $369.3 million will provide partial funding for six Wastewater Enterprise capital improvement projects. Those projects are Westside Pump Station Reliability Improvements, North Shore Pump Station Wet Weather Improvements, Wawona Area Stormwater Improvement, New Treasure Island Wastewater Treatment Plant, Folsom Area Stormwater Improvement, and Yosemite Creek Daylighting. Proceeds of the loan will fund 49% of project costs plus eligible expenses. The Project 1 Loan is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and CWSRF Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.65% for a 32-year term, with loan repayment expected to begin in fiscal year 2033. The SFPUC has not yet submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2023.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2023, there were no such events described herein.

(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, by City resolution and resolution of component units. 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 members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receive continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

Death benefit after retirement generally, upon the death of a retired member, the Retirement System provides continuation benefits to a qualified surviving spouse or qualified domestic partner equal to 50% to 100% of the member's retirement allowance as of the date of death.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in the Consumer Price Index (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

(Dollars in Thousands)

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 when 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 there are sufficient "excess" investment earnings in the Plan and the Plan is also 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.

CalPERS – 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.

The CalPERS' provisions and benefits in effect at June 30, 2023, are summarized as follows:

CalPERS' Provisions and Benefits

	City Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 50, 2% @ 55, or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Required employee contribution rates	7.00% to 9.00%	11.50% to 14.50%
Required employer contribution rates	23.70%	23.70%

** For the City Miscellaneous Plan and the Treasure Island Miscellaneous Plan there are no current active employees.*

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after 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	6.91%	6.75%	6.92%	7.25%
Required employer contribution rates	10.87%	7.47%	11.65%	7.65%

(Dollars in Thousands)

At June 30, 2023, the following current and former employees were covered by the benefit terms under each pension plan:

	SFERS Plan	City CalPERS Miscellaneous Plan	City CalPERS Safety Plan	Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	Treasure Island Development Authority CalPERS Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits.............	32,104	62	1,270	16	189	1
Inactive employees entitled to but not yet receiving benefits.....................	12,657	1	250	65	100	-
Active employees.............................	34,017	-	660	39	43	-
Total..	78,778	63	2,180	120	332	1

Contributions

For the year ended June 30, 2023, the City's actuarial determined contributions were as follows:

SFERS Plan..	$ 638,003
City CalPERS Miscellaneous Plan..	-
City CalPERS Safety Plan..	50,754
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans........	689
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans..............	2,934
Treasure Island Development Authority CalPERS Miscellaneous Plan...............	2
Total..	$ 692,382

SFERS – 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 2022-23 varied from 7.5% to 12.0% as a percentage of gross covered salary. For the year ended June 30, 2023, 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, 2021, actuarial report, the required employer contribution rates for fiscal year 2022-23 were 17.85% to 21.35%.

CalPERS – 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 are 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.

Replacement Benefits Plan – 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 $4.5 million replacement benefits in the year ended June 30, 2023.

Pension liabilities are financed by governmental funds, enterprise funds, fiduciary funds and discrete component unit that are responsible for the charges.

(Dollars in Thousands)

Net Pension Liability (Asset)

The table below shows how the net pension liability (NPL) or (net pension asset) (NPA) as of June 30, 2023, is distributed.

	Net Pension Asset	Net Pension Liability	Total
Governmental activities	$ (17,362)	$ 1,954,150	$ 1,936,788
Business-type activities	-	1,113,763	1,113,763
Fiduciary funds	-	37,328	37,328
Component Unit - Treasure Island Development Authority	-	11	11
Total	$ (17,362)	$ 3,105,252	$ 3,087,890

As of June 30, 2023, the City's NPL/(NPA) is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.8676%	$ 2,552,996
City CalPERS Miscellaneous Plan	-0.1503%	(17,362)
City CalPERS Safety Plan	N/A	355,592
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0294%	3,394
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.3232%	37,328
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0001%	11
Replacement Benefits Plan	N/A	155,931
Total		$ 3,087,890

The City's NPL/(NPA) for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL/(NPA). The City's NPL/(NPA) for each of its cost-sharing plans is measured as of June 30, 2022, and the total pension liability for each cost-sharing plan used to calculate the NPL/(NPA) was determined by an actuarial valuation as of June 30, 2021, rolled forward to June 30, 2022, using standard update procedures. The City's proportion of the NPL/(NPA) 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/(NPA) for the CalPERS plans were actuarially determined as of the valuation date.

(Dollars in Thousands)

The City's proportionate share and NPL/(NPA) of each of its cost-sharing plans as of June 30, 2022 and 2021 were as follows:

	June 30, 2022 (Measurement Date)		June 30, 2021 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.8676%	$ 2,552,996	94.6421%	$ (2,446,565)
City CalPERS Miscellaneous Plan	-0.1503%	(17,362)	-0.4126%	(22,316)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0294%	3,394	0.0160%	868
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.3232%	37,328	0.4073%	22,028
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0001%	11	0.0001%	6
Total		$ 2,576,367		$ (2,445,979)

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, 2021 (MD)	$ 1,590,799	$ 1,446,527	$ 144,272
Change in year:			
Service cost	27,820	-	27,820
Interest on the total pension liability	109,898	-	109,898
Changes of assumptions	45,696	-	45,696
Differences between expected and actual experience	(19,162)	-	(19,162)
Contributions from the employer	-	55,172	(55,172)
Contributions from employees	-	7,885	(7,885)
Net investment loss	-	(109,224)	109,224
Benefit payments, including refunds of employee contributions	(77,028)	(77,028)	-
Administrative expense	-	(901)	901
Net changes during measurement period	87,224	(124,096)	211,320
Balance at June 30, 2022 (MD)	$ 1,678,023	$ 1,322,431	$ 355,592

(Dollars in Thousands)

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in the 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, 2021 (MD)	$ 219,574
Change in year:	
Service cost	2,894
Interest	4,726
Differences between expected and actual experience	(24,639)
Assumption changes	(42,151)
Benefit payments	(4,473)
Net changes during measurement period	(63,643)
Balance at June 30, 2022(MD)	$ 155,931

Pension Expenses/(Benefits) and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2023, the City recognized pension expense/(benefit) 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	$ (5,916)	$ (7,280)	$ -	$ -	$ (13,196)
City CalPERS Miscellaneous Plan	18,937	-	-	-	18,937
City CalPERS Safety Plan	47,305	-	-	-	47,305
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	1,415	-	-	-	1,415
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	(7,327)	-	(7,327)
Treasure Island Development Authority CalPERS Miscellaneous Plan	-	-	-	(1)	(1)
Replacement Benefits Plan	8,101	6,866	-	-	14,967
Total pension expense/(benefit)	$ 69,842	$ (414)	$ (7,327)	$ (1)	$ 62,100

(Dollars in Thousands)

At June 30, 2023, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS City Miscellaneous Plan		CalPERS Transportation Authority Miscellaneous Plan		CalPERS Successor Agency Miscellaneous Plan	
	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	$ 638,003	$ -	$ -	$ -	$ 689	$ -	$ 2,934	$ -
Change in assumptions	663,373	317,349	-	1,779	348	-	3,825	502
Difference between expected and actual experience	233,032	-	-	115	68	46	750	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	73,364	55,246	10,641	2,401	492	111	166	4,593
Net difference between projected and actual earnings on plan investments	-	199,056	-	3,180	622	-	6,838	-
Total	$ 1,607,772	$ 571,651	$ 10,641	$ 7,475	$ 2,219	$ 157	$ 14,513	$ 5,095

	CalPERS Treasure Island Development Authority Miscellaneous Plan		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
Pension contributions subsequent to measurement date	$ 2	$ -	$ 50,754	$ -	$ -	$ -	$ 692,382	$ -
Change in assumptions	1	-	23,936	-	25,082	33,721	716,565	353,351
Difference between expected and actual experience	8	-	264	10,039	20,567	19,711	254,689	29,911
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	3	3	-	-	10,593	10,593	95,259	72,947
Net difference between projected and actual earnings on plan investments	2	-	66,439	-	-	-	73,901	202,236
Total	$ 16	$ 3	$ 141,393	$ 10,039	$ 56,242	$ 64,025	$ 1,832,796	$ 658,445

(Dollars in Thousands)

At June 30, 2023, the City reported $692.4 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the reporting year as follows:

Year Ending June 30	SFERS Plan	CalPERS City Miscellaneous Plan	CalPERS Transportation Authority Miscellaneous Plan	CalPERS Successor Agency Miscellaneous Plan	CalPERS Treasure Island Development Authority Miscellaneous Plan	CalPERS Safety Plan	Replacement Benefits Plan	Total
2024.......	$ (136,819)	$ 1,703	$ 447	$ 913	$ 4	$ 23,510	$ 10,599	$ (99,643)
2025.......	(178,373)	2,014	359	869	3	10,750	1,969	(162,409)
2026.......	(382,574)	1,394	187	520	2	4,657	(6,994)	(382,808)
2027.......	1,095,884	(1,945)	380	4,182	2	41,683	(13,357)	1,126,829
Total	$ 398,118	$ 3,166	$ 1,373	$ 6,484	$ 11	$ 80,600	$ (7,783)	$ 481,969

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2022 is provided below, assumptions were consistent with the July 1, 2021 actuarial valuation.

	SFERS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date............	June 30, 2021 updated to June 30, 2022	June 30, 2021
Measurement date............	June 30, 2022	June 30, 2022
Actuarial cost method............	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return............	7.20%, net of pension plan investment expenses	6.90%, net of pension plan investment expenses, includes inflation
Municipal bond yield............	3.54% as of June 30, 2022 Bond Buyer 20-Bond GO Index, June 30, 2022	
Inflation............	2.50%	2.30%
Projected salary increases............	3.25% plus merit component based employee classification and years of service	Varies by Entry Age and Service
Discount rate............	7.20% as of June 30, 2022	6.90% as of June 30, 2022
Basic COLA............	Old Miscellaneous and All New Plans............ 2.00% Old Police and Fire: Pre 7/1/75 Retirements............ 1.90% Chapters A8.595 and A8.596............ 2.50% Chapters A8.559 and A8.585............ 3.60%	Miscellaneous Contract COLA up to 2.30% until Purchasing Protection Allowance Floor on Purchasing Power applies. Safety standard COLA 2.0%

For SFERS, mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used in the SFERS valuation at the June 30, 2022, measurement date were based upon the results of an experience study for the period July 1, 2014, through June 30, 2019, and an economic experience study as of July 1, 2021.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The rates incorporate generational mortality to capture ongoing mortality improvements using 80% of Scale MP 2020 published by the Society of Actuaries. All other actuarial assumptions were based on the results of the 2021 actuarial experience study. The Experience Study report can be obtained at CalPERS' website.

(Dollars in Thousands)

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 was 6.90% as of the June 30, 2022, measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2021.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2022, was 7.20%. 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, 2021, actuarial valuation.

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 (Post 97 Retirees), 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, 2022, of the probability and amount of Supplemental COLA for each future year. No Supplemental COLA was payable as of July 1, 2022 due to the unfavorable investment returns for fiscal year 2021-22.

The table below shows the net assumed Supplemental COLAs for members with a 2.00% basic COLA for sample years.

Assumed Supplemental COLA
for Members with a 2.00% Basic COLA

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2024	0.75%	0.70%
2025	0.75%	0.60%
2026	0.75%	0.60%
2027+	0.75%	0.50%

The projection of benefit payments to current members for determining the discount rate includes the payment of anticipated future Supplemental COLAs.

(Dollars in Thousands)

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. Projected benefit payments are discounted at the long-term expected return on assets of 7.20% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.54% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2022, is 7.20%.

The long-term expected rate of return on pension plan investments was 7.20%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced 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	37.0%	4.8%
Treasuries	8.0%	0.6%
Liquid Credit	5.0%	3.5%
Private Credit	10.0%	5.8%
Private Equity	23.0%	7.9%
Real Assets	10.0%	4.7%
Hedge Funds/Absolute Return	10.0%	3.4%
Leverage	-3.0%	0.6%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return.

(Dollars in Thousands)

The table below reflects long-term expected real rates of return by asset class.

Asset Class	Target Allocation	Real Return[(1),(2)]
Global equity - cap-weighted	30.00%	4.54%
Global equity - non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real estate	15.00%	3.21%
Leverage	-5.00%	-0.59%

(1) An expected price inflation of 2.30% used for this period.
(2) Figures are based on the 2021-22 Asset Liability Management study.

Replacement Benefits Plan – The discount rate was 3.54% as of June 30, 2022. 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 Yield is the Bond Buyer 20-Year GO Index as of June 30, 2022. This is the rate used to determine the total pension liability as of June 30, 2022.

The inflation assumption of 2.50% 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 $245 thousand was used for the 2022 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, 2023, the membership in the RBP had a total of 327 active members and 160 retirees and beneficiaries currently receiving benefits.

(Dollars in Thousands)

Sensitivity of Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL/(NPA) 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/(NPA) @ 6.20%	Current Share of NPL/(NPA) @ 7.20%	1% Increase Share of NPL/(NPA) @ 8.20%
SFERS	$ 6,991,061	$ 2,552,996	$ (1,105,652)

	1% Decrease Share of NPL/(NPA) @ 5.90%	Current Share of NPL/(NPA) @ 6.90%	1% Increase Share of NPL/(NPA) @ 7.90%
City CalPERS Miscellaneous Plan	$ (14,925)	$ (17,362)	$ (19,367)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	5,908	3,394	1,324
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	52,513	37,328	24,834
Treasure Island Development Authority CalPERS Miscellaneous Plan	22	11	2

The following presents the NPL/(NPA) 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% lower or 1% higher than the current rate.

Agent Pension Plan	1% Decrease @ 5.90%	Measurement Date @ 6.90%	1% Increase @ 7.90%
City CalPERS Safety Plan	$ 575,864	$ 355,592	$ 173,450

Single Employer Plan	1% Decrease @ 2.54%	Measurement Date @ 3.54%	1% Increase @ 4.54%
Replacement Benefits Plan	$ 184,981	$ 155,931	$ 133,074

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.

(Dollars in Thousands)

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 $873.6 million in fiscal year 2022-23. 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 $257.2 million to provide postemployment health care benefits for 30,788 retired participants, of which $215.5 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). 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.

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, 2022
Measurement Date (MD)	June 30, 2022
Measurement Period (MP)	July 1, 2021 to June 30, 2022

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF) that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust fund 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. The RHCTF's administrator, the City and County of San Francisco's Retirement System (SFERS), issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained by writing to SFERS, 1145 Market Street, 5th Floor, San Francisco, CA 94103.

(Dollars in Thousands)

Former employees of the City and County of San Francisco who were members of the Health Service System and who retire under SFERS or CalPERS are eligible for postretirement health benefits from the City and County of San Francisco. Effective with Proposition B, passed June 3, 2008, employees hired on or after January 10, 2009, must retire within 180 days of separation in order to be eligible for retiree healthcare benefits from the City. The eligibility requirements are as follows:

City and County of San Francisco's Retirement System (SFERS)

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	5 years of credited service at separation	

California Public Employees' Retirement System (CalPERS)

Normal Retirement	Age 50 with 5 years of credited service
Disabled Retirement [2]	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

[1] Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.
[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.

Retiree healthcare benefits are administered by the San Francisco Health Service System and include the following:

Medical: PPO – Blue Shield (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded), and Health Net (flex-funded)

Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental

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, 2022, valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	City Plan
Active plan members	31,621
Inactive employees entitled to but not yet receiving benefit payments	2,211
Inactive employees or beneficiaries currently receiving benefit payments	23,624
Total	57,456

(Dollars in Thousands)

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, 2022, 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	39	36
Inactive employees entitled to but not yet receiving benefit payments	-	-
Inactive employees or beneficiaries currently receiving benefit payments	9	103
Total	48	139

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

(Dollars in Thousands)

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, 2023, the City's funding was based on "pay-as-you-go" plus a contribution of $45.2 million to the RHCTF. The "pay-as-you-go" portion paid by the City was $215.4 million for a total contribution subsequent to the measurement date of $260.6 million for the year ended June 30, 2023.

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, 2023, the Transportation Authority contributed $105 thousand 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, 2023, the Successor Agency contributed $2.4 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.

OPEB liabilities are financed by governmental funds, enterprise funds and fiduciary funds that are responsible for the charges.

Net OPEB Liability/(Asset)

The table below shows how the net OPEB liability/(asset) as of June 30, 2023, is distributed.

	Net OPEB Asset	Net OPEB Liability	Total
Governmental activities................	$ (101) *	$ 2,057,177	$ 2,057,076
Business-type activities..............	-	1,677,814	1,677,814
Fiduciary funds..........................	(2,118)	11,279	9,161
Total....................................	$ (2,219)	$ 3,746,270	$ 3,744,051

* Amount is reported in other assets on the statement of net position.

As of June 30, 2023, the City's net OPEB liability (asset) is comprised of the following:

	Share of Net OPEB Liability (Asset)
City defined benefit healthcare plan...	$ 3,746,270
Transportation Authority defined benefit healthcare plan..................	(101)
Successor Agency defined benefit healthcare plan.........................	(2,118)
Total..	$ 3,744,051

(Dollars in Thousands)

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, 2021 (MD)	$ 4,409,899	$ 718,778	$ 3,691,121
Changes during the measurement period			
Service cost	154,800	-	154,800
Interest	306,758	-	306,758
Differences between expected and actual experience	(224,065)	-	(224,065)
Changes of assumptions	49,784	-	49,784
Contributions - employer	-	252,866	(252,866)
Contributions - member	-	66,455	(66,455)
Net investment loss	-	(87,003)	87,003
Benefit payments, including refunds of member contributions	(211,025)	(211,025)	-
Administrative expense	-	(190)	190
Net changes during the measurement period	76,252	21,103	55,149
Balance at June 30, 2022 (MD)	$ 4,486,151	$ 739,881	$ 3,746,270

The changes in net OPEB liability (asset) 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 (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2021 (MD)	$ 1,956	$ 2,493	$ (537)	$ 11,217	$ 14,740	$ (3,523)
Changes during the measurement period						
Service cost	123	-	123	314	-	314
Interest	150	-	150	694	-	694
Differences between expected and actual experience	(3)	-	(3)	-	-	-
Changes of assumptions	(99)	-	(99)	-	-	-
Contributions from the employer	-	70	(70)	-	1,689	(1,689)
Benefit payments	(70)	(70)	-	(854)	(854)	-
Administrative expense	-	(1)	1	-	(6)	6
Net investment loss	-	(334)	334	-	(2,080)	2,080
Net changes during the measurement period	101	(335)	436	154	(1,251)	1,405
Balance at June 30, 2022 (MD)	$ 2,057	$ 2,158	$ (101)	$ 11,371	$ 13,489	$ (2,118)

(Dollars in Thousands)

OPEB Expenses/(Benefits) and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2023, the City recognized OPEB expense/(benefit) 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	$ 147,653	$ 109,259	$ 62	$ 256,974
Transportation Authority defined benefit healthcare plan	86	-	-	86
Successor Agency defined benefit healthcare plan	-	-	(291)	(291)
Total OPEB expense/ (benefit)	$ 147,739	$ 109,259	$ (229)	$ 256,769

As of June 30, 2023, 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	$ 260,649	$ -	$ 105	$ -
Differences between expected and actual experience	83,173	623,707	160	451
Changes in assumptions	159,935	-	-	139
Changes in proportion	123,282	123,282	-	-
Net difference between projected and actual earnings on plan investments	60,306	-	220	-
Total	**$ 687,345**	**$ 746,989**	**$ 485**	**$ 590**

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	$ 2,429	$ -	$ 263,183	$ -
Differences between expected and actual experience	-	501	83,333	624,659
Changes in assumptions	-	79	159,935	218
Changes in proportion	-	-	123,282	123,282
Net difference between projected and actual earnings on plan investments	1,190	-	61,716	-
Total	**$ 3,619**	**$ 580**	**$ 691,449**	**$ 748,159**

(Dollars in Thousands)

At June 30, 2023, the City reported $260.6 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2024.

Amounts reported as deferred outflows/inflows will be amortized annually and recognized in OPEB expense as follows:

Year ending June 30:	City	Transportation Authority	Successor Agency	Total
2024…………….	$ (84,576)	$ 8	$ (272)	$ (84,840)
2025…………….	(83,580)	4	122	(83,454)
2026…………….	(45,951)	(11)	150	(45,812)
2027…………….	(55,431)	67	610	(54,754)
2028…………….	(50,755)	(38)	-	(50,793)
Thereafter……..	-	(240)	-	(240)
Total	$ (320,293)	$ (210)	$ 610	$ (319,893)

(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, 2022 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
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 7.74% trending down to ultimate rate of 3.93% in 2076
	Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076
	Vision and dental expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% 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 ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2019 projection scale.

(Dollars in Thousands)

The Transportation Authority net OPEB asset was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined using an actuarial valuation as of June 30, 2021. The Successor Agency's net OPEB asset was measured as of June 30, 2022, and the total pension liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

	June 30, 2022 Measurement Date	
Key Actuarial Assumptions	**Transportation Authority**	**Successor Agency**
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Discount Rate	7.59%	6.25%
General Inflation	2.75% per annum	2.50%
Salary Increases	2.75% per annum, in aggregate	2.75%; Merit based on 2017 CalPERS Experience Study
Investment Rate of Return	7.59%	6.25%
Mortality, Turnover, Disability, and Retirement	CalPERS 2017 Experience Study for the period from 1997 to 2015	CalPERS 2017 Experience Study for the period from 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Cost Trend Rate	Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0%	Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076

Sensitivity of Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability (asset) for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability (asset) 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, 2022 (measurement year)		
Plan	**1% Decrease**	**Healthcare Trend**	**1% Increase**
City Defined Benefit Plan	$ 3,204,874	$ 3,746,270	$ 4,417,804
Transportation Authority	(408)	(101)	290
Successor Agency	(3,269)	(2,118)	(748)

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2022 was 7.0%. 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.

(Dollars in Thousands)

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 long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The 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. Large Cap	28.0%	6.8%
U.S. Small Cap	3.0%	7.4%
Developed Market Equity (non-U.S.)	15.0%	7.5%
Emerging Market Equity	13.0%	8.4%
Credit		
Bank Loans	3.0%	4.0%
High Yield Bonds	3.0%	4.4%
Emerging Market Bonds	3.0%	4.2%
Rate Securities		
Investment Grade Bonds	9.0%	2.4%
Long-term Government Bonds	4.0%	2.8%
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0%	1.9%
Private Markets		
Private Equity	5.0%	10.0%
Core Private Real Estate	5.0%	6.1%
Risk Mitigating Strategies		
Global Macro	5.0%	5.0%
Total	100.0%	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.59% and 6.25%, 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.

(Dollars in Thousands)

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:

	Transportation Authority		Successor Agency	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Global Equity	59.00%	5.25%	49.00%	4.56%
Fixed Income	25.00%	0.99%	23.00%	1.56%
Treasury Inflation Protection Securities	5.00%	0.45%	5.00%	-0.08%
Real Estate Investment Trusts	8.00%	4.50%	20.00%	4.06%
Commodities	3.00%	3.00%	3.00%	1.22%
Total	100.00%		100.00%	

The following presents the net OPEB liability (asset) calculated using the discount rate, as well as what the net OPEB liability (asset) 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, 2022 (measurement year)		
	1% Decrease	**Discount Rate**	**1% Increase**
Plan	**6.00%**	**7.00 %**	**8.00%**
City Defined Benefit Plan	$ 4,361,388	$ 3,746,270	$ 3,241,613

	June 30, 2022 (measurement year)		
	1% Decrease	**Discount Rate**	**1% Increase**
	6.59%	**7.59%**	**8.59%**
Transportation Authority	$ 211	$ (101)	$ (357)

	June 30, 2022 (measurement year)		
	1% Decrease	**Discount Rate**	**1% Increase**
	5.25%	**6.25%**	**7.25%**
Successor Agency	$ (957)	$ (2,118)	$ (3,100)

(Dollars in Thousands)

(10) Fund Equity

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2023, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables	$ 1,174	$ 356	$ 1,530
Restricted			
Rainy Day	114,539	-	114,539
Public Protection			
Police	-	12,316	12,316
Sheriff	-	1,177	1,177
Other Public Protection	-	41,789	41,789
Public Works, Transportation & Commerce	-	236,623	236,623
Human Welfare & Neighborhood Development	-	1,883,783	1,883,783
Affordable Housing	-	216,773	216,773
Community Health	-	72,100	72,100
Culture & Recreation	-	333,166	333,166
General Administration & Finance	-	46,191	46,191
Capital Projects	-	486,946	486,946
Debt Service	-	234,979	234,979
Total Restricted	114,539	3,565,843	3,680,382
Committed			
Budget Stabilization	330,010	-	330,010
Assigned			
Public Protection			
Police	17,039	3,835	20,874
Sheriff	11,167	722	11,889
Other Public Protection	68,721	-	68,721
Public Works, Transportation & Commerce	98,692	88,420	187,112
Human Welfare & Neighborhood Development	85,960	155,141	241,101
Affordable Housing	367,496	-	367,496
Community Health	237,714	-	237,714
Culture & Recreation	22,158	21,335	43,493
General Administration & Finance	85,554	21,609	107,163
General City Responsibilities	74,249	-	74,249
Self-Insurance	46,496	-	46,496
Capital Projects	196,299	-	196,299
Litigation and Contingencies	262,730	-	262,730
Subsequent Year's Budget	150,628	-	150,628
Total Assigned	1,724,903	291,062	2,015,965
Unassigned	477,511	(1,936)	475,575
Total	$ 2,648,137	$ 3,855,325	$ 6,503,462

(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 2023-24 through 2027-28.

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 2023-24 through 2027-28.

(c) Encumbrances

At June 30, 2023, encumbrances recorded in the General Fund and nonmajor governmental funds were $424.3 million and $869.8 million, respectively.

(d) Restricted Net Position

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 seismic strengthening and repair of the Embarcadero Seawall managed by the Port 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 $532.2 million of unrestricted net position of governmental activities, of which $407.1 million reduced net investment in capital assets and $125.1 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 $1.5 million as of June 30, 2023. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2023.

The Street Improvement Fund had a $0.4 million deficit as of June 30, 2023. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2023.

The Central Shops Internal Service Fund had a deficit in total net position of $20.0 million as of June 30, 2023, mainly due to the accrual of other postemployment benefits liability. The operating deficit is expected to be reduced in future years through anticipated rate increases or reductions in 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. 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. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2023, the Successor Agency has a deficit of $418.5 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, 2023, consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues	$ 113,283	$ 118,086	$ 231,369
Property tax	179,335	7,556	186,891
Teeter Plan	40,685	-	40,685
SB 90	4,634	-	4,634
PG&E franchise tax	3,862	-	3,862
Loans	10,705	205,461	216,166
Leases	79,916	-	79,916
Total	$ 432,420	$ 331,103	$ 763,523

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 California 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. San Francisco voters in November 2022 approved Proposition L, the Sales Tax for Transportation Projects measure that will direct $2.60 billion (2020 dollars) in half-cent sales tax funds over 30 years to help deliver safer, smoother streets, more reliable transit, continue paratransit services for seniors and persons with disabilities, reduce congestion, and improve air quality. Proposition L replaced the 2003 Proposition K Expenditure Plan with a new 30-year Expenditure Plan. The Prop L Expenditure Plan includes investments in five major categories: 1) Major Transit Projects (such as Muni Rail Core Capacity, BART Core Capacity, and the Caltrain Downtown Rail Extension); 2) Transit Maintenance and Enhancements; 3) Paratransit (services for seniors and people with disabilities); 4) Streets and Freeways (including funds for pedestrian and bicycle improvements, signals and traffic calming, street repaving); and 5) Transportation System Development and Management (including funds for transportation demand management, neighborhood and equity-focused planning and implementation). Under Proposition L legislation, the Transportation Authority directs the use of the Sales Tax and may issue up to $1.91 billion in bonds secured by the Sales Tax.

Congestion Management Agency (CMA) Programs. On November 6, 1990, the Transportation Authority was designated under State law as the 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 certain 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 30-year 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 parentheses for the following category name: Street Repair and Reconstruction (50%); Pedestrian Safety (25%); and Transit Reliability and Mobility Improvements (25%).

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981, Leno) 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 (Ammiano), establishing TIMMA as a legal entity, distinct from the Transportation Authority, to help firewall the Transportation Authority's other functions. The 11 members of the Transportation Authority Board act as the Commissioners for TIMMA Board. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

Traffic Congestion Mitigation Tax. The Traffic Congestion Mitigation Tax was approved by San Francisco voters on November 5, 2019, through approval of Proposition D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to support transit and street safety improvements on San Francisco's roadways, helping to mitigate the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant. The measure also takes into account rides provided by autonomous vehicles that are taxed in this same manner and rides provided by private transit companies, if a company were to enter the market. The tax is in effect until November 2045. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals upgrades and retimings.

(Dollars in Thousands)

(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. The Airport is also a major origin and destination point and one of the nation’s principal gateways for Pacific traffic.

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 2022-23, 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	$ 241,915
Bond principal and interest remaining due at end of the fiscal year	14,950,425
Bond principal and interest paid in the fiscal year	400,509
Commercial paper issued with subordinate revenue pledge	417,250
Commercial paper principal and interest remaining due at end of the fiscal year	504,135
Commercial paper principal, interest and fees paid in the fiscal year	6,291
Net revenues	511,495

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the Revenues of the on-Airport Hotel and certain other assets pledged under the Amended and Restated 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. The Hotel Special Facility Bonds mature in fiscal year 2057-58 and are subject to mandatory sinking fund redemption each year starting in 2025. The Hotel Special Facility Bonds are not payable from or secured by the Net Revenues of the Airport.

Reserves and Debt Service - Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established two reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2023, only the Series 2017D, 2019B, and 2019D

(Dollars in Thousands)

Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds or may issue Senior Bonds without a reserve account.

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:

(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 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, 2023, the FAA has approved Airport applications (PFC #2 to PFC #9) for collection and use within a total cumulative collection amount of $2.3 billion. The final charge expiration date is estimated to be December 1, 2030. For the year ended June 30, 2023, the Airport reported approximately $99.4 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies - Purchase commitments for construction, material and services as of June 30, 2023, are as follows:

Construction	$ 40,615
Operating	47,693
Total	$ 88,308

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, 2023, was $48.7 million and was recorded as a transfer. In addition, the Airport pays for the cost of certain direct services provided by City departments 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, 2023, was $186.4 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases other businesses to operate concessions at the Airport. For the year ended June 30, 2023, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines 26.2%

(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, 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 the 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. As of June 30, 2023, the total principal and interest remaining to be paid on the bonds is $55.2 million. The principal and interest payments made in 2023 were $3.3 million and net revenue for the year ended June 30, 2023, was $60.6 million.

The Port has entered into a loan agreement with the California Division 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. The total principal and interest remaining to be paid on this loan is $1.4 million. Annual principal and interest payments were $0.2 million in 2023 and pledged harbor revenues were $0.2 million for the year ended June 30, 2023.

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, 2023, the Port's purchase commitments for construction-related services, materials and supplies, and other services were $12.4 million for capital projects and $3.8 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2022-23, the $27.8 million in services provided by other City departments included $8.8 million of insurance premiums and $1.0 million in workers' compensation expense.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). In August 2019, the Port received $15.0 million from MOHCD, which included additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2023, the Port has a deferred inflow balance in the amount of $13.7 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

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 a hundred percent rent credits toward the lease payments until all required capital improvements, approximately $2.3 million, are fully offset. As of June 30, 2023, rent credits of $0.7 million have been provided to SFFD.

In December 2019, the Port and San Francisco Fire Department (SFFD) entered into an MOU for the installation of the newly constructed Fireboat Station 35, a floating first response facility, at Pier 22½. This MOU replaced the existing License 501 for the use of the Pier 22½ shed as a firehouse building. In 2022, the Port authorized SFFD to apply $0.9 million of rent credits toward the lease payments for the tenant improvements to the existing marginal wharf and substructure as part of the Project for a dedicated public access area. As of June 30, 2023, rent credits of $0.08 million have been provided to SFFD.

South Beach Harbor Project Commitments – On May 1, 2019, the Successor Agency transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately $7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20) requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40.

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 or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to Port property, including polychlorinated biphenyls, polycyclic aromatic hydrocarbons and other oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

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.

The Port evaluates cost estimates annually based on additional information and transaction events that may impact the pollution remediation outlays. The accrued cost for pollution remediation at Pier 70 is estimated to be $3.5 million at June 30, 2023. These are obligations not assumed by the Port development partners. In addition, the Port estimates the cost to install a sediment cap offshore along the former Pier 70 Shipyard and adjacent to Crane Cove Park at $2.5 million and the cost to perform studies and risk assessments involving the Pier 70 Undeveloped Upland area at $0.8 million.

The Port's Mission Bay Ferry Landing (MBFL) project is located adjacent to the south side of the former Pier 64. The MBFL project consists of approximately eight acres of in-water area, dredging, ferry berths, and a few hundred feet of armored shoreline. The Port completed phase one of MBFL construction in November 2020. A marine mattress and additional sand layer will be part of the phase two construction to protect the sand layer from erosion. Construction for phase two is scheduled for fiscal year 2024-25. As of June 30, 2023, the Port estimated this pollution remediation obligation to be $3.7 million. This estimate is not intended to reflect an admission of liability.

Other environmental conditions on Port property include polycyclic aromatic hydrocarbons and oil contamination at various sites. As of June 30, 2023, pollution remediation liabilities are estimated at $3.7 million for the rest of the Port's properties.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2023, is as follows:

	Environmental Remediation
Environmental liabilities at July 1, 2022..............	$ 9,683
Current year claims and changes in estimates....	1,242
Environmental liabilities at June 30, 2023............	$ 10,925

(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 2022-23, the Water Enterprise sold water, approximately 62,227 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, 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).

(Dollars in Thousands)

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2057-58.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2023 and applicable revenues for 2023 are as follows:

Bonds issued with revenue pledge	$ 4,882,130
Principal and interest remaining due at end of the fiscal year	7,193,317
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	163,627
Bond principal and interest paid in the fiscal year	307,062
Net revenues	372,689
Funds available for revenue bond debt service	566,764

Water Balancing Account – During fiscal year 2022-23, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $300.5 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, 2023, the Wholesale Customers owed the Enterprise $10.1 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2023, the Water Enterprise had outstanding commitments with third parties of $220.7 million for various capital projects and other purchase agreements.

Environmental Issue – As of June 30, 2023, the total pollution remediation liability was $1.3 million, for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area.

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 $49.6 million and $11.4 million, respectively, for the year ended June 30, 2023, 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 $18.7 million for the year ended June 30, 2023 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. CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (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 renewable.

Approximately 61.0% 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 39.0% balance of electricity is sold to CleanPowerSF and the wholesale electric market . As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts (Modesto Irrigation District and Turlock Irrigation District) 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.

(Dollars in Thousands)

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. 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	CleanPowerSF	Total
Assets*:				
Current assets	$ 79,709	$ 251,534	$ 146,482	$ 477,725
Receivables from other funds and component units	-	11,486	-	11,486
Noncurrent restricted cash and investments	10,980	21,446	-	32,426
Other noncurrent assets	423	9,832	11,454	21,709
Capital assets	219,754	646,946	-	866,700
Total assets	310,866	941,244	157,936	1,410,046
Deferred outflows of resources:				
Pensions	8,858	10,826	1,292	20,976
Other postemployment benefits	3,248	3,969	1,009	8,226
Total deferred outflows of resources	12,106	14,795	2,301	29,202
Liabilities:				
Current liabilities	9,888	65,390	31,461	106,739
Noncurrent liabilities	31,730	363,468	6,557	401,755
Total liabilities	41,618	428,858	38,018	508,494
Deferred inflows of resources:				
Pensions	4,142	5,062	1,296	10,500
Other postemployment benefits	3,084	3,769	2,922	9,775
Total deferred inflows of resources	7,226	8,831	4,218	20,275
Net position:				
Net investment in capital assets	219,754	336,281	-	556,035
Restrictricted for capital projects	5,233	-	-	5,233
Restricted for debt service	-	56	-	56
Unrestricted	49,141	182,013	118,001	349,155
Total net position	$ 274,128	$ 518,350	$ 118,001	$ 910,479

* 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	CleanPowerSF	Total
Operating revenues	$ 52,697	$ 204,003	$ 326,777	$ 583,477
Depreciation expense	(6,524)	(17,877)	(270)	(24,671)
Other operating expenses	(43,487)	(173,675)	(294,510)	(511,672)
Operating income	2,686	12,451	31,997	47,134
Nonoperating revenues (expenses):				
Federal and state grants	1,627	937	1,173	3,737
Interest and investment income	457	3,741	405	4,603
Interest expense	(4)	(9,486)	(1)	(9,491)
Other nonoperating revenues net of expenses	180	14,025	107	14,312
Capital contributions	-	2,535	-	2,535
Transfer in (out), net	20,000	(32)	-	19,968
Change in net position	24,946	24,171	33,681	82,798
Net position at beginning of year, as restated	249,182	494,179	84,320	827,681
Net position at end of year	$ 274,128	$ 518,350	$ 118,001	$ 910,479

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Net cash provided by (used in):				
Operating activities	$ (933)	$ 48,520	$ 39,626	$ 87,213
Noncapital financing activities	20,535	4,244	3,349	28,128
Capital and related financing activities	(26,042)	(7,474)	(272)	(33,788)
Investing activities	914	3,663	1,207	5,784
Increase (decrease) in cash and cash equivalents	(5,526)	48,953	43,910	87,337
Cash and cash equivalents at beginning of year	97,383	208,857	57,887	364,127
Cash and cash equivalents at end of year	$ 91,857	$ 257,810	$ 101,797	$ 451,464

(Dollars in Thousands)

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), and the 2015 New Clean Renewable Energy Bonds (NCREBs). Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. 2015 Series AB and 2021 Series AB power revenue bonds are payable through fiscal year 2045-46 and 2051-52, respectively, and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2022-23, applicable net revenues, and funds available for debt service are as follows:

Hetch Hetchy Power		
Bonds issued with revenue pledge	$	182,271
Bond principal and interest remaining due at end of the fiscal year		281,546
Bond principal and interest paid in the fiscal year*		3,905
Net revenues		52,195
Funds available for revenue bond debt service		162,399

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds net of capitalized interest if any, which have a senior lien on Power Enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was $2,567, net of capitalized interest.

Commitments and Contingencies – As of June 30, 2023, Hetch Hetchy had outstanding commitments with third parties of $136.3 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 and Turlock Irrigation District (collectively the Districts) 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 $5.3 million in fiscal year 2022-23. 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

Upon expiration of the City's previous Interconnection Agreement with PG&E, the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the "network" grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal year 2022-23, Hetch Hetchy Power purchased distribution services for $29.0 million from PG&E under the terms of the service agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of PG&E's electric grid in San Francisco.

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 2022-23, Hetchy Power purchased $3.7 million of power and other related products. There was $1.2 million or 155,000 MWh of excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2022-23.

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 2022-23, the facility generated 6,006 MWh and rate was at $344/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% 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 2022-23, purchases of energy under the PPA were $2.0 million or 6,006 MWh.

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed $134.7 million to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was $0.5 million as of June 30, 2023. CleanPowerSF's share was $0.2 million June 30, 2023.

On January 6, 2023, Amendment No. 1 was requested and approved to increase this contact by $125.0 million, increasing the total contract to $259.7 million, with no change to the agreement duration. On March 17, 2023, Amendment No. 2, was approved to increase the contract by $636.0 million for a total not to exceed contract amount of $895.7 million, with no change to the agreement duration. The drivers for these Amendments were higher than anticipated power prices, due to extreme weather, draught conditions, and global energy shortages.

CleanPowerSF

CleanPowerSF regularly adds new short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra, Intersect Power and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from anticipated load growth, and to comply with State requirement that 65% of CleanPowerSF's Renewables Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was completed in 2020. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.4% of all enrolled accounts. The total power purchase cost, net of wholesale sales, was $259.5 million in fiscal year 2022-23.

CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal year 2022-23, amount paid was $4.7 million.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022, CleanPowerSF received cash collateral of $9.0 million for Development Assurance and Performance Assurance from the Seller. The $9.0 million cash collateral was returned to the seller as of June 30, 2023.

In March 2018, CleanPowerSF entered into a five-year, $75.0 million Credit Agreement with JPMorgan Chase Bank, National Association (Bank) to provide letters of credit or loans from the Bank to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs, if necessary. In November 2021, the Credit Agreement decreased the available amount from $75.0 million to $20.0 million, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022, CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling $6.2 million for fiscal year ended June 30, 2023. CleanPowerSF did not draw on the Credit Agreement during fiscal year 2022-23. Accordingly, the uncommitted credit capacity under the Credit Agreement was $13.8 million during fiscal year 2022-23.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2023.

Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

In June 2018. the CPUC established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low-income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% RPS eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency's (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2025-26, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2023, CleanPowerSF received $0.9 million from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

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 $49.6 million and purchased electricity for $11.4 million for the year ended June 30, 2023. 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 2022-23, $49.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $14.9 million for the year ended June 30, 2023. Included in 2023 operating revenues are sales of power to departments within the City of $121.0 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately $16.4 million for the year ended June 30, 2023 and have been included in services provided by other departments.

For the year ended June 30, 2023, operating expenses include purchase of power from Hetchy Power were $5.8 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $2.9 million for the year ended June 30, 2023.

(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's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two 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; (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

(Dollars in Thousands)

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. 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 the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The SFMTA approves and oversees the budget and capital improvements and as authorized by the City Charter, set the parking rates in garages under SFMTA's jurisdiction including the two parking garages. The financial statements of these nonprofit garages, which are audited by other auditors, are provided to the SFMTA and accounted for in the parking garages account. The nonprofit corporations' annual financial statements are publicly available.

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 refunded 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 fiscal year 2050-51.

Annual principal and interest payments for fiscal year 2022-23 were 62.4% 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 2022-23, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$	457,065
Principal and interest remaining due at end of the year		670,657
Principal and interest paid during the year		22,838
Net revenues for the year		13,744
Funds available for revenue bond debt service		36,582

Operating and Capital Grants and Subsidies – The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received. The amount of General Fund subsidy to the SFMTA reflected in the accompanying financial statements was $556.4 million in fiscal year 2022-23. The General Fund support from the City includes total revenue baseline transfer of $427.1 million and $66.2 million allocation in lieu of parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Fund subsidy to address transportation needs tied to the City's population growth. The SFMTA received $58.0 million from this source, of which $30.0 million was allocated for operations and $28.0 million for capital projects. The SFMTA also received an additional General Fund allocation of $4.8 million for the Chase Event Center and mixed-use development project and $0.3 million for the Community Building Program.

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, 2023, the SFMTA had various operating grants receivable of $20.2 million. The SFMTA received operating assistance from BART's Americans with Disability Act related support of $1.9 million, and other federal, State, and local grants of $4.7 million, to fund project expenses that are operating in nature.

The operating assistance from federal sources includes funds received from FTA in response to the COVID-19 pandemic. The American Rescue Plan Act (ARPA) was signed into law on March 11, 2021, which provided the SFMTA with supplemental appropriation for emergency transit operations. The SFMTA received $138.1 million in fiscal year 2022-23 while $339.5 million remains to be accessed in fiscal year 2023-24.

Proposition 1B is a $20 billion transportation infrastructure bond that was approved by State voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement, and Service Enhancement Account (PTMISEA) Program. The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 reappropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. The SFMTA did not receive cash in the fiscal year 2022-23 from PTMISEA. During fiscal year 2022-23, drawdowns for various eligible projects costs were made from PTMISEA funds for $11.9 million. All PTMISEA appropriations other than interest earned were fully spent during the year.

Commitments and Contingencies

(i) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the funds were expended in accordance with appropriate statutes, grant terms, and regulations. The SFMTA believes that no significant liabilities will result from any such audits.

(ii) Other Commitments

As of June 30, 2023, the SFMTA has outstanding commitments of approximately $353.0 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately $75.0 million with third parties for noncapital expenditures. Various local funding sources are used to finance these expenditures.

In addition, the SFMTA is involved in various lawsuits, claims, and disputes that have arisen in SFMTA's routine conduct of business. In the opinion of management, the outcome of any litigation of these matters will not have a material effect on the financial position or changes in net position of the SFMTA.

(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, 2023, the subsidy for LHH was $94.9 million.

Net Patient Services 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 contractuals 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.

(Dollars in Thousands)

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, 2023, LHH's patient receivables and charges for services were as follows:

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable............................	$ 71,943	$ 5,623	$ (28)	$ 77,538
Less:				
Contractual Allowance.............................	(48,690)	(3,806)	19	(52,477)
Total, Net Accounts Receivable.......................	$ 23,253	$ 1,817	$ (9)	$ 25,061

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.......................	$ 406,966	$ 26,748	$ (132)	$ 433,582
Less:				
Contractual Allowance.............................	(192,108)	(20,968)	(914)	(213,990)
Total, Net Patient Service Revenue..................	$ 214,858	$ 5,780	$ (1,046)	$ 219,592

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, 2023, LHH accrued and recognized $58.4 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2023, LHH recorded approximately $52.8 million in other liabilities for third-party payor payable.

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 $17.9 million for the year ended June 30, 2023 and have been included in services provided by other departments.

As of June 30, 2023, LHH has entered into various purchase contracts totaling $52.5 million that are related to the old building remodel.

(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, 2023, the subsidy for SFGH was $137.4 million.

Net Patient Service Revenue - Net patient service 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 contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payments 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 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.

(Dollars in Thousands)

During the year ended June 30, 2023, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 301,645	$ 192,116	$ 112,401	$ 606,162
Less:				
Provision for Contractual Allowances	(266,716)	(171,152)	(72,728)	(510,596)
Provision for Bad Debts	-	-	(13,317)	(13,317)
Total, Net Accounts Receivable	$ 34,929	$ 20,964	$ 26,356	$ 82,249

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 2,197,579	$ 1,202,046	$ 971,995	$ 4,371,620
Less:				
Provision for Contractual Allowances	(1,847,279)	(977,041)	(487,211)	(3,311,531)
Provision for Bad Debts	-	-	(84,414)	(84,414)
Total, Net Patient Service Revenue	$ 350,300	$ 225,005	$ 400,370	$ 975,675

California's Section 1115 Medicaid Waiver (Waiver), titled "Medi-Cal 2020" expired on December 31, 2021. Medi-Cal 2020 was replaced by a new Waiver entitled “CalAIM”, California’s “…long-term commitment to transform and strengthen Medi-Cal, offering Californians a more equitable, coordinated, and person-centered approach to maximizing their health and life trajectory”.

In addition to fee-for-service cost-based reimbursements for inpatient hospital services, CalAIM includes a wide range of patient centered care programs, including Enhanced Care Management, Community Supports, and the renewal of the Global Payment Program (GPP) among other service delivery and payment reform initiatives.

Payments received under CalAIM’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 current and previous Medi-Cal Waivers is approximately $87.4 million for the year ended June 30, 2023.

In addition, SFGH is reimbursed by the State of California, 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, 2023, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Revenues and Other Liabilities - As of June 30, 2023, SFGH recorded approximately $312.3 million in unearned credits and other liabilities, which was comprised of $239.2 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the Medicare Accelerated payment program and AB915 programs, and $71.9 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 $287.9 million and estimated costs and expenses to provide charity care were $74.3 million in fiscal year 2022-23.

Other Nonoperating Revenues - SFGH recognized $67.9 million of realignment funding for the year ended June 30, 2023.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, 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 for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. $0 was withheld in fiscal year 2020-21 and a final reconciliation has been conducted for fiscal year 2020-21 showing $0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2024 for fiscal year 2021-22.

Contract 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, 2023, was approximately $247.2 million.

SFGH Rebuild - The Rebuild projects have been completed and the General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Project Funds.

Gift - From fiscal year 2014-15 through fiscal year 2015-16, SFGH 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, 2023, SFGH has spent $49.2 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $13.2 million as Restricted Net Position.

Commitments and Contingencies - As of June 30, 2023, SFGH had outstanding commitments with third parties for capital projects totaling $13.4 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. As of June 30, 2023, the Wastewater Enterprise serves approximately 148,598 residential accounts, which discharge about 15.4 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 27,082 non-residential accounts, which discharge about 5.6 million units of sanitary flow per year.

(Dollars in Thousands)

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, revenue notes, State Revolving Fund (SRF) loans, and Water Infrastructure Finance and Innovation Act (WIFIA) loans. Proceeds from the bonds, notes, SRF, and WIFIA loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds, notes, SRF, and WIFIA loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2052, 2027, 2056, and 2059, respectively.

The original amount of revenue bonds issued, notes issued, State Revolving Fund loans, and WIFIA loans, total principal and interest remaining, principal and interest paid during fiscal year 2022-23 applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 3,029,385
Notes issued with revenue pledge	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	328,776
WIFIA loans with revenue pledge	122,357
Principal and interest remaining due at end of the fiscal year	4,872,238
Principal and interest paid in the fiscal year	98,811
Net revenues	178,850
Funds available for revenue bond and loans debt service	313,443

Commitments and Contingencies – As of June 30, 2023, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $762.1 million.

Pollution Remediation Obligations – As of June 30, 2023, the Wastewater Enterprise recorded $7.8 million in pollution remediation liability, consisting of $7.8 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $14.9 million for the year ended June 30, 2023. The Wastewater Enterprise purchased water from Water Enterprise totaling $1.6 million for the year ended June 30, 2023. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was $9.2 million for the year ended June 30, 2023. 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 $15.4 million for the year ended June 30, 2023 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 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.

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) Summary of the Successor Agency's Long-Term Obligations

Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds [a]	2025	5.00%	$ 8,675
Tax allocation revenue bonds [b]	2047	1.01% - 8.41%	757,038
Total long-term bonds...			$ 765,713

Debt service payments are made from the following sources:

(a) Hotel occupancy tax revenues 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.

(Dollars in Thousands)

Issuance of Successor Agency Bonds – Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency.

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 $1.23 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2023, were $122.6 million against the total debt service payment of $94.5 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 $9.3 million. The hotel tax revenue recognized during the year ended June 30, 2023, was $4.5 million against the total debt service payment of $4.5 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2023, are as follows:

	July 1, 2022	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2023	
Bonds payable:					
Tax revenue bonds	$ 806,046	$ -	$ (49,008)	$ 757,038	
Hotel Tax Revenue Bonds	12,540	-	(3,865)	8,675	
Less unamortized amounts:					
For issuance premiums	37,887	-	(2,313)	35,574	
For issuance discounts	(2,521)	-	142	(2,379)	
Total bonds payable	853,952	-	(55,044)	798,908	
Accreted interest payable	80,746	8,653	(13,791)	75,608	(1)
Accrued vacation and sick leave pay	1,842	940	(739)	2,043	
Successor Agency - long-term obligations	$ 936,540	$ 9,593	$ (69,574)	$ 876,559	

(1) Amounts represent interest accretion on Capital Appreciation Bonds.

(Dollars in Thousands)

As of June 30, 2023, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

	Tax Revenue Bonds		Hotel Tax Revenue Bonds	
June 30,	**Principal**	**Interest ***	**Principal**	**Interest**
2024	$ 33,464	$ 46,113	$ 4,220	$ 434
2025	36,896	45,784	4,455	223
2026	41,859	34,102	-	-
2027	42,547	32,850	-	-
2028	43,625	31,749		
2029-2033	240,136	135,895	-	-
2034-2038	156,917	92,080	-	-
2039-2043	116,144	42,394	-	-
2044-2047	45,450	7,548	-	-
Total	$ 757,038	$ 468,515	$ 8,675	$ 657

* Including 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 a 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. The Successor Agency made payments in the amount of $1.1 million to the City during the year ended June 30, 2023 to fully pay off the outstanding payable balance.

(b) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2023, the Successor Agency had outstanding encumbrances totaling approximately $7.2 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 per occurrence for automobile liability and an annual aggregate limit of $5.0 million for employment practices liability) and a $25 deductible.

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 aid 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, 2023, the Successor Agency disbursed $37.1 million to the developers through this arrangement and recorded an allowance against these receivables. At June 30, 2023, the gross value of the notes and mortgage receivable was $220.9 million and the allowance for uncollectible amounts was $219.4 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, 2023, the Successor Agency had outstanding community facility district bonds totaling $141.5 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, 2023, the Successor Agency distributed $27.3 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 the 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 from 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 City's 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) now called One Treasure Island.

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.

The development plan for the project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

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 four smaller transfers from 2016 through 2019. The full conveyance of the former base is not anticipated prior to 2025, as TIDA and the Navy are currently reviewing the future conveyance schedule.

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, including the new water reservoirs and new roadways were completed in the third quarter of 2021, and utilities and street improvements are complete.

(Dollars in Thousands)

The first residential project on Yerba Buena Island called the Bristol, a 124-unit condominium building, began construction in June 2019, received its Temporary Certificate of Occupancy in spring 2022, and move-ins began in June 2022. Two additional residential flats and townhome sites on Yerba Buena Island broke ground in 2022 and are currently under construction anticipated to receive its Temporary Certificate of Occupancy in 2025.

On Treasure Island, geotechnical improvement of soil conditions in the first subphase area on Treasure Island were substantially completed in 2020, and new roadway, sewer, storm water, water, power, and electrical infrastructure is nearly complete, and TICD is seeking acceptance of the new infrastructure from the City. The developer has begun geotechnical improvement in the second subphase area. The geotechnical improvement of the site of the new wastewater treatment plant and electrical switchyard on Treasure Island is complete, the new electrical switchyard is operational, and the San Francisco Public Utilities Commission (SFPUC) has approval from its Commission to negotiate with the top-ranked proposer for a design-build contract. Construction of the new plant is anticipated to be complete in 2025.

The first residential project on Treasure Island, Maceo May Apartment, a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares broke ground in the fall of 2020 and had its grand opening in May 2023. Four other residential sites on Treasure Island broke ground in 2022, including Star View Court, a 100% affordable 138-unit building being developed by Mercy Housing in partnership with Catholic Charities. Star View Court broke ground in fall 2022 and is scheduled for completion in mid-2024. Pre-development funding was approved for the next affordable housing site on Treasure Island Parcel E1.2 where two separate buildings – a senior housing site and a behavioral health program site – will be developed. A 2024 start of construction is targeted with occupancy in 2026.

Several market rate housing projects on Treasure Island are under construction, including the Isle House (250-unit building) expected for completion in fall 2024, Hawkins (178-unit building) expected for completion in late 2024, and Portico (148-unit building) expected for completion in early 2025.

The first park on Yerba Buena Island, the Boulders Dog Park, has been completed. Construction is underway for other first phase parks including Hilltop/Infinity Point Park on Yerba Buena Island, and Causeway Park, Waterfront Plaza, and the Clipper Cove Beach Park located on Treasure Island. The first installation under the Treasure Island Art Program, a sculpture called the Point of Infinity by artist Hiroshi Sugimoto, was finished and installed at Hilltop Park in May 2023.

The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2023, TIDA has the following payable to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	$ 5,871	$ -	$ 5,871
General Fund	Cash Coverage	3,603	-	3,603
Hetch Hetchy	Energy efficiency project	-	6,805	6,805
Hetch Hetchy	Utility operations	372	-	372
		$ 9,846	$ 6,805	$ 16,651

As of June 30, 2023, TIDA has the following receivable from other City department:

Receivable from	Purpose	Amount
SFCTA	Vista Point and Pier management expenses	$ 38

(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, 2023, is as follows:

Due to/from other funds (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 7,309
Nonmajor Governmental Funds	Nonmajor Governmental Funds	14,625
	Municipal Transportation Agency	594
		15,219
General Hospital Medical Center	Nonmajor Governmental Funds	17
San Francisco Water Enterprise	Nonmajor Governmental Funds	115
Hetch Hetchy Water and Power Enterprise	General Fund	210
	Nonmajor Governmental Funds	3,581
	San Francisco Wastewater Enterprise	518
		4,309
Municipal Transportation Agency	Nonmajor Governmental Funds	70,612
	Hetch Hetchy Water and Power	1,946
	San Francisco Water Enterprise	2,440
	San Francisco Wastewater Enterprise	2,102
		77,100
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	128
Total		$ 104,197

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, 2023, Hetch Hetchy loaned $3.6 million to other City funds.

The SFMTA has a receivable from nonmajor governmental funds of $52.2 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
General Fund	Component unit – TIDA	$ 3,603	(1)
Nonmajor Governmental Funds	Component unit – TIDA	5,871	(1)
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	372	(1)
Nonmajor Governmental Funds	Successor Agency	3,622	

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 6,805	(1)

(1) See discussion at Note 15.

	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	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General Fund..................	$ -	$ 501,010	$ 362	$ 5	$ -	$ 556,423	$ 137,399	$ 75	$ 500	$120,300	$ 1,316,074
Nonmajor governmental funds.......	61,134	81,731	-	-	-	89,504	-	-	38,733	381	271,483
Internal Service Funds.....	141	-	-	-	-	-	-	-	-	-	141
San Francisco International Airport........	48,701	-	-	-	-	-	-	-	-	-	48,701
Water Enterprise..............	-	32	-	-	20,000	-	-	-	-	-	20,032
Hetch Hetchy Water and Power Enterprise.......................	-	32	-	-	-	-	-	-	-	-	32
San Francisco General Hospital Medical Center...............	9,257	-	-	-	-	-	-	-	-	2,484	11,741
Wastewater Enterprise....	-	32	-	-	-	-	-	-	-	-	32
Port of San Francisco......	-	32	-	-	-	-	-	-	-	-	32
Laguna Honda Hospital..	128	-	-	-	-	-	-	-	-	-	128
Total transfers out	$ 119,361	$ 582,869	$ 362	$ 5	$ 20,000	$ 645,927	$ 137,399	$ 75	$ 39,233	$123,165	$ 1,668,396

The $1.32 billion General Fund transfer out includes a total of $788.7 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of $501.0 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 $48.7 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). General Fund received $128 from Laguna Honda Hospital, $105 for project management services and $23 for fiscal year 2022-23 shortfall, and $700 from SFGH to reappropriate funds. General Fund also received $8.6 million from SFGH for interest earned by the General Fund but credited to SFGH.

Laguna Honda Hospital received from SFGH $2.0 million for a shared project, $500 for fiscal year 2022-23 shortfall and $381 from nonmajor governmental funds for relocation project.

SFMTA received $89.5 million transfers from nonmajor governmental funds, of which $61.8 million was for capital activities, $27.7 million was for operating activities.

The Water Enterprise transferred $20.0 million to Hetch Hetchy Water and Power Enterprise to fund various Mountain Tunnel Improvement projects, and $32 to nonmajor governmental funds for the Surety Bond Program. In turn, the Water Enterprise received $5 from General Fund for Mayor's Office's minimum compensation ordinance.

The Wastewater Enterprise received $75 from General Fund for the Wastewater Add-backs Master Project, and transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise transferred $32 to the Office of the City Administrator for the Surety Bond Program and received $20.0 million from the Water Enterprise to fund various Mountain Tunnel Improvement projects.

The Port of San Francisco received $500 from General Fund for the Add-backs Project and $38.7 million from nonmajor governmental funds to support early projects, adaptation strategies, and San Francisco Waterfront Coastal Flood Study general investigation. In turn, Port of San Francisco transferred $32 to the Office of the City Administrator for the Surety Bond Program.

The Internal Service Funds received $300 from General Fund for the DT project and $62 for interest earned by the Internal Service Funds but credited to the General Fund. Internal Service Funds transferred $141 to General Fund for interest earned by the General Fund but credited to the Internal Service Funds.

(17) LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Leases and Similar Subscription-Based Information Technology Arrangements

Primary Government

City as Lessee and Subscriber

The City has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for theses leases varies, which ranges between 1 – 80 years. The City also has noncancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (SBITAs). The terms and conditions for theses subscriptions varies, which ranges between 1 – 10 years.

A summary of intangible right-to-use assets during the year ended June 30, 2023, is as follows (in thousands):

Governmental Activities:	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Right-to-use assets:				
Land	$ 1,675	$ -	$ -	$ 1,675
Building/Facility	571,793	74,057	(30,627)	615,223
Equipment	2,141	-	(976)	1,165
Others	1,214	-	-	1,214
Subscription assets	49,277	1,036	-	50,313
Total right-to-use assets	626,100	75,093	(31,603)	669,590
Less accumulated amortization:				
Right-to-use assets:				
Land	139	139	-	278
Building/Facility	72,349	73,116	(7,246)	138,219
Equipment	1,149	661	(976)	834
Others	405	405	-	810
Subscription assets	-	16,741	-	16,741
Total accumulated amortization	74,042	91,062	(8,222)	156,882
Governmental activities right-to-use assets, net	$ 552,058	$ (15,969)	$ (23,381)	$ 512,708

Business-Type Activities:	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Right-to-use assets:				
Land	$ 24,029	$ -	$ -	$ 24,029
Building/Facility	214,728	8,099	(976)	221,851
Equipment	20,017	4,494	(9,483)	15,028
Others	-	-	-	-
Subscription assets	5,456	2,697	-	8,153
Total lease assets	264,230	15,290	(10,459)	269,061
Less accumulated amortization:				
Right-to-use assets:				
Land	722	536	-	1,258
Building/Facility	20,280	14,244	(976)	33,548
Equipment	9,269	6,563	(9,483)	6,349
Others	-	-	-	-
Subscription assets	1,760	3,369	-	5,129
Total accumulated amortization	32,031	24,712	(10,459)	46,284
Business-type activities right-to-use assets, net	$ 232,199	$ (9,422)	$ -	$ 222,777

(Dollars in Thousands)

Future annual lease and subscription payments are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2024…………	$ 76,818	$ 8,492	$ 85,310
2025…………	65,701	7,433	73,134
2026…………	55,986	6,472	62,458
2027…………	47,940	5,604	53,544
2028…………	42,825	4,781	47,606
2029-2033….	122,798	16,060	138,858
2034-2038….	102,183	5,948	108,131
2039-2043….	17,283	385	17,668
Total…………	$ 531,534	$ 55,175	$ 586,709

Business-type Activities

Fiscal	Airport			Port			General Hospital Medical Center			Municipal Transportation Agency		
Years	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024………..	$ 816	$ 25	$ 841	$ 1,555	$ 1,598	$ 3,153	$ 2,659	$ 56	$ 2,715	$ 6,430	$ 2,648	$ 9,078
2025………..	346	5	351	1,574	1,561	3,135	1,522	38	1,560	6,774	2,536	9,310
2026………..	-	-	-	1,777	1,521	3,298	1,037	25	1,062	5,925	2,417	8,342
2027………..	-	-	-	2,052	1,474	3,526	977	11	988	6,166	2,321	8,487
2028………..	-	-	-	2,102	1,424	3,526	440	2	442	5,550	2,224	7,774
2029-2033….	-	-	-	11,301	6,330	17,631	-	-	-	25,544	9,751	35,295
2034-2038….	-	-	-	12,740	4,888	17,628	-	-	-	31,483	7,177	38,660
2039-2043….	-	-	-	14,363	3,261	17,624	-	-	-	38,898	3,916	42,814
2044-2048….	-	-	-	16,192	1,428	17,620	-	-	-	725	2,154	2,879
2049-2053….	-	-	-	3,780	46	3,826	-	-	-	-	2,495	2,495
2054-2058….	-	-	-	-	-	-	-	-	-	-	2,893	2,893
2059-2063….	-	-	-	-	-	-	-	-	-	-	3,354	3,354
2064-2068….	-	-	-	-	-	-	-	-	-	-	3,888	3,888
2069-2073….	-	-	-	-	-	-	-	-	-	-	4,507	4,507
Thereafter…..	-	-	-	-	-	-	-	-	-	23,207	11,824	35,031
Total…………	$ 1,162	$ 30	$ 1,192	$ 67,436	$ 23,531	$ 90,967	$ 6,635	$ 132	$ 6,767	$ 150,702	$ 64,105	$ 214,807

Fiscal	San Francisco Water Enterprise			Hetch Hetchy Water and Power			San Francisco Wastewater Enterprise			Total Business-type Activities		
Years	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024………..	$ 1,589	$ 89	$ 1,678	$ 198	$ 8	$ 206	$ 1,540	$ 10	$ 1,550	$ 14,787	$ 4,434	$ 19,221
2025………..	1,181	59	1,240	96	8	104	93	2	95	11,586	4,209	15,795
2026………..	701	34	735	98	5	103	93	1	94	9,631	4,003	13,634
2027………..	135	26	161	36	4	40	-	-	-	9,366	3,836	13,202
2028………..	122	23	145	37	3	40	-	-	-	8,251	3,676	11,927
2029-2033….	416	86	502	68	9	77	-	-	-	37,329	16,176	53,505
2034-2038….	445	39	484	42	4	46	-	-	-	44,710	12,108	56,818
2039-2043….	129	3	132	18	-	18	-	-	-	53,408	7,180	60,588
2044-2048….	-	-	-	-	-	-	-	-	-	16,917	3,582	20,499
2049-2053….	-	-	-	-	-	-	-	-	-	3,780	2,541	6,321
2054-2058….	-	-	-	-	-	-	-	-	-	-	2,893	2,893
2059-2063….	-	-	-	-	-	-	-	-	-	-	3,354	3,354
2064-2068….	-	-	-	-	-	-	-	-	-	-	3,888	3,888
2069-2073….	-	-	-	-	-	-	-	-	-	-	4,507	4,507
Thereafter…..	-	-	-	-	-	-	-	-	-	23,207	11,824	35,031
Total…………	$ 4,718	$ 359	$ 5,077	$ 593	$ 41	$ 634	$ 1,726	$ 13	$ 1,739	$ 232,972	$ 88,211	$ 321,183

In fiscal year 2022-23, the City's governmental activities and business-type activities recognized $8.7 million and $4.9 million, respectively, in interest expense for the related leases and subscriptions.

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred.

(Dollars in Thousands)

Certain equipment or facility rental leases require the City to make variable lease payments that based on usage, index, and insurance payments made by the lessor, these amounts are generally determined annually. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for governmental activities and business-type activities were $10.0 million and $1.6 million, respectively, during the year ended June 30, 2023.

As of June 30, 2023, no variable subscription payments were noted for the City's subscription IT arrangements.

City as Lessor

The City has leased facilities, easements, communication site and equipment to varies tenants. The terms and conditions for these leases vary, which range between 1- 75 years.

The Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which is non-cancellable and terminate at various dates as late as 2053.

Principal and interest requirements to maturity for the lease receivable at June 30, 2023, are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2024...........	$ 4,678	$ 1,653	$ 6,331
2025...........	4,779	1,573	6,352
2026...........	4,769	1,488	6,257
2027...........	4,306	1,405	5,711
2028...........	4,090	1,328	5,418
2029-2033....	18,140	5,574	23,714
2034-2038....	16,762	3,934	20,696
2039-2043....	16,704	2,289	18,993
2044-2048....	11,608	667	12,275
2049-2053....	454	258	712
2054-2058....	503	209	712
2059-2063....	556	155	711
2064-2068....	616	96	712
2069-2073....	622	29	651
Total............	$ 88,587	$ 20,658	$ 109,245

(Dollars in Thousands)

Business-type Activities -excluded regulated leases

Fiscal	Airport			Port			General Hospital Medical Center			Laguna Honda Hospital		
Years	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024..........	$ 114,523	$ 26,454	$ 140,977	$ 41,963	$ 10,687	$ 52,650	$ 375	$ 144	$ 519	$ 110	$ 20	$ 130
2025..........	113,953	23,350	137,303	35,510	10,022	45,532	353	141	494	116	17	133
2026..........	112,953	20,175	133,128	32,453	9,396	41,849	276	138	414	122	15	137
2027..........	112,262	16,974	129,236	28,400	8,804	37,204	161	136	297	128	13	141
2028..........	114,649	13,709	128,358	21,378	8,300	29,678	51	134	185	135	11	146
2029-2033....	306,703	30,988	337,691	87,119	35,871	122,990	242	658	900	500	16	516
2034-2038....	39,255	4,745	44,000	68,220	27,316	95,536	268	632	900	-	-	-
2039-2043....	9,265	3,235	12,500	41,565	21,286	62,851	297	603	900	-	-	-
2044-2048....	10,445	2,055	12,500	34,534	16,969	51,503	328	572	900	-	-	-
2049-2053....	11,713	725	12,438	13,352	13,817	27,169	363	537	900	-	-	-
2054-2058....	-	-	-	15,064	12,203	27,267	402	498	900	-	-	-
2059-2063....	-	-	-	18,966	10,308	29,274	445	455	900	-	-	-
2064-2068....	-	-	-	22,063	7,280	29,343	493	407	900	-	-	-
2069-2073....	-	-	-	22,989	4,202	27,191	546	354	900	-	-	-
Thereafter.....	-	-	-	21,508	868	22,376	3,201	775	3,976	-	-	-
Total............	$ 945,721	$ 142,410	$ 1,088,131	$ 505,084	$ 197,329	$ 702,413	$ 7,801	$ 6,184	$ 13,985	$ 1,111	$ 92	$ 1,203

Fiscal	Municipal Transportation Agency			San Francisco Water Enterprise			San Francisco Wastewater Enterprise			Total Business-type Activities		
Years	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2024..........	$ 7,437	$ 2,026	$ 9,463	$ 3,521	$ 869	$ 4,390	$ 212	$ 38	$ 250	$ 168,141	$ 40,238	$ 208,379
2025..........	8,079	1,866	9,945	3,610	821	4,431	226	32	258	161,847	36,249	198,096
2026..........	10,176	1,651	11,827	3,046	756	3,802	241	26	267	159,267	32,157	191,424
2027..........	9,506	1,392	10,898	2,721	698	3,419	257	19	276	153,435	28,036	181,471
2028..........	9,698	1,128	10,826	2,423	645	3,068	215	12	227	148,549	23,939	172,488
2029-2033....	12,292	3,587	15,879	10,951	2,571	13,522	306	13	319	418,113	73,704	491,817
2034-2038....	3,114	3,136	6,250	9,941	1,477	11,418	-	-	-	120,798	37,306	158,104
2039-2043....	3,447	2,803	6,250	828	914	1,742	-	-	-	55,402	28,841	84,243
2044-2048....	3,816	2,434	6,250	-	1,027	1,027	-	-	-	49,123	23,057	72,180
2049-2053....	4,224	2,026	6,250	-	1,191	1,191	-	-	-	29,652	18,296	47,948
2054-2058....	4,676	1,574	6,250	117	1,263	1,380	-	-	-	20,259	15,538	35,797
2059-2063....	5,176	1,074	6,250	832	768	1,600	-	-	-	25,419	12,605	38,024
2064-2068....	5,730	520	6,250	1,208	647	1,855	-	-	-	29,494	8,854	38,348
2069-2073....	2,147	40	2,187	1,676	475	2,151	-	-	-	27,358	5,071	32,429
Thereafter.....	-	-	-	2,756	250	3,006	-	-	-	27,465	1,893	29,358
Total............	$ 89,518	$ 25,257	$ 114,775	$ 43,630	$ 14,372	$ 58,002	$ 1,457	$ 140	$ 1,597	$ 1,594,322	$ 385,784	$ 1,980,106

In fiscal year 2022-23, the City's governmental activities recognized $5.4 million in lease revenue and $1.7 million in interest income for the related leases and the City's business-type activities recognized $151.1 million in lease revenue and $27.4 million in interest income for the related leases.

Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The City did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable for governmental activities and business-type activities were $9.4 million and $13.4 million, respectively, during the year ended June 30, 2023.

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from the GASB 87 recognition, subject to the conditions that:

(a) Lease rates cannot exceed a reasonable amount.

(b) Lease rates should be similar for similar situated lessees, and

(c) The lessor cannot deny potential lessees if facilities are available.

(Dollars in Thousands)

Such regulated leases at the Airport include:

(a) The Lease and Use Agreements with certain airlines regarding the use of terminal building and equipment on an exclusive or preferential use basis, among other uses among other uses, which expired on June 30, 2023.

(b) Non-terminal aeronautical buildings and land leases. Based on the airlines' operation needs, an airline may lease terminal space such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Commission provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreements. For the year ended June 30, 2023, United Airlines accounted for 46.7 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (12.3%), Delta Air Lines (7.9%), and American Airlines (6.3%), with no other airlines accounting for more than 5 percent of enplaned passengers. Non-terminal buildings and lands are leased on an exclusive basis. The Airport has entered new Lease and Use Agreements that became effective on July 1, 2023 and expire on June 30, 2033.

The payments under the Lease and Use Agreements are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during year ended June 30, 2023, was $215.6 million, including approximately $47.3 million of fixed payments and $168.3 million of variable payments. The additional exclusive and preferential use payments are the actual billed amount during fiscal year 2022-23, which was adjusted down $14.5 million during the year-end true-up process.

Below is a summary of the total number of regulated leases for fiscal year 2022-23, including which assets are subject to preferential or exclusive use by counterparties:

	Number of Leases
AULA [(a)]	
Preferential and exclusive rental	7
Exclusive rental only	28
Non-space rental, only common use	3
Subtotal - AULA	38
Other Regulated [(b)]	8
Total	46

Notes:
[(a)] Airline-airport lease and use agreements.
[(b)] Includes cargo, fuel, fixed-base facility leases, hangar leases, and ground leases.

(Dollars in Thousands)

Lease revenues and interest revenues recognized during the year ended June 30, 2023, for regulated leases is presented below:

Expected Minimum Payments [a]	$	45,277
Additional Fixed Payments [b]		2,024
Total Fixed Payments		47,301
Additional Exclusive Use Payments [c]		127,086
Additional Preferential Use Payments [d]		55,666
Year-end True-ups		(14,465)
Total Regulated Lease Payments	$	215,588

Notes:

[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

[b] Includes additional rent above the expected minimum payments after adjusmet by CPI and reappraisals.

[c] Includes AULA exclusive use rental revenues, other regulated leases that were charged by airport's rates and charges rate, and percentage fee revenues above minimum annual guarantee.

[d] Includes AULA preferential use rental revenues

Below is a schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter:

Fiscal Years		Expected Future Minimum Payments [a]
2024..................	$	19,286
2025..................		18,092
2026..................		5,462
2027..................		1,644
2028..................		1,644
2029-2033...........		8,221
2034-2038...........		8,221
2039-2043...........		8,221
2044-2048...........		6,166
Total..................	$	76,957

Note:

[a] Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

(Dollars in Thousands)

Sublease

City has a non-cancellable building lease at the 555-575 Polk Street location. The second floor is the City's community justice court/center and the ground floor is subleased to the State's Administrative Office of the Courts (State AOC) for use by the Superior Courts. The 15-year master lease and sublease will both end in 2026. City's rental payments in fiscal year 2022-23 were $0.6 million and received $0.4 million from State AOC.

The Port has a non-cancelable lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right in 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. On February 1, 2021, the sublease adopted a market rate adjustment, resulting in an increase in future minimum annual payments. The Port's rental payments in fiscal year 2022-23 were $4.1 million.

Component Unit

Component Unit as Lessor

The component unit has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

	Treasure Island Development Authority		
Fiscal Years	**Principal**	**Interest**	**Total**
2024...............	$ 2,365	$ 322	$ 2,687
2025...............	2,061	284	2,345
2026...............	1,090	257	1,347
2027...............	823	237	1,060
2028...............	600	225	825
2029-2033......	3,097	964	4,061
2034-2038......	3,307	691	3,998
2039-2043......	2,200	419	2,619
2044-2048......	194	353	547
2049-2053......	234	323	557
2054-2058......	275	290	565
2059-2063......	316	260	576
2064-2068......	362	226	588
2069-2073......	413	186	599
Thereafter.......	1,616	264	1,880
Total...............	$ 18,953	$ 5,301	$ 24,254

The total amount for lease revenue and interest income recognized during fiscal year 2022-23 were $1.9 million and $0.3 million, respectively, related to these leases. Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The component unit did not incur revenue related to residual value guarantees or lease termination penalties. As of June 30, 2023, no variable lease payments were noted.

Public-Private Partnership Arrangement for the Yerba Buena Gardens

As of June 30, 2023, capital improvements were completed on the Yerba Buena Gardens pursuant to a public-private partnership arrangement with Yerba Buena Gardens Conservancy (Conservancy), under which the Conservancy manages, operates, repairs, maintains, and improves the premises for 40 years. The Conservancy collects all revenues during the 40-year operations period. The City reported the completed capital improvements as capital assets with a carrying amount of $5.9 million and a related deferred inflow of resources of $5.9 million.

A summary of public-private partnership capital assets during the year ended June 30, 2023, is as follows (in thousands):

Governmental Activities:	Balance July 1, 2022, as restated	Increases	Decreases	Balance June 30, 2023
Building/Facility..	$ 3,378	$ 768	$ -	$ 4,146
Equipment..	277	-	-	277
Infrastructure..	1,046	596	-	1,642
Total public-private partnership assets....	4,701	1,364	-	6,065
Less accumulated amortization:				
Building/Facility..	-	122	-	122
Equipment..	-	20	-	20
Infrastructure..	-	43	-	43
Total accumulated amortization..............	-	185	-	185
Governmental activities public-private partnership, net…...................................	$ 4,701	$ 1,179	$ -	$ 5,880

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $1.87 billion, private equity in the amount of $3.52 billion, private credit in the amount of $2.41 billion, and absolute return investments in the amount of $62.7 million, which totaled $7.86 billion as of June 30, 2023.

The Retiree Health Care Trust Fund has unfunded commitments to contribute capital for private equity in the amount of $40.2 million as of June 30, 2023.

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.

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(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 is not required to, nor does it carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport has an ongoing loss prevention program, a safety officer, property loss control, and ongoing employee training programs. The Airport has instituted an Enterprise Risk Management Program by implementing a comprehensive risk identification, assessment, and treatment protocol to address key risks that may adversely affect the Airport's ability to meet its business goals and objectives. The Airport carries aviation liability insurance coverage of $1.0 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per occurrence. Immediately following the events of September 11, 2001, insurers canceled the coverage for war, terrorism, and hijacking for all airports, including the Airport. A number of insurers now provide this coverage through the Federal Government Terrorism Risk Insurance Act. However, the scope of the coverage is limited, and the premiums are high. Due to these factors, the Airport, in consultation with the City's Director of Risk Management, has elected not to secure such coverage but to purchase War Perils Liability Coverage as part of its aviation liability program.

The Airport also carries 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 occurrence subject to a deductible of $500 per occurrence. This policy includes flood coverage up to a $10.0 million sub-limit. The Airport also carries business interruption and extra expenses insurance up to a $100.0 million pooled sub-limit.

Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts, naming the Airport as additionally insured. The Airport carries public officials' liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per occurrence for public officials' and public entity liability matters, and $250 per occurrence for each employment practices' liability matters. The Airport also carries insurance for excess auto, public employee dishonesty, fine arts, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2023): 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence, inclusive of hull protection and indemnity coverage of $1.0 million per occurrence; 2) machinery and equipment breakdown coverage, including business interruption, of $100.0 million, subject to a deductible of $25; 3) commercial property insurance for Port facilities, subject to a maximum coverage of $300.0 million and a deductible of $5.0 million per occurrence (increased from a maximum of $140.0 million and a deductible of $10.0 million per occurrence before July 1, 2022); 4) public officials and employee practices liability coverage of $5.0 million, subject to a deductible of $50 per occurrence; and 5) special events for cruise terminals at Pier 27, 29 and 35 coverage of $1.0 million and no deductible. 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. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment 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. Workers' Compensation	Self-insured
c. Property	Self-insured and purchase insurance
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance
f. Active Assailant	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA's 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, 2023, the reserve was $36.5 million. In addition, the annual budget for claims was $8.6 million for fiscal year 2022-23. Claim liabilities are actuarially determined 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, 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. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for 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. SFMTA has purchased an active assailant insurance to cover third party bodily injury, property damage, business interruption and crisis management.

Settlements have not exceeded insurance coverage during the past three years.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2023, has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

(Dollars in Thousands)

Changes in the reported estimated claims payable since July 1, 2021, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2021-2022	$ 390,355	$ 168,306	$ (94,625)	$ 464,036
2022-2023	464,036	219,401	(147,390)	536,047

Breakdown of the estimated claims payable on June 30, 2023, is follows:

Governmental activities:	
Current portion of estimated claims payable……………………	$ 155,464
Long-term portion of estimated claims payable…………………	260,222
Total ………………………………………………………..……	$ 415,686
Business-type activities:	
Current portion of estimated claims payable……………………	$ 46,288
Long-term portion of estimated claims payable…………………	74,073
Total …………………………………………………………………	$ 120,361

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2023, 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, 2023, was $653.8 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, 2021, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2021-2022	$ 536,939	$ 195,741	$ (119,551)	$ 613,129
2022-2023	613,129	169,773	(129,066)	653,836

Breakdown of the accrued workers' compensation liability on June 30, 2023, is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability……	$ 72,304
Long-term portion of accrued workers' compensation liability..	305,486
Total ………………………………………………………..……	$ 377,790
Business-type activities:	
Current portion of accrued workers' compensation liability……	$ 50,502
Long-term portion of accrued workers' compensation liability..	225,544
Total ……………………………………………………..……	$ 276,046

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2023, the Water Enterprise issued its San Francisco Water Revenue Bonds, 2023 Sub-Series A (Regional and Local Water, Tax-exempt) and Sub-Series B (Hetch Hetchy Water, Tax-exempt) in the aggregate principal amount of $414.0 million to (i) refund principal and interest on Commercial Paper Notes issued to finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, (ii) finance and refinance a portion of the design, acquisition and construction of various capital projects of benefit to the SFPUC's Water Enterprise, and (iii) fund capitalized interest through May 1, 2025 and other financing costs.

In July 2023, the Water Enterprise entered into new CP dealer agreements with BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association for the offering and sale, and remarketing from time to time of water commercial paper program notes. The new CP dealer agreements with BofA Securities, Inc., J.P. Morgan Securities LLC and Wells Fargo Bank, National Association are scheduled to expire on July 10, 2028.

In August 2023, the Water Enterprise issued its San Francisco Water Revenue Bonds, 2023 Sub-Series C (Tax-exempt Refunding – WSIP, Green Bonds), and Sub-Series D (Tax-exempt Refunding-Local Water) an aggregate principal amount of $514.9 million to refund all or a portion of various series of the SFPUC's outstanding bonds.

In October 2023, Hetch Hetchy issued its San Francisco Power Revenue Bonds, 2023 Series A with a principal of $123.9 million to finance or refinance Power Enterprise projects through the refunding and retirement of CP issued as interim financing for such projects in furtherance of the Power Capital Improvement Program.

In November 2023, the City issued Certificates of Participation Series 2023A (Affordable Housing and Community Projects) (2023A Certificates) and Series 2023B (Multiple Capital Improvement Projects) (2023B Certificates) with the principal amount of $103.4 million and $80.0 million, respectively. The 2023A certificates were issued to finance and refinance certain capital improvement, affordable housing, and community facilities projects within the City and to pay the cost of issuance of the 2023A Certificates. The 2023B Certificates, together with the 2023A Certificates were issued to finance and refinance certain capital improvement projects within the City, including retirement of certain commercial paper notes of the City issued for such purpose and to pay the cost of issuance of the 2023B Certificates. The 2023A Certificates bear interest rates ranging from 6.0% to 6.375% to mature from October 2024 through October 2043. The 2023B Certificates bear interest rates ranging from 5.0% to 4.5% to mature from October 2024 through October 2043.

In November 2023, the Airport issued $794.3 million of its Series 2023C and Series 2023D Bonds for the purpose of refunding $497.8 million in outstanding CP notes, refunding $241.8 million in outstanding Series 2013A bonds, funding deposits to a debt service reserve account, and paying costs of issuance. The financial statements reflected the refunded amounts as noncurrent liabilities. Moody's and Fitch assigned credit ratings of "A1" and "A+" to these bonds.

In December 2023, the City, on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) issued Special Tax Bonds, Series 2023A (Development Special Tax Bonds), Series 2023B (Office Special Tax Bonds), and Series 2023C (Shoreline Tax Zone 1 Special Tax Bonds) (the 2023A Bonds, 2023B Bonds, and 2023C Bonds) in the original par amounts of $8.8 million, $19.1 million, and $18.0 million, respectively. The 2023A Bonds, 2023B Bonds, and 2023C Bonds were issued to fund horizonal improvements for Phase 1A and 1B of the Mission Rock Project. The 2023A Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2050. The 2023B Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2053. The 2023C

Bonds bear interest rates ranging from 5.0% to 5.75%, with principal amortizing from September 2024 through September 2053.

The 2023A Bonds, 2023B Bonds, and 2023C Bonds are secured under provisions of their respective Fiscal Agent Agreements, and will be payable solely from the revenues and funds pledged under those agreements. The 2023A Bonds were issued on a parity basis to the outstanding City and County of San Francisco Special Tax District No. 2020-1 (Mission Rock Facilities and Services) Development Special Tax Bonds, Series 2021A and Development Special Tax Bonds, Series 2021B and 2021C. Revenues for the 2023A Bonds, 2023B Bonds, and 2023C Bonds generally consist of Development Special Tax Revenues, Office Special Tax Revenues, and Shoreline (tax zone 1) Special Tax Revenues, respectively. Additionally, the 2023A Bonds are secured by tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to such obligations under a Pledge Agreement (among the IFD, City on behalf the District, and the Fiscal Agent). The 2023A Bonds, 2023B Bonds, and 2023C 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 2023A Bonds, 2023B Bonds, or the 2023C Bonds.

In December 2023, the City, on behalf of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) issued Special Tax Bonds, Series 2023A in the par amount of $17.0 million (2023A IA2 Bonds). The 2023A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project. The 2023A Bonds bear interest rates ranging from 5.0% to 5.5%, with principal amortizing from September 2024 through September 2053.

The 2023A IA2 Bonds were issued on a parity basis to the outstanding of the City and County of San Francisco Community Facilities District No. 2016-1 (Treasure Island) issued Special Tax Bonds, Series 2022A. The 2023A IA2 Bonds are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. The 2023 IA2 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 2023 IA2 Bonds.

In December 2023, the City, on behalf of the and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2023A (Facilities Increment) and Series 2023B (Housing Increment) (2023A IRFD Bonds and 2023B IRFD Bonds) in the par amounts of $7.6 million and $1.6 million, respectively. The 2023A IRFD Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2023B IRFD Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2023A IRFD Bonds bear interest rates ranging from 5.0% to 5.5%, with principal amortizing from September 2024 through September 2053. The 2023B IRFD Bonds bear an interest rate of 5.5%, with principal amortizing from September 2024 through September 2053.

The 2023A IRFD Bonds and 2023B IRFD Bonds were issued on a parity basis to the outstanding City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment), respectively. The 2023A IRFD Bonds and 2023B IRFD Bonds are secured under provisions of separate Indentures of Trust and are payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. The 2023A IRFD Bonds and 2023B IRFD 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 2023A IRFD Bonds or 2023B IRFD Bonds.

(b) Others

Ratings Downgrade

In July 2023, Moody's revised the rating outlook on the City's long-term ratings from stable to negative while concurrently affirming the "Aaa" ratings on the City's issuer rating and on approximately $2.59 billion in outstanding general obligation bonds. Moody's also affirmed the "Aa1" and "Aa2" rating on the City's approximately $1.4 billion in lease-backed obligations. The City also has approximately $19.5 billion in additional debt outstanding across its governmental and enterprise activities unaffected by this rating action.

Laguna Honda Hospital Settlement Agreement

In November 2022, Laguna Honda Hospital (LHH) reached a settlement with the California Department of Public Health (CDPH) and the federal Centers for Medicare and Medicaid Services (CMS) to allow LHH to continue to receive funding through November 2023.

In August 2023, LHH was recertified, effective immediately, in the Medicaid Provider Program. In September 2023, LHH applied for Medicare recertification and is anticipating completion of a CMS survey by December 2023.

A new admission timeline and census projections cannot be developed until the facility is certified by both Medi-Cal and Medicare, as a result revenue projections for fiscal year 2023-24 have not been updated from fiscal year 2023-24 budget to reflect the recertification.

Airport New Lease and Use Agreement

A new ten-year 2023 Lease and Use Agreement became effective on July 1, 2023, and is set to expire on June 30, 2033.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset)
June 30, 2023
(Dollars in Thousands)

	For the year ended June 30, 2023				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability (asset)	94.8676%	-0.1503%	0.0294%	0.3232%	0.0001%
Proportionate share of the net pension liability (asset)	$ 2,552,996	$ (17,362)	$ 3,394	$ 37,328	$ 11
Covered payroll	$ 3,553,859	$ -	$ 4,706	$ 6,633	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	71.84%	N/A	72.12%	562.76%	N/A
Plan fiduciary net position as a percentage of total pension liability	92.40%	76.68%	76.68%	76.68%	76.68%

	For the year ended June 30, 2022				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability (asset)	94.6421%	-0.4126%	0.0160%	0.4073%	0.0001%
Proportionate share of the net pension liability (asset)	$ (2,446,565)	$ (22,316)	$ 868	$ 22,028	$ 6
Covered payroll	$ 3,434,713	$ -	$ 4,826	$ 7,430	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-71.23%	N/A	17.99%	296.47%	N/A
Plan fiduciary net position as a percentage of total pension liability	107.80%	88.29%	88.29%	88.29%	88.29%

	For the year ended June 30, 2021				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.3903%	-0.1489%	0.0244%	0.2967%	0.0002%
Proportionate share of the net pension liability (asset)	$ 5,107,273	$ (16,206)	$ 2,659	$ 32,279	$ 21
Covered payroll	$ 3,378,945	$ 179	$ 4,423	$ 6,745	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	151.15%	-9053.63%	60.12%	478.56%	N/A
Plan fiduciary net position as a percentage of total pension liability	83.10%	75.10%	75.10%	75.10%	75.10%

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)

June 30, 2023
(Dollars in Thousands)

	For the year ended June 30, 2020				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1288%	-0.1541%	0.0230%	0.2908%	0.0002%
Proportionate share of the net pension liability (asset)	$ 4,213,809	$ (15,793)	$ 2,352	$ 29,803	$ 25
Covered payroll	$ 3,186,405	$ 359	$ 4,396	$ 6,384	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.24%	-4399.16%	53.50%	466.84%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.30%	75.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2019				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	$ 4,030,207	$ (15,154)	$ 2,069	$ 27,178	$ 28
Covered payroll	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.20%	75.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2018				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	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 (asset) as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	N/A
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)

June 30, 2023*
(Dollars in Thousands)

	For the year ended June 30, 2017				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	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)	$ 5,476,654	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	N/A
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				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	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 (asset) 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				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	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 (asset) 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%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2022, 2021, 2020, 2019 and 2018. 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 measurement period ended June 30, 2022, the discount rate was decreased from 7.40% to 7.20%. There were no changes in the discount rate for the measurement period ended June 30, 2021 and 2020. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40% There were no changes in the discount rate for the measurement period ended June 30, 2018. For the measurement ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – For the measurement period ended June 30, 2022, the discount rate was decreased from 7.15% to 6.90%. There were no changes in the discount rate for the measurement period ended June 30, 2021.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine years of information is shown

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios

June 30, 2023
(Dollars in Thousands)

City CalPERS Safety Plan	2023	2022	2021	2020
Total pension liability:				
Service cost	$ 27,820	$ 27,940	$ 29,508	$ 30,109
Interest on the total pension liability	109,898	107,607	102,990	98,555
Changes of assumptions	45,696	-	-	-
Differences between expected and actual experience	(19,162)	2,028	(1,465)	(7,134)
Benefit payments, including refunds of employee contributions	(77,028)	(71,533)	(66,815)	(62,934)
Net change in total pension liability	87,224	66,042	64,218	58,596
Total pension liability, beginning	1,590,799	1,524,757	1,460,539	1,401,943
Total pension liability, ending	$1,678,023	$1,590,799	$1,524,757	$1,460,539
Plan fiduciary net position:				
Plan to plan resource movement	$ -	$ -	$ -	$ -
Contributions from the employer	55,172	51,620	49,455	43,789
Contributions from employees	7,885	8,342	8,947	9,141
Net investment income/(loss)	(109,224)	269,621	57,048	71,212
Benefit payments, including refunds of employee contributions	(77,028)	(71,533)	(66,815)	(62,934)
Administrative expenses	(901)	(1,188)	(1,611)	(772)
Other miscellaneous income/(expense)	-	-	-	2
Net change in plan fiduciary net position	(124,096)	256,862	47,024	60,438
Plan fiduciary net position, beginning	1,446,527	1,189,665	1,142,641	1,082,203
Plan fiduciary net position, ending	$1,322,431	$1,446,527	$1,189,665	$1,142,641
Plan net pension liability, ending	$ 355,592	$ 144,272	$ 335,092	$ 317,898
Plan fiduciary net position as a percentage of the total pension liability	78.81%	90.93%	78.02%	78.23%
Covered payroll	$ 85,571	$ 93,702	$ 92,968	$ 94,522
Plan net pension liability as a percentage of the covered payroll	415.55%	153.97%	360.44%	336.32%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Changes in Net Pension Liability and Related Ratios (Continued)

June 30, 2023*

(Dollars in Thousands)

City CalPERS Safety Plan	2019	2018	2017	2016	2015
Total pension liability:					
Service cost	$ 34,006	$ 33,886	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	94,305	88,729	85,094	80,057	76,177
Changes of assumptions	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$1,401,943	$1,320,856	$1,189,116	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:					
Plan to plan resource movement	$ (3)	$ -	$ -	$ (4)	$ -
Contributions from the employer	31,189	30,575	23,640	20,718	20,613
Contributions from employees	9,359	10,307	14,310	15,061	15,216
Net investment income	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense)	(3,011)	-	-	-	-
Net change in plan fiduciary net position	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending	$1,082,203	$1,017,528	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 319,740	$ 303,328	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll	$ 106,765	$ 107,812	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred on or after the June 30, 2021, valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – The discount rate decreased from 7.15% to 6.90% for the measurement period ended June 30, 2022. None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine years of information is shown

Required Supplementary Information (Unaudited) – Schedules of Changes in Total Pension Liability and Related Ratios

June 30, 2023*

(Dollars in Thousands)

City Replacement Benefits Plan	2023	2022	2021	2020	2019	2018	2017
Plan total pension liability:							
Service cost	$ 2,894	$ 2,571	$ 1,976	$ 1,286	$ 1,298	$ 1,605	$ 956
Interest	4,726	4,076	4,776	3,538	2,998	2,218	2,112
Changes of benefits	-	-	-	-	-	-	10,310
Differences between expected and actual experience	(24,639)	24,547	7,800	13,588	564	15,326	-
Changes of assumptions	(42,151)	7,274	37,013	29,565	5,540	(10,290)	11,516
Benefit payments	(4,473)	(4,097)	(3,634)	(2,958)	(2,442)	(3,164)	(1,332)
Net change in total pension liability	(63,643)	34,371	47,931	45,019	7,958	5,695	23,562
Total pension liability, beginning	219,574	185,203	137,272	92,253	84,295	78,600	55,038
Plan total pension liability, ending:	$ 155,931	$ 219,574	$ 185,203	$ 137,272	$ 92,253	$ 84,295	$ 78,600
Covered-employee payroll	$ 3,589,396	$ 3,470,495	$ 3,414,923	$ 3,225,854	$ 3,082,273	$ 2,919,519	$ 2,719,691
Plan total pension liability as a percentage of the covered-employee payroll	4.34%	6.33%	5.42%	4.26%	2.99%	2.89%	2.89%

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, 2022.

Changes of Assumptions – The discount rate was changed from 2.16% to 3.54% in the measurement period ended June 30, 2022. No changes in discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 2.21% in the measurement period ended June 30, 2020, to 2.16% in the measurement period ended June 30, 2021. The discount rate was changed from 3.87% in the measurement period ended June 30, 2018, to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only seven years of information is shown

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans
June 30, 2023
(Dollars in Thousands)

For the year ended June 30, 2023

	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	$ 638,003	$ -	$ 689	$ 2,934	$ 2	$ 50,754
Contributions in relation to the actuarially determined contributions	(638,003)	-	(689)	(2,934)	(2)	(50,754)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,810,429	$ -	$ 5,088	$ 6,405	$ -	$ 81,754
Contributions as a percentage of covered payroll	16.74%	N/A	13.54%	45.81%	N/A	62.08%

For the year ended June 30, 2022

	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	$ 729,578	$ -	$ 628	$ 2,611	$ 9	$ 49,808
Contributions in relation to the actuarially determined contributions	(729,578)	-	(628)	(2,611)	(9)	(49,808)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,553,859	$ -	$ 4,706	$ 6,633	$ -	$ 85,571
Contributions as a percentage of covered payroll	20.53%	N/A	13.34%	39.36%	N/A	58.21%

For the year ended June 30, 2021

	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	$ 791,736	$ -	$ 606	$ 2,299	$ 8	$ 51,185
Contributions in relation to the actuarially determined contributions	(791,736)	-	(606)	(2,299)	(8)	(51,185)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,434,713	$ -	$ 4,826	$ 7,430	$ -	$ 93,702
Contributions as a percentage of covered payroll	23.05%	N/A	12.56%	30.94%	N/A	54.63%

For the year ended June 30, 2020

	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	$ 701,307	$ 10	$ 539	$ 2,012	$ 7	$ 40,778
Contributions in relation to the actuarially determined contributions	(701,307)	(10)	(539)	(2,012)	(7)	(40,778)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,378,945	$ 179	$ 4,423	$ 6,745	$ -	$ 92,968
Contributions as a percentage of covered payroll	20.76%	5.59%	12.19%	29.83%	N/A	43.86%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2023
(Dollars in Thousands)

For the year ended June 30, 2019

		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	$ 607,408	$ 28	$ 479	$ 1,637	$ 7	$ 34,933
Contributions in relation to the actuarially determined contributions	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 3,186,405	$ 359	$ 4,396	$ 6,384	$ -	$ 94,522
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.64%	N/A	36.96%

For the year ended June 30, 2018

		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	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	$ 3,045,153	$ 390	$ 4,039	$ 5,742	$ -	$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	N/A	28.80%

For the year ended June 30, 2017

		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	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%	N/A	25.22%

For the year ended June 30, 2016

		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	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%	N/A	21.46%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions – Pension Plans (Continued)

June 30, 2023*

(Dollars in Thousands)

	For the year ended June 30, 2015					
		CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1] **	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [1]	(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%	N/A	18.93%

[1] Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only nine 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.

(Dollars in Thousands)

Methods and assumptions used to determine FY 2022-23 contribution rates to SFERS Plan

Valuation date...............................	July 1, 2020
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.................	7.40% (net of investment expenses)
Inflation...	2.50%
Projected salary increase...............	Wage inflation component: 3.25%

Methods and assumptions used to determine FY 2021-22 contribution rates to SFERS Plan

Valuation date...............................	July 1, 2019
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.................	7.40% (net of investment expenses)
Inflation...	2.75%
Projected salary increase...............	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2020-21 contribution rates to SFERS Plan

Valuation date...............................	July 1, 2018
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.................	7.40% (net of investment expenses)
Inflation...	3.00% compounded annually
Projected salary increase...............	Wage inflation component: 3.50%

(Dollars in Thousands)

Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan

Valuation date..............................	July 1, 2017
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...	3.00% compounded annually
Projected salary increase...............	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2018-19 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 2017-18 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%

(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 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 2015-16 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%

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date..............................	July 1, 2012
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, 2023
(Dollars in Thousands)

Methods and assumptions used to determine FY 2022-23 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2020
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................	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.500%
Payroll growth..............................	2.750%

Methods and assumptions used to determine FY 2021-22 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2019
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................	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.500%
Payroll growth..............................	2.750%

Methods and assumptions used to determine FY 2020-21 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2018
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................	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.500%
Payroll growth..............................	2.750%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2023
(Dollars in Thousands)

Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans

Valuation date..............................	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................	7.25%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.625%
Payroll growth..............................	2.875%

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date..............................	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................	7.375%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.75%
Payroll growth..............................	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date..............................	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.................	Actuarial Value of Assets
Investment rate of return................	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase..............	Varies by Entry-Age and Service
Inflation..	2.75%
Payroll growth..............................	3.00%

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2023
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2014
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 and administrative expenses, includes 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, 2013
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 and administrative expenses, includes 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%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date..............................	June 30, 2012
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 and administrative expenses, includes 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, 2023
(Dollars in Thousands)

	2023		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 154,800	$ 314	$ 123
Interest (includes interest on service cost)	306,758	694	150
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(224,065)	-	(3)
Changes of assumptions	49,784	-	(99)
Benefit payments, including refunds of member contributions	(211,025)	(854)	(70)
Net change in total OPEB liability	**76,252**	**154**	**101**
Total OPEB liability - beginning	**4,409,899**	**11,217**	**1,956**
Total OPEB liability - ending	**$ 4,486,151**	**$ 11,371**	**$ 2,057**
Plan fiduciary net position			
Contributions - employer	$ 252,866	$ 1,689	$ 70
Contributions - member	66,455	-	-
Net investment loss	(87,003)	(2,080)	(334)
Benefit payments, including refunds of member contributions	(211,025)	(854)	(70)
Administrative expense	(190)	(6)	(1)
Net change in plan fiduciary net position	**21,103**	**(1,251)**	**(335)**
Plan fiduciary net position - beginning	**718,778**	**14,740**	**2,493**
Plan fiduciary net position - ending	**739,881**	**13,489**	**2,158**
Net OPEB liability/(asset) - ending	**$ 3,746,270**	**$ (2,118)**	**$ (101)**
Plan fiduciary net position as a percentage of the total OPEB liability	16.5%	118.6%	104.9%
Covered payroll	$ 4,184,087	$ 6,633	$ 5,032
Net OPEB liability/(asset) as a percentage of covered payroll	89.5%	-31.9%	-2.0%

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 (Continued)
June 30, 2023
(Dollars in Thousands)

	2022		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 155,840	$ 348	$ 90
Interest (includes interest on service cost)	300,122	831	124
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(151,949)	(1,337)	183
Changes of assumptions	-	(164)	-
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Net change in total OPEB liability	**97,574**	**(1,202)**	**334**
Total OPEB liability - beginning	**4,312,325**	**12,419**	**1,622**
Total OPEB liability - ending	**$ 4,409,899**	**$ 11,217**	**$ 1,956**
Plan fiduciary net position			
Contributions - employer	$ 245,994	$ 2,259	$ 63
Contributions - member	61,582	-	-
Net investment income	128,916	3,039	538
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Administrative expense	(265)	(6)	(1)
Net change in plan fiduciary net position	**229,788**	**4,412**	**537**
Plan fiduciary net position - beginning	**488,990**	**10,328**	**1,956**
Plan fiduciary net position - ending	**718,778**	**14,740**	**2,493**
Net OPEB liability/(asset) - ending	**$ 3,691,121**	**$ (3,523)**	**$ (537)**
Plan fiduciary net position as a percentage of the total OPEB liability	16.3%	131.4%	127.5%
Covered payroll	$ 3,955,498	$ 7,430	$ 4,420
Net OPEB liability/(asset) as a percentage of covered payroll	93.3%	-47.4%	-12.1%

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 (Continued)
June 30, 2023
(Dollars in Thousands)

	2021		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 141,642	$ 344	$ 92
Interest (includes interest on service cost)	314,907	830	114
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(381,922)	-	(1)
Changes of assumptions	151,725	(248)	-
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Net change in total OPEB liability	**29,907**	**24**	**144**
Total OPEB liability - beginning	**4,282,418**	**12,395**	**1,478**
Total OPEB liability - ending	**$ 4,312,325**	**$ 12,419**	**$ 1,622**
Plan fiduciary net position			
Contributions - employer	$ 235,963	$ 2,901	$ 61
Contributions - member	60,236	-	-
Net investment income	22,746	285	67
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Administrative expense	(113)	(7)	(1)
Net change in plan fiduciary net position	**122,387**	**2,277**	**66**
Plan fiduciary net position - beginning	**366,603**	**8,051**	**1,890**
Plan fiduciary net position - ending	**488,990**	**10,328**	**1,956**
Net OPEB liability/(asset) - ending	**$ 3,823,335**	**$ 2,091**	**$ (334)**
Plan fiduciary net position as a percentage of the total OPEB liability	11.3%	83.2%	120.6%
Covered payroll	$ 3,951,792	$ 6,745	$ 4,355
Net OPEB liability/(asset) as a percentage of covered payroll	96.7%	31.0%	-7.7%

Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)
June 30, 2023
(Dollars in Thousands)

	2020		
	City Plan	Successor Agency	Transportation Authority
Total OPEB Liability			
Service cost (BOY)	$ 133,736	$ 335	$ 118
Interest (includes interest on service cost)	283,520	812	143
Changes of benefit terms	-	-	-
Differences between expected and actual experience	194,068	-	(596)
Changes of assumptions	-	-	(63)
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Net change in total OPEB liability/(asset)	**425,485**	**241**	**(458)**
Total OPEB liability - beginning	**3,856,933**	**12,154**	**1,936**
Total OPEB liability - ending	**$ 4,282,418**	**$ 12,395**	**$ 1,478**
Plan fiduciary net position			
Contributions - employer	$ 218,625	$ 2,967	$ 138
Contributions - member	51,024	-	-
Net investment income	26,959	407	106
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Administrative expense	(132)	(3)	(1)
Net change in plan fiduciary net position	**110,637**	**2,465**	**183**
Plan fiduciary net position - beginning	**255,966**	**5,586**	**1,707**
Plan fiduciary net position - ending	**366,603**	**8,051**	**1,890**
Net OPEB liability/(asset) - ending	**$ 3,915,815**	**$ 4,344**	**$ (412)**
Plan fiduciary net position as a percentage of the total OPEB liability	8.6%	65.0%	127.9%
Covered payroll	$ 3,763,446	$ 6,384	$ 4,039
Net OPEB liability/(asset) as a percentage of covered payroll	104.0%	68.1%	-10.2%

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 (Continued)
June 30, 2023
(Dollars in Thousands)

	2019		
	City Plan	**Successor Agency**	**Transportation Authority**
Total OPEB Liability			
Service cost (BOY)	$ 127,850	$ 164	$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	**(34,753)**	**1,892**	**188**
Total OPEB liability - beginning	**3,891,686**	**10,262**	**1,748**
Total OPEB liability - ending	**$ 3,856,933**	**$ 12,154**	**$ 1,936**
Plan fiduciary net position			
Contributions - employer	$ 203,858	$ 2,145	$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	**81,489**	**1,661**	**204**
Plan fiduciary net position - beginning	**174,477**	**3,925**	**1,503**
Plan fiduciary net position - ending	**255,966**	**5,586**	**1,707**
Net OPEB liability - ending	**$ 3,600,967**	**$ 6,568**	**$ 229**
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	$ 3,583,448	$ 5,742	$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

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 (Continued)
June 30, 2023*
(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 six years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plan

Year Ended June 30, 2023

(Dollars in Thousands)

	For the year ended June 30, 2023		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 260,649	$ 116	$ 64
Contributions in relation to the charter required contribution or ADC	(260,649)	(2,429)	(105)
Contribution deficiency/(excess)	$ -	$ (2,313)	$ (41)
Covered payroll	$ 4,600,228	$ 6,405	$ 4,854
Contributions as a percentage of covered payroll	5.67%	37.92%	2.16%

	For the year ended June 30, 2022		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 252,866	$ 824	$ 55
Contributions in relation to the charter required contribution or ADC	(252,866)	(1,689)	(64)
Contribution deficiency/(excess)	$ -	$ (865)	$ (9)
Covered payroll	$ 4,184,087	$ 6,633	$ 5,032
Contributions as a percentage of covered payroll	6.04%	25.46%	1.27%

	For the year ended June 30, 2021		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 245,994	$ 813	$ 51
Contributions in relation to the charter required contribution or ADC	(245,994)	(2,259)	(63)
Contribution deficiency/(excess)	$ -	$ (1,446)	$ (12)
Covered payroll	$ 3,955,498	$ 7,430	$ 4,420
Contributions as a percentage of covered payroll	6.22%	30.40%	1.43%

	For the year ended June 30, 2020		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 235,962	$ 802	$ 138
Contributions in relation to the charter required contribution or ADC	(235,962)	(2,901)	(61)
Contribution deficiency/(excess)	$ -	$ (2,099)	$ 77
Covered payroll	$ 3,951,792	$ 6,745	$ 4,355
Contributions as a percentage of covered payroll	5.97%	43.01%	1.40%

	For the year ended June 30, 2019		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	$ 218,625	$ 812	$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	$ -	$ (2,155)	$ -
Covered payroll	$ 3,763,446	$ 6,384	$ 4,039
Contributions as a percentage of covered payroll	5.81%	46.48%	3.42%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plans (Continued)

Year Ended June 30, 2023*
(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)	(2,145)	(143)
Contribution deficiency/(excess)	$ -	$ (1,332)	$ -
Covered payroll	$ 3,583,448	$ 5,742	$ 4,045
Contributions as a percentage of covered payroll	5.69%	37.36%	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%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only seven years of information is available for the City plan, Successor Agency plan and the Transportation Authority plan.

Required Supplementary Information (Unaudited) – Schedules of Employer Contributions Other Postemployment Healthcare Benefits Plans (Continued)

Year Ended June 30, 2023
(In Thousands)

Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2022-23 contribution rates for the plans are as follows:

Actuarial Assumptions	City Plan for the year ended June 30, 2022
Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
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 7.74% trending down to ultimate rate of 3.93% in 2076
	Medicare trend starts at 7.74% trending down to ultimate rate of 3.94% in 2076
	10-County average trend starts at 5.00% trending down to ultimate rate of 3.94% in 2076
	Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25%
	Additional Merit Component (dependent on years of service):
	Police: 0.50% - 7.50%
	Fire: 0.50% - 14.00%
	Muni Drivers: 0.00% - 16.00%
	Craft: 0.50% - 3.75%
	Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually
	Consumer Price Inflation: 2.50% 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 ended June 30, 2019.

Non-Annuitants

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

		Adjustment Factor	
	Published Table	**Male**	**Female**
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)

Year Ended June 30, 2023
(In Thousands)

Actuarial Assumptions	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method		Actuarial value of assets
General Inflation	2.75% per annum	2.50%
Salary Increases	2.75% per annum, in aggregate	2.75%; Merit based on 2017 CalPERS Experience Study
Investment Rate of Return	7.59%	6.25%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS 2017 Experience Study for the period from 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Cost Trend Rate	Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0%	Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund

Year Ended June 30, 2023
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 395,409	$ 3,214,031	$ 3,214,031	$ -
Resources (Inflows):				
Property taxes	2,379,530	2,379,530	2,466,863	87,333
Business taxes	902,300	902,246	850,593	(51,653)
Other local taxes:				
Sales and use tax	182,870	182,870	197,911	15,041
Hotel room tax	188,880	188,880	252,898	64,018
Utility users tax	82,630	82,630	110,661	28,031
Parking tax	80,180	80,180	82,716	2,536
Real property transfer tax	390,480	390,480	186,248	(204,232)
Other local taxes	125,780	125,780	278,112	152,332
Licenses, permits and franchises:				
Licenses and permits	12,476	12,407	11,881	(526)
Franchise tax	14,342	14,342	17,074	2,732
Fines, forfeitures, and penalties	3,088	3,088	3,177	89
Interest and investment income	44,467	38,660	104,967	66,307
Rents and concessions:				
Garages - Recreation and Park	6,684	6,684	6,807	123
Rents and concessions - Recreation and Park	5,497	5,497	5,130	(367)
Other rents and concessions	950	732	554	(178)
Intergovernmental:				
Federal grants and subventions	560,424	565,341	303,124	(262,217)
State subventions:				
Social service subventions	159,518	148,414	140,722	(7,692)
Health / mental health subventions	249,475	267,489	279,568	12,079
Health and welfare realignment	350,314	350,314	398,123	47,809
Public safety sales tax	89,740	89,740	94,897	5,157
Other grants and subventions	98,763	111,750	115,722	3,972
Other	3,051	3,179	1,582	(1,597)
Charges for services:				
General government service charges	91,221	96,489	80,730	(15,759)
Public safety service charges	39,194	39,078	43,262	4,184
Recreation charges - Recreation and Park	28,313	28,422	25,079	(3,343)
MediCal, Medicare and health service charges	78,196	79,309	93,802	14,493
Other financing sources:				
Transfers from other funds	203,001	194,984	194,388	(596)
Other resources (inflows)	19,420	23,307	14,969	(8,338)
Subtotal - Resources (Inflows)	6,390,784	6,411,822	6,361,560	(50,262)
Total amounts available for appropriation	6,786,193	9,625,853	9,575,591	(50,262)

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2023
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 395,409	$ 3,214,031	$ 3,214,031	$ -
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 51,180	$ 50,984	$ 44,389	$ 6,595
District Attorney	75,175	74,722	74,301	421
Emergency Management	85,768	72,763	69,003	3,760
Fire Department	451,951	465,445	465,296	149
Juvenile Probation	32,703	29,704	28,389	1,315
Police Accountability	9,648	9,945	9,945	-
Police Department	621,723	646,033	645,980	53
Public Defender	48,309	48,306	47,989	317
Sheriff	257,648	248,124	244,027	4,097
Sheriff Accountability	2,472	2,110	1,015	1,095
Superior Court	33,363	33,353	33,239	114
Subtotal - Public Protection	1,669,940	1,681,489	1,663,573	17,916
Public Works, Transportation and Commerce				
Appeals Board	1,195	1,210	1,210	-
Building Inspection	-	450	200	250
Economic and Workforce Development	148,462	154,445	145,560	8,885
Municipal Transportation Agency	-	421	421	-
Port	-	105	105	-
Public Utilities Commission	-	635	635	-
Public Works	113,076	118,675	117,671	1,004
Subtotal - Public Works, Transportation and Commerce	262,733	275,941	265,802	10,139
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	90,850	89,688	87,642	2,046
Early Childhood	39,059	35,032	34,620	412
Environment	-	2	2	-
Homelessness and Supportive Housing	313,138	309,626	303,764	5,862
Human Rights Commission	15,021	18,868	18,698	170
Human Services	1,000,811	1,009,182	996,038	13,144
Rent Arbitration Board	1,000	122	122	-
Mayor's Office	100,393	144,927	140,813	4,114
Status of Women	14,534	14,534	14,140	394
Subtotal - Human Welfare and Neighborhood Development	1,574,806	1,621,981	1,595,839	26,142
Community Health				
Public Health	1,162,956	1,118,010	1,077,922	40,088
Culture and Recreation				
Academy of Sciences	7,422	7,377	6,812	565
Arts Commission	13,951	11,784	11,784	-
Asian Art Museum	10,703	10,727	10,723	4
Fine Arts Museums	19,903	20,531	20,528	3
Law Library	2,132	2,142	1,883	259
Library	-	73	73	-
Recreation and Park Commission	133,965	127,447	122,852	4,595
War Memorial	424	394	394	-
Subtotal - Culture and Recreation	188,500	180,475	175,049	5,426

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)

Year Ended June 30, 2023
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 395,409	$ 3,214,031	$ 3,214,031	$ -
General Administration and Finance				
Assessor/Recorder	$ 30,324	$ 37,159	$ 36,295	$ 864
Board of Supervisors	21,934	22,376	22,021	355
City Attorney	29,339	29,623	28,863	760
Civil Service	1,017	1,039	852	187
Controller	13,733	14,512	13,641	871
Elections	23,236	26,508	23,527	2,981
Ethics	7,587	8,236	6,809	1,427
General Services Agency - Administrative Services	78,711	81,578	75,946	5,632
Health Service System	459	565	-	565
Human Resources	18,615	21,414	18,842	2,572
Mayor's Office	7,934	7,608	6,712	896
Planning	52,615	47,452	44,434	3,018
Retirement System	1,598	1,280	1,280	-
Telecommunications and Information Services	6,301	12,410	12,410	-
Treasurer/Tax Collector	35,944	39,978	36,911	3,067
Subtotal - General Administration and Finance	329,347	351,738	328,543	23,195
General City Responsibilities				
General City Responsibilities	194,477	201,727	189,544	12,183
Other financing uses:				
Debt service	25,270	232	12	220
Transfers to other funds	1,279,970	1,315,702	1,315,702	-
Budgetary reserves and designations	98,194	46,496	-	46,496
Total charges to appropriations	6,786,193	6,793,791	6,611,986	181,805
Total Sources less Current Year Uses	$ -	$ 2,832,062	$ 2,963,605	$ 131,543

Budgetary fund balance, June 30 before reserves and designations	$ 2,963,605
Reserves and designations made from budgetary fund balance not available for appropriation	(1,787,521)
Reserve for Litigation and Contingencies and General Reserve	(323,937)
Net Available Budgetary Fund Balance, June 30	$ 852,147

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 9,575,591
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	(3,214,031)
Property tax revenue - Teeter Plan net change from prior year	(7,811)
Change in unrealized gain/(loss) on investments	(2,456)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(35,808)
Interest earnings from other funds assigned to General Fund as other revenues	15,571
Grants, subventions and other receivables received after 60-day recognition period	6,299
Change in prepaid lease revenue, leases receivable, and deferred inflows related to leases	83
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(194,388)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 6,143,050
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 6,611,986
Difference - budget to GAAP:	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	2,795
Intergovernmental expense offset	(95,736)
Recognition of expenditures at lease initiation	72,033
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,315,702)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 5,275,376

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 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 as required supplementary information 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, 2023
(In Thousands)

The fund balance of the General Fund as of June 30, 2023, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$	2,963,605
Unrealized Gains/ (Losses) on Investments		(158,859)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis		(40,685)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis		(111,163)
Pre-paid Lease Revenue, Lease Receivables, and Deferred Inflows (net)		(5,935)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)		1,174
Fund Balance - GAAP basis	$	2,648,137

General Fund budget basis fund balance as of June 30, 2023 is composed of the following:

Not available for appropriations:				
Restricted Fund Balance:				
Rainy Day - Economic Stabilization Reserve	$	114,539		
Committed Fund Balance:				
Budget Stabilization Reserves		330,010		
Assigned for Encumbrances		424,301		
Assigned for Appropriation Carryforward		840,748		
Assigned for Self-Insurance		46,496		
Assigned for Hotel Tax Loss Contingency		3,500		
Assigned for Subsequent Years' Budgets:				
Salaries and Benefits Costs (MOU)		27,927		
Subtotal			$	1,787,521
Available for appropriations:				
Assigned for Litigation and Contingences		259,230		
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2023-24		122,701		
Unassigned - General Reserve		64,707		
Unassigned - Federal & State Emergency Revenue Reserve		81,300		
Unassigned - Fiscal Cliff Reserve		220,432		
Unassigned - Business Tax Stabilization Reserve		29,454		
Unassigned - For Public Health use in fiscal year 2023-24		21,213		
Unassigned - Other Reserves		1,021		
Unassigned - Budgeted for use in fiscal year 2024-25		291,710		
Unassigned - For balancing future budget shortfalls in fiscal year 2024-25 and later		81,190		
Unassigned - Available for future appropriations		3,126		
Subtotal				1,176,084
Fund Balance, June 30, 2023 - Budget basis			$	2,963,605

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Direct Program				
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	--	$ 105,808	$ 14,702
Passed through State of California Department of Education				
Child Nutrition Cluster				
Summer Food Service Program for Children	10.559	04029-SFSP-38	177,496	-
Passed through State of California Department of Public Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	19-10182	784,639	-
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	22-10282	1,960,697	-
Subtotal WIC Special Supplemental Nutrition Program for Women, Infants, and Children			2,745,336	-
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-10345	725,566	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-2122-06	86,966	86,966
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	CF-2223-06	156,892	155,754
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	none	47,899,276	2,514,733
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	none	19,297	-
Subtotal SNAP Cluster			48,887,997	2,757,453
Child and Adult Care Food Program	10.558	04029-CACFP-38	457,300	-
Passed through State of California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	none	87,500	87,500
U.S. DEPARTMENT OF AGRICULTURE Total			**52,461,437**	**2,859,655**
U.S. DEPARTMENT OF COMMERCE				
Direct Program				
Economic Development Cluster				
Economic Adjustment Assistance	11.307	--	293,574	-
COVID-19 Economic Adjustment Assistance	11.307	--	628,593	196,643
Subtotal Economic Development Cluster			922,167	196,643
U.S. DEPARTMENT OF COMMERCE Total			**922,167**	**196,643**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	--	22,347,950	16,420,878
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	--	10,670,563	10,670,563
Subtotal CDBG - Entitlement Grants Cluster			33,018,513	27,091,441
Emergency Solutions Grant Program	14.231	--	1,615,975	1,455,206
COVID-19 Emergency Solutions Grant Program	14.231	--	18,294,183	4,746,107
Subtotal Emergency Solutions Grant Program			19,910,158	6,201,313
Home Investment Partnerships Program	14.239	--	13,208,542	-
Housing Opportunities for Persons with AIDS	14.241	--	8,224,792	7,497,824
COVID-19 Housing Opportunities for Persons with AIDS	14.241	--	349,423	349,423
Subtotal Housing Opportunities for Persons with AIDS			8,574,215	7,847,247
Continuum of Care Program	14.267	--	38,245,817	34,073,882
Passed through San Francisco Housing Authority				
Housing Voucher Cluster				
COVID-19 Section 8 Housing Choice Vouchers	14.871	EHV	1,548,958	1,548,958
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Total			**114,506,203**	**76,762,841**
U.S. DEPARTMENT OF INTERIOR				
Direct Program				
NPS Cooperative Agreement	15.unknown	--	956,313	-
Passed through State of California Coastal Conservancy				
Coastal Wetlands Planning, Protection and Restoration	15.614	F22AP00603	91,899	-
U.S. DEPARTMENT OF INTERIOR Total			**1,048,212**	**-**

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE				
Direct Program				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	$ 280,553	$ 31,292
Bulletproof Vest Partnership Program	16.607	--	73,145	-
Public Safety Partnership and Community Policing Grants	16.710	--	125,000	-
Special Data Collections and Statistical Studies	16.734	--	3,229,311	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	577,833	-
DNA Backlog Reduction Program	16.741	--	372,132	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	230,218	-
Justice Reinvestment Initiative	16.827	--	181,571	-
Equitable Sharing Program	16.922	--	690,416	-
Passed through State of California Board of State and Community Corrections				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	5227-BSCC11920	88,759	-
Passed through State of California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	HA 21 04 0380	76,625	-
Crime Victim Assistance	16.575	VW21 40 0380	430,591	-
Crime Victim Assistance	16.575	KI 21 04 0380	86,773	-
Crime Victim Assistance	16.575	XC21 04 0380	180,157	-
Crime Victim Assistance	16.575	UV21 04 0380	93,122	-
Crime Victim Assistance	16.575	XE21 04 0380	103,587	-
Crime Victim Assistance	16.575	HA 22 05 0380	64,228	-
Crime Victim Assistance	16.575	VW22 41 0380	928,758	-
Crime Victim Assistance	16.575	UV22 01 0380	64,586	-
Crime Victim Assistance	16.575	XE22 05 0380	79,527	-
Crime Victim Assistance	16.575	KI 22 05 0380	74,699	-
Crime Victim Assistance	16.575	XC22 05 0380	189,067	-
Subtotal Crime Victim Assistance			2,371,720	-
Violence Against Women Formula Grants	16.588	VV21 04 0380	119,275	-
Violence Against Women Formula Grants	16.588	PU21 040380	36,060	-
Violence Against Women Formula Grants	16.588	PU22 01 0380	55,137	-
Violence Against Women Formula Grants	16.588	VV22 05 0380	139,862	-
Subtotal Violence Against Women Formula Grants			350,334	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ21 04 0380	49,690	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ22 05 0380	8,436	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ21 17 0380	66,821	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			124,947	-
U.S. DEPARTMENT OF JUSTICE Total			**8,695,939**	**31,292**
U.S. DEPARTMENT OF LABOR				
Passed through Jobs for the Future				
H-1B Job Training Grants	17.268	21-197	143,447	25,000
Passed through State of California Department of Employment Development				
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA Adult Program	17.258	AA111035	212,315	124,071
WIOA Adult Program	17.258	AA211035	489,212	90,377
WIOA Adult Program	17.258	AA311035	573,507	573,507
Subtotal WIOA Adult Program			1,275,034	787,955
WIOA Youth Activities	17.259	AA211035	1,112,671	590,082
WIOA Youth Activities	17.259	AA311035	283,490	283,490
Subtotal WIOA Youth Activities			1,396,161	873,572
WIOA Dislocated Worker Formula Grants	17.278	AA211035	623,647	258,722
WIOA Dislocated Worker Formula Grants	17.278	AA311035	449,891	271,127
Subtotal WIOA Dislocated Worker Formula Grants			1,073,538	529,849
Subtotal WIOA Cluster			3,744,733	2,191,376
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA011035	18,394	18,394
Passed through NOVA				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	001-2064-22	401,084	351,152
Subtotal WIOA National Dislocated Worker Grants / WIA National Emergency Grants			419,478	369,546
U.S. DEPARTMENT OF LABOR Total			**4,307,658**	**2,585,922**
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through State of California Department of Transportation (CALTRANS)				
Highway Planning and Construction	20.205	BRLS-5934(177)	91,044	-
Highway Planning and Construction	20.205	ER-32L0(204)	174,790	-
Highway Planning and Construction	20.205	STPL5934(171)	1,486,715	-
Highway Planning and Construction	20.205	STPL5934(174)	53,265	-
Highway Planning and Construction	20.205	BUILDL-5934(185)	512,242	-
Highway Planning and Construction	20.205	FERPL18-5934(186)	6,306	-
Subtotal Highway Planning and Construction			2,324,362	-
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT22071	12,986	-
State and Community Highway Safety	20.600	PT23169	54,173	-
Subtotal Highway Safety Cluster			67,159	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22071	50,070	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT23169	22,906	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			72,976	-
U.S. DEPARTMENT OF TRANSPORTATION Total			**2,464,497**	**-**

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF THE TREASURY				
Direct Program				
Equitable Sharing	21.016	--	$ 6,000	$ -
COVID-19 Emergency Rental Assistance Program	21.023	--	3,523,934	3,523,934
COVID-19 Local Assistance and Tribal Consistency Fund	21.032	--	50,000	-
Passed through State of California Department of Social Services				
COVID-19 Coronavirus Relief Fund	21.019	--	5,683,065	-
Passed through State of California Department of Community Services and Development				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	00001039	1,266,504	-
Passed through State of California Department of Housing and Community Development				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	L4JQPJ7N5NT4	48,850,000	-
Subtotal COVID-19 Coronavirus State and Local Fiscal Recovery Funds			50,116,504	-
U.S. DEPARTMENT OF THE TREASURY Total			**59,379,503**	**3,523,934**
U.S. NATIONAL ENDOWMENT FOR THE ARTS				
Direct Program				
Promotion of the Arts Grants to Organizations and Individuals	45.024	--	25,000	-
U.S. NATIONAL ENDOWMENT FOR THE ARTS Total			**25,000**	**-**
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through Humboldt State University Sponsored Programs				
Small Business Development Centers	59.037	F3256	33,750	-
Small Business Development Centers	59.037	F3310	101,489	-
Subtotal Small Business Development Centers			135,239	-
U.S. SMALL BUSINESS ADMINISTRATION Total			**135,239**	**-**
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program				
Geographic Programs - San Francisco Bay Water Quality Improvement Fund	66.126	--	558,292	-
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	--	22,989	-
Water Infrastructure Finance and Innovation (WIFIA)	66.958	--	122,282,825	-
Passed through State of California Water Resources Control Board				
Clean Water State Revolving Fund Cluster				
Clean Water State Revolving Fund	66.458	C-06-8372-110	132,000,000	-
Clean Water State Revolving Fund	66.458	C-06-8111-110	7,552,825	-
Subtotal Clean Water State Revolving Fund Cluster			139,552,825	-
U.S. ENVIRONMENTAL PROTECTION AGENCY Total			**262,416,931**	**-**
U.S. DEPARTMENT OF ENERGY				
Direct Program				
Conservation Research and Development	81.086	--	77,419	-
U.S. DEPARTMENT OF ENERGY Total			**77,419**	**-**
U.S. DEPARTMENT OF EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	32023	127,414	-
U.S. DEPARTMENT OF EDUCATION Total			**127,414**	**-**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Environmental Public Health and Emergency Response	93.070	--	239,329	-
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	927,683	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	87,970	87,970
Viral Hepatitis Prevention and Control	93.270	--	122,800	-
Drug Abuse and Addiction Research Programs	93.279	--	67,531	-
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	--	1,921,195	-
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	--	4,929,578	-
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	93.686	--	2,096,260	1,848,577
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	--	866,266	-
Allergy and Infectious Diseases Research	93.855	--	133,873	-
HIV Emergency Relief Project Grants	93.914	--	14,838,281	13,033,877
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	292,040	122,345
HIV Prevention Activities Health Department Based	93.940	--	7,736,265	961,064
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	974,064	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	--	31,249	-
Block Grants for Community Mental Health Services	93.958	--	652,076	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	--	1,959,338	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through State of California Department of Aging				
Aging Cluster				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-2223-06	$ 12,027	$ 12,027
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-2223-06	38,355	38,355
COVID-19 Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-2122-06	14,532	14,532
Subtotal Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals			52,887	52,887
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-2223-06	69,365	69,365
COVID-19 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-2122-06	105,516	105,516
Subtotal Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services			174,881	174,881
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-2223-06	955,118	483,529
COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-2122-06	76,942	76,942
Subtotal Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers			1,032,060	560,471
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-2223-06	1,918,156	1,726,629
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-2122-06	1,560,102	1,560,102
Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services			3,478,258	3,286,731
National Family Caregiver Support, Title III, Part E	93.052	AP-2223-06	446,608	446,608
COVID-19 National Family Caregiver Support, Title III, Part E	93.052	AP-2122-06	27,895	27,895
Subtotal National Family Caregiver Support, Title III, Part E			474,503	474,503
Nutrition Services Incentive Program	93.053	AP-2122-06	2,080,168	2,080,168
Subtotal Aging Cluster			7,304,784	6,641,668
Medicare Enrollment Assistance Program	93.071	MI-2122-06	25,044	25,044
Medicare Enrollment Assistance Program	93.071	MI-2223-06	65,197	65,197
Subtotal Medicare Enrollment Assistance Program			90,241	90,241
State Health Insurance Assistance Program	93.324	HI-2122-06	102,551	102,551
Passed through Regents of the University of California				
Global AIDS	93.067	13184sc	23,076	-
Global AIDS	93.067	11580sc03	10,312	-
Global AIDS	93.067	11626sc04	10,312	-
Global AIDS	93.067	12518sc01	14,240	-
Global AIDS	93.067	11644sc04&05	3,437	-
Global AIDS	93.067	11580sc04	32,771	-
Global AIDS	93.067	11626sc05	28,381	-
Global AIDS	93.067	12518sc02	7,295	-
Global AIDS	93.067	11644sc06, 11644sc07, 11644sc08	21,740	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	10259sc-04	2,687	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	13788sc	79,441	-
Subtotal Coordinated Services and Access to Research for Women, Infants, Children, and Youth			82,128	-
Mental Health Research Grants	93.242	12855sc01	8,660	-
Drug Abuse and Addiction Research Programs	93.279	12263sc01	4,488	-
Protecting and Improving Health Globally: Building and Strengthening Public Health Impact, Systems, Capacity and Security	93.318	13215sc	21,300	-
Allergy and Infectious Diseases Research	93.855	11324sc	74,294	-
Allergy and Infectious Diseases Research	93.855	13083sc	23,474	-
Allergy and Infectious Diseases Research	93.855	13603sc	2,965	-
Allergy and Infectious Diseases Research	93.855	10612sc04	4,492	-
Allergy and Infectious Diseases Research	93.855	13793sc	13,477	-
Allergy and Infectious Diseases Research	93.855	13250sc	5,745	-
Allergy and Infectious Diseases Research	93.855	13832sc	69,033	-
Allergy and Infectious Diseases Research	93.855	13800sc	15,570	-
Passed through University of California San Francisco				
Global AIDS	93.067	13199sc	6,677	-
Global AIDS	93.067	12668sc	6,272	-
Global AIDS	93.067	13199sc01	7,182	-
Global AIDS	93.067	14113sc & 14113sc01	10,870	-
Mental Health Research Grants	93.242	14171sc	25,166	-
Allergy and Infectious Diseases Research	93.855	14429sc	6,700	-
Passed through State of California Department of Public Health				
Public Health Emergency Preparedness	93.069	22-10678	796,547	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10807	51,242	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10808	21,204	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	21-10808	178,283	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10807 A1	107,977	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10808 A1	95,453	-
Immunization Cooperative Agreements	93.268	22-11052	360,796	-
COVID-19 Immunization Cooperative Agreements	93.268	22-11052	1,491,471	-
Subtotal Immunization Cooperative Agreements			1,852,267	-

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	ELCPHLSHARP-08	$ 17,595	$ -
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19ELC38	674,712	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19ELC96	7,341,589	-
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	WFD-038	86,569	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	22-38-90899-00	77,651	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	22-38-90893-00	47,420	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	CHVP 22-38	830,030	-
National Bioterrorism Hospital Preparedness Program	93.889	22-10678	473,459	-
HIV Care Formula Grants	93.917	18-10886	3,309,737	3,071,419
Preventive Health and Health Services Block Grant	93.991	22-38-90234-00	36,366	-
Maternal and Child Health Services Block Grant to the States	93.994	21-10791	395,500	-
Maternal and Child Health Services Block Grant to the States	93.994	202238	366,631	-
Subtotal Maternal and Child Health Services Block Grant to the States			762,131	-
Medicaid Cluster				
Medical Assistance Program	93.778	20-10543	257,076	-
Medical Assistance Program	93.778	202238	6,688,925	-
Passed through State of California Department of Health Care Services				
Medical Assistance Program	93.778	22-01	444,141	-
Medical Assistance Program	93.778	22-03	805,214	-
Passed through State of California Department of Social Services				
Medical Assistance Program	93.778	none	92,880,136	3,437,396
Subtotal Medicaid Cluster			101,075,492	3,437,396
Guardianship Assistance	93.090	none	2,843,311	-
COVID-19 Guardianship Assistance	93.090	none	274,494	-
Subtotal Guardianship Assistance			3,117,805	-
MaryLee Allen Promoting Safe and Stable Families Program	93.556	none	665,674	284,405
Temporary Assistance for Needy Families	93.558	none	63,624,680	8,478,141
COVID-19 Temporary Assistance for Needy Families	93.558	none	143,149	-
Subtotal Temporary Assistance for Needy Families			63,767,829	8,478,141
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	none	2,278,806	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1906	16,316	9,822
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS20-07	117,553	38,539
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA2006	3,096	1,990
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA2106	1,373	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS21-06	142,815	34,452
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS22-06	20,929	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	SOR22-06	697	-
COVID-19 Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS20-07 Augmentation	8,190	8,190
CCDF Cluster				
Child Care and Development Block Grant	93.575	CAPP-1049	68,230	68,230
Child Care and Development Block Grant	93.575	C2AP-2045	2,291,646	2,291,646
Child Care and Development Block Grant	93.575	CAPP-2048	1,196,508	1,196,508
Child Care and Development Block Grant	93.575	22-24130	206,723	193,411
Child Care and Development Block Grant	93.575	22/23-15534-22380	43,880	43,880
Child Care and Development Block Grant	93.575	CLPC-2036	56,647	56,647
Child Care and Development Block Grant	93.575	22/23-24130-22380	424,606	424,606
Child Care and Development Block Grant	93.575	22-24092	61,748	57,772
COVID-19 Child Care and Development Block Grant	93.575	none	396,188	396,188
Subtotal Child Care and Development Block Grant			4,746,176	4,728,888
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-1049	35,430	35,430
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-2048	241,360	241,360
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CLPC-2036	64,215	64,215
Subtotal Child Care Mandatory and Matching Funds of the Child Care and Development Fund			341,005	341,005
Subtotal CCDF Cluster			5,087,181	5,069,893
Community-Based Child Abuse Prevention Grants	93.590	none	45,772	-
COVID-19 Community-Based Child Abuse Prevention Grants	93.590	none	196,282	-
Subtotal Community-Based Child Abuse Prevention Grants			242,054	-
Adoption and Legal Guardianship Incentive Payments	93.603	none	4,820	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	none	1,567,911	52,260
Foster Care Title IV-E	93.658	none	25,493,038	4,838,874
COVID-19 Foster Care Title IV-E	93.658	none	527,596	370,083
Subtotal Foster Care Title IV-E			26,020,634	5,208,957
Adoption Assistance	93.659	none	10,958,746	84,951
COVID-19 Adoption Assistance	93.659	none	1,026,981	10,197
Subtotal Adoption Assistance			11,985,727	95,148
Social Services Block Grant	93.667	none	1,086,157	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	485,474	368,671
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	152,180	152,180
Subtotal John H. Chafee Foster Care Program for Successful Transition to Adulthood			637,654	520,851
COVID-19 Elder Abuse Prevention Interventions Program	93.747	none	132,113	82,712

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Continued)				
Passed through Public Health Foundation Enterprise				
Injury Prevention and Control Research and State and Community Based Programs	93.136	0890.0101	$ 36,806	$ -
Mental Health Research Grants	93.242	0618.0103	4,546	-
Mental Health Research Grants	93.242	0597.0104	143,908	-
Mental Health Research Grants	93.242	0963.0101	7,252	-
Drug Abuse and Addiction Research Programs	93.279	0526.0105	49,887	-
Drug Abuse and Addiction Research Programs	93.279	0752.0103	77,714	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2209	9,275	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2210	43,856	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.3408	16,237	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	0950.0101	17,586	-
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	0849.0101	11,784	-
Allergy and Infectious Diseases Research	93.855	0689.0101	30,878	-
Allergy and Infectious Diseases Research	93.855	0014.0110	76,415	-
Allergy and Infectious Diseases Research	93.855	0014.0111	78,031	-
Passed through State of California Department of Health and Human Services Agency				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	68-0317191	489,070	489,070
Passed through Essential Access Health				
Family Planning Services	93.217	380-5320-71219-22	46,428	-
Passed through SF Community Clinic Consortium				
Health Center Program Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8OCS00049	338,900	-
Grants for New and Expanded Services under the Health Center Program	93.527	H8OCS00049	871,456	-
Subtotal Health Center Program Cluster			1,210,356	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA37299	156,606	-
Passed through Oregon Health & Science University				
Drug Abuse and Addiction Research Programs	93.279	1017225-SFDPH	20,997	-
Passed through the University of Texas Southwestern				
Drug Abuse and Addiction Research Programs	93.279	GMO230401 PO0000002962	48,181	-
Passed through Sentient Research				
Minority Health and Health Disparities Research	93.307	SR073644-2022	1,204	-
Passed through National Association of County and City Health Officials				
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2022-011401	370,727	-
Passed through State of California Department of Education				
Every Student Succeeds Act/Preschool Development Grants	93.434	21-15548-0-00	71,889	55,283
Every Student Succeeds Act/Preschool Development Grants	93.434	22-15548-0-00	67,875	52,197
Subtotal Every Student Succeeds Act/Preschool Development Grants			139,764	107,480
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	none	8,373,946	-
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	PO21000680	23,059	-
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	0001117416	23,809	-
Allergy and Infectious Diseases Research	93.855	0001140338	50,380	-
Allergy and Infectious Diseases Research	93.855	0001148463	4,113	-
Passed through RTI International				
Allergy and Infectious Diseases Research	93.855	2-312-0217681-66232L	31,584	-
Passed through Florida State University				
Child Health and Human Development Extramural Research	93.865	R000003157	19,280	-
Passed through State of California Department of Health Care Services				
Block Grants for Community Mental Health Services	93.958	Letters dated 12/6/21 & 8/26/22	1,565,883	-
Block Grants for Community Mental Health Services	93.958	Letter dated 8/29/22	3,467,344	1,044,123
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	93.959	Letter dated 11/15/2021	2,024,464	1,302,292
Passed through State of California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	none	8,664,659	8,664,659
Subtotal Block Grants for Prevention and Treatment of Substance Abuse			10,689,123	9,966,951
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES Total			**307,990,518**	**60,890,092**

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program				
Assistance to Firefighters Grant	97.044	--	$ 636,364	$ -
Port Security Grant Program	97.056	--	195,542	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	4,520,840	-
Securing the Cities Program	97.106	--	1,713,177	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	--	1,707,695	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	--	868,644	-
Passed through State of California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4158-DR-CA	531,196	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4482	1,605,962	1,368,881
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			2,137,158	1,368,881
Hazard Mitigation Grant	97.039	4344-459-102r	537,461	-
Emergency Management Performance Grants	97.042	2021-0015	280,383	-
COVID-19 Emergency Management Performance Grants	97.042	2021-0014	66,761	-
Subtotal Emergency Management Performance Grants			347,144	-
Homeland Security Grant Program	97.067	2019-0035	434,603	-
Homeland Security Grant Program	97.067	2020-0095	13,692,481	3,443,012
Homeland Security Grant Program	97.067	2021-0081	12,919,847	7,412,092
Homeland Security Grant Program	97.067	2022-0043	3,211,811	1,153,202
Subtotal Homeland Security Grant Program			30,258,742	12,008,306
U.S. DEPARTMENT OF HOMELAND SECURITY Total			**42,922,767**	**13,377,187**
TOTAL EXPENDITURES OF FEDERAL AWARDS			**$ 857,480,904**	**$ 160,227,566**

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CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4).

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2023. Federal expenditures for these entities are separately audited.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the Economic Adjustment Assistance Program described in Note 5. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (Assistance Listing Number 93.778).

5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, the Economic Adjustment Assistance Program (Assistance Listing Number 11.307) reports non-loan expenditures and grants for revolving loan funds (RLF). Federal expenditures for RLF loans are calculated as the federal share of the sum of RLF loans outstanding and cash and investment balance in the RLF at the end of the fiscal year or through or the date of release by the U.S. Department of Commerce of its federal interest in the RLF award, and administrative expenses paid out of RLF income and the unpaid principal of all loans written off during the year. The table below provides the breakdown of expenditures included in the Schedule.

	Mayor's Office of Housing	Office of Economic and Workforce Development
Non-loan expenditures	$ -	$ 408,593
Outstanding RLF loans	262,221	167,104
Cash and investments in RLF	190,825	52,896
Administrative expenses	-	-
Principal written off	-	-
Total reported in the Schedule	293,574	628,593
Federal share of RLF	64.8%	100%

6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor / Pass-through Grantor / Program Title	Grant / Contract No.	Assistance Listing No.		Expenditures: State	Expenditures: Federal
U.S. Department of Agriculture					
Passed through State of California, Department of Aging:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-2122-06	10.561	*	$ -	$ 86,966
Passed through State of California, Department of Aging:					
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CF-2223-06	10.561		-	156,892
U.S. Department of Health and Human Services					
Passed through State of California, Department of Aging:					
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	AP-2223-06	93.041	*	-	12,027
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-2223-06	93.042	*	-	38,355
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	AP-2223-06	93.043	*	-	69,365
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-2223-06	93.044	*	-	955,118
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-2223-06	93.045	*	295,637	967,767
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-2223-06	93.045	*	1,729,094	950,389
National Family Caregiver Support, Title III, Part E	AP-2223-06	93.052	*	-	446,608
Nutritional Services Incentive Program	AP-2223-06	93.053	*	-	2,080,168
Medicare Enrollment Assistance Program	MI-2122-06	93.071		-	25,044
Medicare Enrollment Assistance Program	MI-2223-06	93.071		-	65,197
State Health Insurance Assistance Program	HI-2122-06	93.324		281,844	102,551
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals - COVID-19 Robotic Companion Pet Project	AP-2122-06-A2	93.042	*	-	3,423
Special Programs for the Aging-Title III, Part C - Nutrition Services - COVID-19 Consolidated Appropriations Act	AP-2122-06-A2	93.045	*	-	87,376
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals - COVID-19 American Rescue Plan Act	AP-2122-06-A3	93.042	*	-	11,109
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services - COVID-19 American Rescue Plan Act	AP-2122-06-A3	93.043	*	-	105,516
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers - COVID-19 American Rescue Plan Act	AP-2122-06-A3	93.044	*	-	76,942
Special Programs for the Aging-Title III, Part C - Nutrition Services - - COVID-19 American Rescue Plan Act	AP-2122-06-A3	93.045	*	-	1,472,726
National Family Caregiver Support, Title III, Part E - COVID-19 American Rescue Plan Act	AP-2122-06-A3	93.052	*	-	27,895
				2,306,575	$ 7,497,576
State Award - California Department of Aging					
State Health Facilities Citation Penalties Account, General Fund Allocation	AP-2223-06			41,532	
Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF) Allocation	AP-2223-06			21,903	
Ombudsman State General Fund	AP-2223-06			129,479	
Baseline Admin State General Fund	AP-2223-06			100,000	
Ombudsman Public Health L&C Program Fund	AP-2223-06			4,611	
Total Expenditures of CDA Awards				$ 2,604,100	

* The Aging Cluster reflected on the City's SEFA includes the assistance listing numbers defined by the State of California Department of Aging. This is different from part 5 of the OMB Compliance Supplement, as permitted by the Uniform Guidance in 2 CFR 200.217.

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

	ALN / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number		Federal Expenditures
(1)	**ALN no. 93.067 - Global AIDS**			
	Regents of the University of California	11580sc03	$	10,312
	Regents of the University of California	11626sc04		10,312
	Regents of the University of California	13184sc		23,076
	Regents of the University of California	12518sc01		14,240
	Regents of the University of California	11644sc04&05		3,437
	Regents of the University of California	11580sc04		32,771
	Regents of the University of California	11626sc05		28,381
	Regents of the University of California	12518sc02		7,295
	Regents of the University of California	11644sc06, 11644sc07, 11644sc08		21,740
	University of California San Francisco	12668sc		6,272
	University of California San Francisco	13199sc		6,677
	University of California San Francisco	13199sc01		7,182
	University of California San Francisco	14113sc & 14113sc01		10,870
		Program Total	$	182,565
(2)	**ALN no. 93.136 - Injury Prevention and Control Research and State and Community Based Programs**			
	Public Health Foundation Enterprise	0890.0101	$	36,806
	State of California Department of Public Health	19-10807		51,242
	State of California Department of Public Health	19-10808		21,204
	State of California Department of Public Health	21-10808		178,283
	State of California Department of Public Health	19-10807 A1		107,977
	State of California Department of Public Health	19-10808 A1		95,453
		Program Total	$	490,965
(3)	**ALN no. 93.242 - Mental Health Research Grants**			
	Public Health Foundation Enterprise	0618.0103	$	4,546
	Public Health Foundation Enterprise	0597.0104		143,908
	Public Health Foundation Enterprise	0963.0101		7,252
	Regents Of The University Of California	12855sc01		8,660
	University Of California San Francisco	14171sc		25,166
		Program Total	$	189,532
(4)	**ALN no. 93.279 - Drug Abuse and Addiction Research Programs**			
	U.S. Department of Health and Human Services	--	$	67,531
	Oregon Health & Science University	1017225-SFDPH		20,997
	Public Health Foundation Enterprise	0526.0105		49,887
	Public Health Foundation Enterprise	0752.0103		77,714
	Regents of the University of California	12263sc01		4,488
	The University of Texas Southwestern	GMO230401 PO0000002962		48,181
		Program Total	$	268,798
(5)	**ALN no. 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)**			
	Public Health Foundation Enterprise	0187.2209	$	9,275
	Public Health Foundation Enterprise	0187.2210		43,856
	Public Health Foundation Enterprise	0187.3408		16,237
	State of California Department of Public Health	COVID-19ELC38		674,712
	State of California Department of Public Health	COVID-19ELC96		7,341,589
	State of California Department of Public Health	ELCPHLSHARP-08		17,595
		Program Total	$	8,103,264
(6)	**ALN no. 93.421 - Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation’s Health**			
	National Association of County and City Health Officials	2022-011401	$	370,727
	Public Health Foundation Enterprise	0950.0101		17,586
	Public Health Foundation Enterprise	0849.0101		11,784
		Program Total	$	400,097

7. PROGRAM TOTALS (Continued)

	ALN / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(7)	**ALN no. 93.566 - Refugee and Entrant Assistance State/Replacement Designee Administered Programs**		
	State of California Department of Public Health	22-38-90899-00	$ 77,651
	State of California Department of Public Health	22-38-90893-00	47,420
	State of California Department of Social Services	none	2,278,806
	State of California Department of Social Services	RESS1906	16,316
	State of California Department of Social Services	RSS20-07	117,553
	State of California Department of Social Services	RSS20-07 Augmentation	8,190
	State of California Department of Social Services	ORSA2006	3,096
	State of California Department of Social Services	ORSA2106	1,373
	State of California Department of Social Services	RSS21-06	142,815
	State of California Department of Social Services	RSS22-06	20,929
	State of California Department of Social Services	SOR22-06	697
		Program Total	$ 2,714,846
(8)	**ALN no. 93.855 - Allergy and Infectious Diseases Research**		
	U.S. Department of Health and Human Services	--	$ 133,873
	Family Health International (FHI360)	PO21000680	23,059
	Fred Hutchinson Cancer Research Center	0001117416	23,809
	Fred Hutchinson Cancer Research Center	0001140338	50,380
	Fred Hutchinson Cancer Research Center	0001148463	4,113
	Public Health Foundation Enterprise	0014.0110	76,415
	Public Health Foundation Enterprise	0689.0101	30,878
	Public Health Foundation Enterprise	0014.0111	78,031
	Regents of the University of California	10612sc04	4,492
	Regents of the University of California	11324sc	74,294
	Regents of the University of California	13083sc	23,474
	Regents of the University of California	13603sc	2,965
	Regents of the University of California	13793sc	13,477
	Regents of the University of California	13250sc	5,745
	Regents of the University of California	13832sc	69,033
	Regents of the University of California	13800sc	15,570
	RTI International	2-312-0217681-66232L	31,584
	University of California San Francisco	14429sc	6,700
		Program Total	$ 667,892
(9)	**ALN no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease**		
	U.S. Department of Health and Human Services	--	$ 292,040
	San Francisco Community Clinic Consortium	H7CHA37299	156,606
		Program Total	$ 448,646
(10)	**ALN no. 93.958 - Block Grants for Community Mental**		
	U.S. Department of Health and Human Services	--	$ 652,076
	State of California Department of Health Care Services	Letters dated 12/6/21 & 8/26/22	1,565,883
	State of California Department of Health Care Services	Letter dated 8/29/22	3,467,344
		Program Total	$ 5,685,303

8. CALIFORNIA DEPARTMENT OF EDUCATION (CDE) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDE require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDE grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	ALN	Award Amount State	 Federal	Expenditures State	 Federal
U.S. Department of Agriculture						
Passed through State of California, Department of Education:						
Summer Food Service Program for Children	04029-SFSP-38	10.559	$ -	$ 177,496	$ -	$ 177,496
U.S. Department of Health and Human Services						
Passed through State of California, Department of Education:						
Every Student Succeeds Act/Preschool Development Grants	21-15548-0-00	93.434	-	140,668	-	71,889
Every Student Succeeds Act/Preschool Development Grants	22-15548-0-00	93.434	-	67,875	-	67,875
			-	$ 386,039	-	$ 317,260
State Award - California Department of Education						
California State Preschool Program Quality Rating and Improvement System Block Grant	22-25276-68478-00		1,205,183		1,205,183	
Total Expenditures of CDE Awards			$ 1,205,183		$1,205,183	

9. CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDSS require agencies to display State-funded expenditures discretely along with the related federal expenditures for assistance listing numbers 10.558, 93.575 and 93.596 whose contracts were previously administered by the California Department of Education. CDSS grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. Additionally, for subawards connected to child care services, entities must report the name of the subawardees and the related contracts, including contract numbers and amounts. This information is reflected in the supplemental table below:

Fedral Grantor / Pass-through Grantor Program Title / Grant/Contract Number	Assitance Listing No.	Award Amount State	Award Amount Federal	Expenditures State	Expenditures Federal
U.S. Department of Agriculture					
Passed through State of California, Department of Social Services:					
Child and Adult Care Food Program					
04029-CACFP-38	10.558	$ -	$ 457,300	$ -	$ 457,300
U.S. Department of Health and Human Services					
Passed through State of California, Department of Social Services:					
Child Care and Development Block Grant [1]					
[1] 22/23-15534-22380	93.575	-	43,880	-	43,880
[2] 22/23-24130-22380	93.575	-	424,606	-	424,606
[3] 22-24092	93.575	-	61,748	-	61,748
[4] 22-24130	93.575	-	206,723	-	206,723
[5] C2AP-2045	93.575	3,245,357	2,291,646	2,994,797	2,291,646
[6] CAPP-1049	93.575	476,442	495,985	65,541	68,230
[7] CAPP-2048	93.575	768,771	1,230,475	618,150	1,196,508
[8] CLPC-2036	93.575	8,072	56,647	8,072	56,647
[9] none	93.575	110,270	602,703	89,619	396,188
Child Care Mandatory and Matching Funds of the Child Care and Development Fund					
[6] CAPP-1049	93.596	-	257,560	-	35,430
[7] CAPP-2048	93.596	-	257,560	-	241,360
[8] CLPC-2036	93.596	-	64,215	-	64,215
Total Expenditures of CDSS Awards		$ 4,608,912	$ 6,451,048	$ 3,776,179	$ 5,544,481

Grant / Contract No.	Subrecipient	Expenditures State	Expenditures Federal
[1] 22/23-15534-22380	Children's Council of San Francisco	$ -	$ 43,880
[2] 22/23-24130-22380	Children's Council of San Francisco	-	424,606
[3] 22-24092	Children's Council of San Francisco	-	31,308
	Instituto Familiar de la Raza	-	4,548
	Support for Families of Children with Disabilities	-	14,950
	Wu Yee Children's Services	-	6,966
[4] 22-24130	Children's Council of San Francisco	-	104,817
	Instituto Familiar de la Raza	-	15,225
	Support for Families of Children with Disabilities	-	50,050
	Wu Yee Children's Services	-	23,319
[5] C2AP-2045	Children's Council of San Francisco	2,994,797	2,291,646
[6] CAPP-1049	Children's Council of San Francisco	65,541	103,660
[7] CAPP-2048	Children's Council of San Francisco	618,150	1,437,868
[8] CLPC-2036	Children's Council of San Francisco	8,072	120,862
[9] none	Children's Council of San Francisco	89,619	396,188
		$ 3,776,179	$ 5,069,893

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2023, except for our report on the schedule of expenditures of federal awards, as to which the date is February 23, 2024. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, and Municipal Transportation Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Macias Gini & O'Connell LLP
2121 N California Blvd. Suite 750
Walnut Creek, CA 94596

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 29, 2023

mgo. Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2023. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2023. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with the Uniform Guidance, and report on the results separately to the Successor Agency. The Authority, the Airport, and the MTA engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
February 23, 2024

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Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	None reported
• Significant deficiency(cies) identified?	Yes
Type of auditor's report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes

Identification of major federal programs:

Name of Federal Program or Cluster	Assistance Listing Number(s)
Home Investment Partnerships Program	14.239
Special Data Collections and Statistical Studies	16.734
WIOA Cluster	17.258, 17.259, 17.278
Emergency Rental Assistance Program	21.023
Coronavirus State and Local Fiscal Recovery Funds	21.027
Water Infrastructure Finance and Innovation (WIFIA)	66.958
Clean Water State Revolving Fund	66.458
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498
Child Support Enforcement	93.563
Adoption Assistance	93.659
Medical Assistance Program	93.778

Dollar threshold used to distinguish between Types A and B programs	$3,000,000
Auditee qualified as a low-risk auditee?	Yes

Section II - Financial Statement Findings

None reported.

Section III - Federal Awards Findings

Finding Reference:	**2023-001**
Federal Agency:	**U.S. Department of Health and Human Services**
Federal Program Title:	**Adoption Assistance**
Assistance Listing Number:	**93.659**
Pass Through Entity:	**California Department of Social Services**
Grant Number:	**None**
Category of Finding:	**Eligibility**
Classification of Finding:	**Significant Deficiency in Internal Control over Compliance**

Criteria

States are required to adopt and adhere to their own statutes and regulations for Adoption Assistance Program (AAP) implementation, consistent with the requirements of Title IV-E of the Social Security Act and the approved Title IV-E Plan. California Code of Regulations, Title 22, Division 2, section 35333 *Determination of Amount and Duration of AAP Benefit for All Children* states that "reassessment of the AAP benefit shall be required every two (2) years beginning from the date of a signed Adoption Assistance Program Agreement (AD 4320) between the agency and the adoptive parents."

CFR Title 75, section 75.303 *Internal Controls* requires the non-federal entity to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition

The City's Human Services Agency (Department) administers the program and oversees the assessments and continued reassessments of participant eligibility. We tested a statistically valid sample of 60 participants selected from a population of 1,087 receiving AAP benefits for the period of July 1, 2022 through June 30, 2023. Of the 60 cases tested, seven cases did not contain documentary evidence of supervisory review of reassessments performed by eligibility caseworkers.

Cause of Condition

The Department's policy is for eligibility supervisors to review the assessments and reassessments performed by the eligibility caseworkers for the Adoptions Assistance program. Checklists are maintained to document the necessary steps and files to be retained for each reassessment performed. However, supervisor reviews were not consistently performed on all reassessments and the checklists used by the caseworkers were not consistently applied. This was primarily due to program personnel having limited accessibility to physical files during the restrictions of the COVID-19 pandemic.

Effect

There is a potential for not identifying ineligible participants in a timely manner.

Questioned Costs

There are no questioned costs. Program participants are considered to be eligible for benefits once they are initially determined to be eligible through the point when they reach age 18, the adoptive parents are no longer legally responsible for the support of the child or the adoptive parents are no longer providing support to the child. None of the seven cases met one of these triggering events.

Identification of Repeat Findings

This is not a repeat finding from the prior year audit.

Recommendation

We recommend that the Human Services Agency revisit and implement a more robust review process for eligibility reassessment reviews and ensure that documentation of reviews is consistently maintained.

View of Responsible Officials and Planned Corrective Action

See separately prepared Corrective Action Plan.

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

No prior year findings were reported.

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San Francisco AAP FY 2022/2023 Corrective Action Plan

The Adoption Assistance Program (AAP) was selected as a major program in the City's FY 2022/23 single audit. The Auditor tested AAP's compliance with eligibility requirements. The audit sample consisted of 55 on-going active cases, and 5 intake samples for the Fiscal year 2022-2023 from a random sampling.

Findings

The Auditor tested a statistically valid sample of 60 participants selected from a population of 1,087 cases receiving benefits under the AAP program for the period of July 1, 2022 through June 30, 2023, the Period under review (PUR). The Auditor noted 7 case findings needing improvement. All case findings were from the on-going active case samples. All of the intake cases sampled were correct with no error. There were no findings found to have any dollar amount errors.

The auditor identified the following issues: renewal checklists were not submitted with physical files on a consistent basis. It could not be verified that Supervisor reviews were done consistently on all reassessments as the checklists used by the caseworkers, were not consistently found in the case files.

Response to findings

The Family & Children’s Services Foster Care Eligibility (FCE) unit recognizes the need for improvements through the Auditor’s findings. Inconsistencies were in large part due to the circumstances of the COVID-19 Pandemic. We have changed our previous business practices to improve deficiencies and maintain program integrity.

Root Causes

- **COVID-19 pandemic**
  The pandemic’s restrictions significantly altered FCE’s traditional in-office schedules and business processes, prompting a significant shift towards remote work arrangements and digital transformation. FCE adapted quickly to these operations changes while trying to maintain employee safety. This transition necessitated the need for flexible working hours, increased reliance on virtual communication, implementation of new technologies, and business processes to streamline workflows.

- **Physical files**
  - FCE, during the PUR of this audit, used physical case files. Digital case files offer many advantages that FCE wasn’t able to access, such as easier accessibility, improved organization capabilities through search functions, greater security measures to protect sensitive data from unauthorized access or loss, and better oversight capabilities. Overall, transitioning from physical case files to digital files will result in having files easily accessible and will increase effectiveness and efficiency.

- **Staffing issues**
  During the PUR, there were a variety of staffing issues that included leaves, promotions, and shortages. These staffing changes significantly impacted the administration of FCE program benefits.

Corrective Actions

- **Future Staff training**
  - We have recognized the need to develop refresher training for staff that will provide a thorough understanding of our AAP business processes. These trainings will ensure that AAP case reassessments are processed uniformly across the program. By investing in the development of these refresher staff trainings, we aim to equip our staff with the knowledge and skills necessary to perform their roles effectively and contribute positively towards achieving our organizational goals.
  - Time frame to implement trainings will be no later than 6/1/2024 with completion by 10/2024.

- **Digital Files**
  - FCE recognizes the need to move from physical case files to digital case files. The COVID-19 pandemic provided the catalyst to speed up the transition to digital files. With the change to digital imaged files, future case reviews and tasks completed by workers and supervisors can, and will, be done more efficiently and will provide the necessary oversight.
    - Imaging case files conversion project was created in 4/2023.
    - FCE is currently at 70% percent converted to digital case files since the implementation of CalSAWS (11/1/2023).
    - FCE plans to convert to 100% digital files by the end of June 30, 2024.

- **Systematic Reporting**
  - Reports generated from CalSAWS and case tasking will help improve our program's overall efficiency.
    - Effective 11/2023, implementation of new task reports generated from CalSAWS will aid staff with reminders of tasks and will improve overall case review.
    - CalSAWS provides unit Supervisors with reports of overdue, pending and future case actions needed, including AAP reassessments.
    - By June 30, 2024, FCE will provide unit Supervisors and staff with additional tools to support them with their case tracking and reporting. This includes developing detailed reports accessible through our eligibility system CalSAWS.

The AAP Corrective Action plan will be administered by FCE Program Specialist Justin Hyun and overseen by Program Manager, Juliet Halverson.