SUPPLEMENT TO PRELIMINARY OFFICIAL STATEMENT
July 12, 2010
supplementing the Preliminary Official Statement dated June 30, 2010, regarding

$21,600,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

As a result of additional information that Moody's Investors Service, Inc. ("Moody's") has received from the City and County of San Francisco relating to the above-referenced bonds (the "Bonds"), Moody's has changed the rating of the Bonds to "Aa2" from "Aa3."

The Preliminary Official Statement is hereby supplemented and amended as follows:

1. The rating of Moody's on the cover page of the Preliminary Official Statement for the Bonds should read "Aa2" not "Aa3."

2. On page 25 of the Preliminary Official Statement, the paragraph under "RATINGS" should read as follows (additions shown in **bold underline** format for convenience and deletions shown in ~~strikethrough~~ format for convenience):

> Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of ~~"Aa3,"~~ **"Aa2,"** "AA-," and "AA-," respectively, to the 2010 Bonds. Certain information not included in this Official Statement was supplied by the City and the Corporation to the rating agencies to be considered in evaluating the 2010 Bonds. On March 16, 2010, Moody's announced that it will recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in mid-April 2010, stating that the purpose of the recalibration is to enhance the comparability of credit ratings between municipal obligations and those issued by other entities, such as corporations. The rating assigned to the 2010 Bonds by Moody's was issued on Moody's global rating scale. On March 25, 2010, Fitch announced that it will recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in April 2010, stating that the purpose of the recalibration is to enhance the comparability of credit ratings between municipal obligations and those issued by other entities, such as corporations. The rating assigned to the 2010 Bonds by Fitch was issued on Fitch global rating scale. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the 2010 Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal."

* The preliminary par amount of the Bonds has been decreased to $21,180,000 per the Amended Official Notice of Sale dated July 12, 2010.

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PRELIMINARY OFFICIAL STATEMENT DATED JUNE 30, 2010

<u>**New Issue - Book-Entry Only**</u>

RATINGS: Moody's: Aa3
S&P: AA-
Fitch: AA-
(See "Ratings" herein)

Subject to compliance by the City and County of San Francisco and the City and County of San Francisco Finance Corporation with certain covenants, in the separate opinions of Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel, under present law, interest on the 2010 Bonds is (i) excludible from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income, and (ii) exempt from present California personal income taxes. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations. See "TAX MATTERS" herein.

$21,600,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

Dated: Date of Delivery **Due: April 1, see inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the 2010 Bonds. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The bonds captioned above (the "2010 Bonds") are being issued to: (i) refund certain outstanding bonds of the City and County of San Francisco Finance Corporation (the "Corporation") as described herein; (ii) fund the Reserve Fund established under the Trust Agreement; and (iii) pay costs associated with the issuance of the 2010 Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS."

The 2010 Bonds are issued pursuant to a Master Trust Agreement, dated as of July 1, 2010 (the "Trust Agreement"), by and between the Corporation and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and in accordance with the Charter of the City and County of San Francisco (the "City"). See "THE 2010 BONDS–Authority for Execution and Delivery." Principal of and interest on the 2010 Bonds are payable from certain funds held under the Trust Agreement, including principally the Base Rental payments payable by the City pursuant to a Master Lease, dated as of July 1, 2010 (the "Lease"), by and between the Corporation, as lessor, and the City, as lessee. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS." The City has covenanted in the Lease to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS – Covenant to Appropriate." The obligation of the City to pay Base Rental is in consideration for the use and occupancy of the land and the facilities subject to the Lease (the "Leased Property" or the "Facilities"), and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Property, or any portion thereof. See "CERTAIN RISK FACTORS – Abatement."

The 2010 Bonds will be issued only as fully registered bonds without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the 2010 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Payments of principal of and interest on the 2010 Bonds will be made by the Trustee to DTC, which in turn is required to remit such principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2010 Bonds. See "THE 2010 BONDS–Form and Registration." The 2010 Bonds will be dated and bear interest from their date of delivery. Interest on the 2010 Bonds will be payable on April 1 and October 1 of each year, commencing October 1, 2010. Principal will be paid as shown on the inside cover hereof. See "THE 2010 BONDS – Payment of Principal and Interest."

The 2010 Bonds are subject to redemption prior to their respective stated maturities. See "THE 2010 Bonds–Redemption Provisions."

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE, AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE 2010 BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE TRUST AGREEMENT, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE TRUST AGREEMENT PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE TRUST AGREEMENT. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2010 BONDS ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE 2010 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2010 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

MATURITY SCHEDULE
(See inside cover)

The 2010 Bonds are offered when, as, and if issued by the Corporation and accepted by the initial purchasers, subject to the approval of legality by Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, Dannis Woliver Kelley, San Diego, California, and for the City by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. It is expected that the 2010 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about July 29, 2010.

Dated: _______, 2010.

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* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification or filing under the securities law of any such jurisdiction.

MATURITY SCHEDULES*
(Base CUSIP Number: ______[1])

2010 BONDS

Maturity Date	Principal Amount	Interest Rate	Price or Yield[2]	CUSIP Suffix[1]	Maturity Date	Principal Amount	Interest Rate	Price or Yield[2]	CUSIP Suffix[1]
	$	%	%			$	%	%	

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City or the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2010 Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

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

This Official Statement is not to be construed as a contract with the initial purchasers of the 2010 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts.

The issuance and sale of the 2010 Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

IN CONNECTION WITH THE OFFERING OF THE 2010 BONDS, THE INITIAL PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2010 BONDS AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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* Preliminary, subject to change.

[1] Copyright, American Bankers Association. CUSIP data herein is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. CUSIP numbers are provided for convenience of reference only. None of the Corporation, the City, or the initial purchasers take any responsibility for the accuracy of such numbers.

[2] Reoffering prices/yields furnished by the initial purchasers. Neither the Corporation nor the City takes any responsibility for the accuracy thereof.

AMENDED ON JULY 12, 2010

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

(SEE REVISED PAR AMOUNT AND AMORTIZATION SCHEDULE)

$21,180,000*
CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

The City and County of San Francisco (the "City"), on behalf of the City and County of San Francisco Finance Corporation (the "Corporation"), will receive sealed bids and electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE:	Tuesday, July 13, 2010 (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	8:30 a.m. (California time)
PLACE:	1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
EXPECTED DELIVERY DATE:	July 29, 2010

* Preliminary, subject to change as provided herein.

OFFICIAL NOTICE OF SALE

$21,180,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

NOTICE IS GIVEN that electronic bids and sealed bids will be received in the manner described below and, in the case of electronic bids, through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity") on behalf of the City and County of San Francisco Finance Corporation (the "Corporation") for the purchase of not to exceed $21,180,000* aggregate principal amount of City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010 (Emergency Communications System Refinancing) (the "Bonds"), more particularly described below, at 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102 by:

July 13, 2010, at 8:30 a.m. (California time)

See "TERMS OF SALE – Form of Bids; Delivery of Bids" below for information regarding the terms and conditions under which bids will be received through electronic transmission.

THE RECEIPT OF BIDS ON TUESDAY, JULY 13, 2010 MAY BE POSTPONED OR CANCELLED AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED BY THE CORPORATION THROUGH PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION. Notice of the new date and time for receipt of bids shall be given through Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice by: Grigsby & Associates, Inc., 311 California Street, Suite 320, San Francisco, California 94104; telephone: (415) 392-4800, Attention: Jerry Liang (e.mail: jliang@grigsbyinc.com); and KNN Public Finance, 1333 Broadway, Suite 1000, Oakland, California 94612; telephone: (510) 208-8209, Attention Marian Breitbart (e.mail: mbreitbart@knninc.com) (collectively, the "Co-Financial Advisors"), provided, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Postponement or Cancellation of Sale."

The amount of Series 2010-R1 Bonds to be sold may be substantially reduced, and the Corporation may decide not to issue any Series 2010-R1 Bonds. The Corporation is issuing the Series 2010-R1 Bonds for the purpose of refunding certain outstanding lease revenue

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* Preliminary, subject to change as provided herein.

bonds of the Corporation (the "Refunded Bonds"). See "PLAN OF REFUNDING" in the Preliminary Official Statement with respect to the Series 2010-R1 Bonds (the "Preliminary Official Statement"). Therefore, the principal amount of Series 2010-R1 Bonds to be issued, if any, is dependent upon the interest rates at which the Series 2010-R1 Bonds are sold. The principal amount of Series 2010-R1 Bonds offered for sale pursuant to this Official Notice of Sale may be significantly different than the principal amount set forth herein and the Corporation may decide not to issue any Series 2010-R1 Bonds. **The Corporation will provide potential bidders through Parity with the principal amount and principal payment schedule to be used as the basis for bids on the Series 2010-R1 Bonds no later than 1:00 p.m. (California time) on the business day preceding the date set for receipt of bids. Potential bidders must obtain the principal payment schedule prior to bidding on the Series 2010-R1 Bonds. In addition, the Corporation reserves the right to adjust the principal payments on the Series 2010-R1 Bonds within certain limitations subsequent to the receipt of bids.** See "TERMS RELATING TO THE BONDS–Adjustment of Principal Payments".

The Corporation reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the amount of principal due on any principal payment date for the Bonds and adding or deleting serial or term principal payment dates, along with corresponding principal amounts with respect thereto, for any years from 2011 through and including 2024; provided, that any such modification or amendment will be communicated to potential bidders through Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE – Right to Modify or Amend."

This Official Notice of Sale will be submitted for posting to the Parity bid delivery system. If the summary of the terms of sale of the Bonds posted by Parity conflicts with this Official Notice of Sale in any respect, the terms of this Official Notice of Sale shall control, unless a notice of an amendment is given as described herein.

TERMS RELATING TO THE BONDS

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California for the purpose of providing financing assistance to the City by acquiring, constructing, installing, improving and equipping certain real and personal property together with appurtenances and appurtenant work for the use, benefit and enjoyment of the public.

THE AUTHORITY FOR ISSUANCE, PURPOSE, PRINCIPAL AND INTEREST REPAYMENT, SECURITY, AND SOURCES OF PAYMENT, THE LEGAL OPINION AND ALL OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, DATED JUNE 30, 2010 (THE "PRELIMINARY OFFICIAL STATEMENT"), WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE BONDS. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE BONDS. THE DESCRIPTION OF THE BONDS CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Interest Rates. Interest on the Bonds will be payable on October 1, 2010, and semiannually thereafter on April 1 and October 1 of each year (each an "Interest Payment Date"). Interest will be calculated on the basis of a 30-day month, 360-day year from the dated date of the Bonds.

Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided that:

(i) each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum;

(ii) the maximum interest rate bid for any maturity shall not exceed six percent (6.0%) per annum;

(iii) no Bond shall bear a zero rate of interest;

(iv) each Bond shall bear interest from its dated date to its stated maturity date at the single rate of interest specified in the bid; and

(v) all Bonds maturing at any one time shall bear the same rate of interest.

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on April 1 of each year, commencing on April 1, 2011 as shown below. The final maturity of the Bonds shall be April 1, 2024. The principal amount of the Bonds maturing or subject to mandatory sinking fund redemption in any year shall be in integral multiples of $5,000. No serial Bonds may mature following the commencement of the first mandatory sinking fund payment. For any term Bonds specified, the principal amount for a given year may be allocated only to a single term Bond and must be part of an uninterrupted annual sequence from the first mandatory sinking fund payment to the term Bond maturity. The aggregate amount of the principal amount of the serial maturity or mandatory sinking fund payment for the individual series of Bonds is shown below for information purposes only. Bidders will provide bids on the Total Principal Amount only. Subject to adjustment as provided herein, the aggregate principal amount of the serial maturity or mandatory sinking fund payment for the Bonds in each year is as follows:

Principal Payment Date (April 1)	Total Principal Amount*
2011	900,000
2012	2,765,000
2013	1,440,000
2014	1,445,000
2015	1,495,000
2016	1,740,000
2017	1,875,000
2018	1,350,000
2019	1,150,000
2020	1,195,000
2021	1,255,000
2022	1,315,000
2023	1,385,000
2024	1,870,000
TOTAL	$21,180,000

Serial Bonds and/or Term Bonds. Bidders may provide that all the Bonds be executed and delivered as serial bonds or may provide that any one or more consecutive annual principal amounts be combined into one or more term bonds.

Adjustment of Principal Payments. The principal payment schedule set forth above reflects certain estimates of the Corporation with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The Corporation reserves the right to change the principal payment schedule set forth above after the determination of the winning bidder, by adjusting one or more of the principal payments of the Bonds in increments of $5,000, as determined in the sole discretion of the Corporation. Any such adjustment of principal payments on the Bonds shall be based on the schedule of principal payments provided by the Corporation to be used as the basis of bids for the Bonds. Any such adjustment will not change the average per Bond dollar amount of underwriter's discount. In the event of any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

THE BIDDER AWARDED THE BONDS BY THE CORPORATION (THE "PURCHASER") WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE. See "TERMS OF SALE — Reoffering Prices and Certificate" below.

Redemption. (a) Extraordinary Mandatory Redemption. The Bonds are subject to extraordinary mandatory redemption as a whole or in part by lot within any maturity if less than all of the Bonds of such maturity are to be redeemed, from proceeds of insurance or proceeds of

* Preliminary, subject to change.

eminent domain proceedings, at the principal amount thereof and accrued interest thereon to the date fixed for redemption.

(b) Optional Redemption.* The Bonds maturing on or before April 1, 2020, will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds, if any, maturing on or after April 1, 2021, are subject to optional redemption prior to their respective stated maturity dates, at the option of the Corporation, from any source of available funds (other than mandatory sinking fund payments), as a whole or in part on any date (with the maturities to be redeemed to be determined by the Corporation and by lot within a maturity), on or after April 1, 2020, or at the redemption price equal to the principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium.

(c) Mandatory Redemption. Term Bonds, if any, are also subject to redemption prior to their respective stated maturity dates from mandatory sinking fund payment on each April 1 of each year from which a mandatory sinking fund redemption is specified by the Purchaser, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. No term Bonds may be redeemed from mandatory sinking fund payments until all term Bonds maturing on preceding term maturity dates, if any, have been retired.

Legal Opinion and Tax Matters. Upon delivery of the Bonds, Co-Bond Counsel, Schiff Hardin LLP and Lofton & Jennings ("Co-Bond Counsel"), will deliver separate opinions to the effect that in the opinion of such Co-Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and judicial decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants and requirements, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"). In the further opinion of Co-Bond Counsel, interest on the Bonds is not a specific preference item for purposes of federal individual or corporate alternative minimum taxes and is not included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the further opinion of Co-Bond Counsel, interest on the Bonds is exempt from State of California personal income taxes. See "TAX MATTERS" in the Preliminary Official Statement.

A complete copy of the proposed forms of the opinions of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. The approving legal opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds. Copies of the approving opinions will be filed with the Treasurer of the City (the "City Treasurer").

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for the Bonds must be: (1) for not less than all of the Bonds offered for sale, (2) for an aggregate purchase price not less than 99% of the aggregate principal amount of the Bonds, (3) submitted with a Good Faith Deposit (see "– Good Faith Deposit"), (4) unconditional, and (5) (i) submitted on the Official Bid Form attached as Exhibit A and signed by the bidder, or (ii) submitted via Parity. Electronic bids must conform to

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* Preliminary, subject to change.

the procedures established by Parity. Sealed bids must be enclosed in a sealed envelope, delivered to the City and County of San Francisco Finance Corporation at the address set forth on the cover and clearly marked "Bid for the City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds" or words of similar import, as described below and received by 8:30 a.m. California time, at the offices of the Office of Public Finance, City and County of San Francisco, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102; phone: (415) 554-5956. No bid submitted to the Corporation is subject to withdrawal or modification by the bidder.

All bids will be deemed to incorporate all of the terms of this Official Notice of Sale. If the sale of the Bonds is canceled or postponed, all bids shall be rejected. No bid submitted to the Corporation is subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Corporation retains absolute discretion to determine whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Corporation takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete, illegible or nonconforming with this Official Notice of Sale or has not been received.

Solely as an accommodation to bidders, electronic bids will be received exclusively through Parity in accordance with this Official Notice of Sale. For further information about Parity, potential bidders may contact either of the Co-Financial Advisors or Parity, phone: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds may be submitted electronically via Parity. The Corporation will attempt to accommodate bids submitted electronically via Parity. However, the Corporation does not endorse or encourage the use of such electronic bidding service. None of the Corporation, the Co-Financial Advisors or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted electronically or for failure of any bid to be transmitted, received or opened by the time for receiving bids, and each bidder expressly assumes the risk of, any incomplete, illegible, untimely or nonconforming bid submitted by electronic transmission by such bidder, including without limitation, by reason of garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause arising from submission by electronic transmission. The time for receiving bids will be determined by the Corporation at the place of bid opening, and the Corporation will not be required to accept the time kept by Parity.

If a bidder submits an electronic bid for the Bonds through Parity, such bidder agrees to the following terms and conditions: (1) if any provision in this Official Notice of Sale with respect to the Bonds conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through Parity, will control; (2) each bidder will be solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the Corporation will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Corporation will not be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or

untimely bid submitted by any bidder through Parity; (4) the Corporation is permitting use of Parity as a communication mechanism, and not as an agent of the Corporation, to facilitate the submission of electronic bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Corporation; (5) the Corporation is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the Corporation may regard the electronic transmission of a bid through Parity (including information regarding the purchase price for the Bonds or the interest rates for any maturity of the Bonds) as though the information were submitted on the Official Bid Form and executed on the bidder's behalf by a duly authorized signatory; (7) if the bidder's bid is accepted by the Corporation, the signed, completed and conforming Official Bid Form submitted by the bidder by facsimile transmission after the verbal award, this Official Notice of Sale and the information that is transmitted electronically through Parity will form a contract, and the bidder will be bound by the terms of such contract; and (8) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the Corporation unless that information is included in this Official Notice of Sale or the Official Bid Form.

Basis of Award. Unless all bids are rejected, the Bonds will be awarded to the responsible bidder who submits a conforming bid that represents the lowest true interest cost ("TIC") to the Corporation. The TIC will be that nominal interest rate that, when compounded semiannually and applied to discount all payments of principal and interest payable on the Bonds to the dated date of the Bonds, results in an amount equal to the principal amount of such Bonds plus the amount of any net premium. For the purpose of calculating the TIC, mandatory sinking fund payments for any Term Bonds specified by each bidder will be treated as Bonds maturing on the dates of such mandatory sinking fund payments. If two or more bidders offer bids for the Bonds at the same lowest TIC, the Corporation will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Corporation.

Estimate of TIC. Each bidder is requested, but not required, to supply an estimate of the TIC based upon its bid, which will be considered as informative only and not binding on either the bidder or the Corporation.

Multiple Bids. In the event multiple bids are received from a single bidder by any means or combination thereof, the Corporation shall accept the bid representing the lowest TIC to the Corporation, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the Corporation.

Good Faith Deposit. A cashier's check drawn on a bank or trust company transacting business in the State of California and payable to the order of the City and County of San Francisco Finance Corporation, in the amount of $220,000 (the "Good Faith Deposit"), must be submitted with each bid to secure the Corporation from any loss resulting from the failure of the bidder to comply with the terms of its bid.

If the apparent winning bidder on the Bonds is determined to be a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, the Financial Advisors will request the apparent winning bidder to immediately wire the Good Faith

Deposit and provide the Federal wire reference number of such Good Faith Deposit to the Financial Advisors within ninety (90) minutes of such request by the Financial Advisors. The Bonds will not be officially awarded to a bidder who has not submitted a Good Faith Deposit in the form of a cashier's check, as provided above, until such time as the bidder has provided a Federal wire reference number for the Good Faith Deposit to the Co-Financial Advisors.

The wire transfer is to be made to The Bank of New York Mellon Trust Company, N.A., ABA 021000018, GLA 111-565, TAS 812704, 550 Kearny Street, Suite 600, San Francisco, California 94108, for credit to the Bank Account Named: City and County of San Francisco Finance Corporation Lease Revenue Bonds Good Faith Account, with notice thereof to Nomita Ciria-Cruz, phone: (415) 263-2014; fax: (415) 399-1647.

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposits of the unsuccessful bidders will be returned by the Corporation promptly after the award of the Bonds or the rejection of all bids. The Good Faith Deposit of the Purchaser will, immediately upon acceptance of its bid, become the property of the Corporation, and if in the form of a check, will be cashed. The Good Faith Deposit will be held and invested for the exclusive benefit of the Corporation. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Bonds purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Bonds, the Corporation shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Bonds or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, unless it shall appear that the Bonds would not be validly delivered if delivered to the Purchaser in the form and manner proposed, except pursuant to a right of cancellation. See "CLOSING PROCEDURES AND DOCUMENTS – Right of Cancellation." In the event of nonpayment for the Bonds by the Purchaser, the Corporation reserves any and all rights granted by law to recover the full purchase price of the Bonds and, in addition, any damages suffered by the Corporation.

Reoffering Prices and Certificate. The successful bidder for the Bonds must actually reoffer all of the Bonds to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers).

As soon as is practicable, but not later than one hour after the award of the Bonds, the successful bidder shall provide to the Corporation in writing the initial offering prices at which it has offered all of the Bonds of each maturity to the general public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers), in a *bona fide* public offering. Prior to delivery of the Bonds, the successful bidder shall provide to the Corporation, Schiff Hardin LLP, One Market, Spear Street Tower, 32nd Floor, Los Angeles, California 94105; fax: (310) 286-0992; Attention: Bruce P. Weisenthal; e-mail: bweisenthal@schiffhardin.com, and Lofton & Jennings, 225 Bush Street, 16th Floor, San Francisco, California 94104; fax: (415) 772-1909; Attention: William Lofton; e-mail: blofton@loftonjennings.com, a reoffering price certificate, in form attached as Exhibit B. In addition, at the request of Co-Bond Counsel, the successful bidder will provide information regarding its sales of the Bonds. For the purposes of this paragraph, sales of the Bonds to the other securities brokers or dealers will not be considered sales to the general public.

Right of Rejection and Waiver of Irregularity. The Corporation reserves the right, in its sole discretion, to reject any and all bids and to waive any irregularity or informality in any bid which does not materially affect such bid or change the ranking of the bids.

Right to Modify or Amend. The Corporation reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal payment schedule for Bonds and adding or deleting principal payment dates, along with corresponding principal amounts with respect thereto, for any years from 2011 through and including 2024 for the Bonds; provided, that any such modification or amendment will be communicated to potential bidders through Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

Postponement or Cancellation of Sale. The Corporation may postpone or cancel the sale of the Bonds at or prior to the time for receiving bids. Notice of such postponement or cancellation shall be given through Parity as soon as practicable following such postponement or cancellation. If the sale is postponed, notice of a new sale date will be given through Parity as soon as practicable following a postponement and no later than 1:00 p.m. (California time) on the business day preceding the new date for receiving bids. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such notice.

Prompt Award. The Corporation will take official action awarding the Bonds or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("LBE") Ordinance, Chapter 14B of the Administrative Code of the City, the Corporation strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, 8th Floor, San Francisco, California; phone: (415) 252-2500.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Bonds will be made through the facilities of DTC in New York, New York, and is presently expected to take place on or about July 29, 2010**. Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to The Bank of New York Mellon Trust Company, N.A., as Trustee for the Bonds, as directed. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Corporation will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – "PROPOSED FORMS OF OPINIONS OF CO-BOND COUNSEL" to the Official Statement.

Qualification for Sale. The Corporation will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Corporation may deem necessary or appropriate to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided*, that the Corporation will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Bonds, the Purchaser assumes all responsibility for qualifying the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Bonds, including the payment of fees for such qualification. Under no circumstances may the Bonds be sold or offered for sale or any solicitation of an offer to buy the Bonds be made in any jurisdiction in which such sale, offer or solicitation would be unlawful under the securities laws of the jurisdiction.

No Litigation. The Corporation will deliver a certificate stating that no litigation is pending with service of process having been accomplished, or, to the knowledge of the officer of the Corporation executing such certificate, threatened, concerning the validity or tax-exempt status of interest on the Bonds, the corporate existence of the Corporation, or the title to their respective offices of the officers of the Corporation who will execute the Bonds. The City will deliver a certificate of the City stating that no litigation is pending or, to the knowledge of the officer signing the certificate, threatened, concerning the validity of the Lease.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Corporation fails to execute the Bonds and tender the same for delivery within thirty (30) days from the sale date, and in such event the Purchaser will be entitled only to the return of the Good Faith Deposit, without interest thereon.

CUSIP Numbers. It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this contract. The Purchaser, at its sole cost, will obtain separate CUSIP numbers for each maturity of the Bonds. CUSIP data is provided by Standard and Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The Corporation will take no responsibility for the accuracy of such numbers.

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within sixty (60) days from the sale date the statutory fee for the Bonds purchased.

Official Statement. Copies of the Preliminary Official Statement with respect to the Bonds will be furnished or electronically transmitted to any potential bidder upon request to the Office of Public Finance or to either of the Co-Financial Advisors. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the Corporation and the City deem such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. The contact information for the Co-Financial Advisors is set forth on the first page of this Official Notice of Sale. Within seven business days after the date of award of the Bonds, the Purchaser will be furnished with a reasonable number of copies (not to exceed 150) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser must notify either of the Co-Financial Advisors in writing within two days of the sale of the Bonds if the Purchaser requires additional copies of the Official Statement to comply with applicable regulations. The cost for such additional copies will be paid by the Purchaser requesting such copies.

By submitting a bid for the Bonds, the Purchaser agrees: (1) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements, (2) to promptly file a copy of the final Official Statement, including any supplements, with the Municipal Securities Rulemaking Board, and (3) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Bonds, including without limitation, the delivery of a final Official Statement to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the City and the Corporation. The Purchaser's name will not appear on the cover of the Official Statement.

Certificate Regarding Official Statement. At the time of delivery of the Bonds, the Purchaser will receive a certificate, signed by an authorized representative of the City and an authorized representative of the Corporation, confirming to the Purchaser that, to the best of the knowledge of the signers, the Official Statement (except for information regarding the municipal bond insurance policy, if any, and the provider thereof, DTC and its book-entry system, and reoffering information, as to which no view will be expressed), as of the date of sale of the Bonds and as of the date of delivery thereof did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading.

Continuing Disclosure. In order to assist bidders in complying with Rule 15c2-12, the City, on behalf of the Corporation, will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Dated: June 30, 2010

EXHIBIT A

BID TIME: 8:30 a.m. (California time) [Day of the Week], _______, 2010

OFFICIAL BID FORM FOR THE PURCHASE OF
$21,180,000*
CITY AND COUNTY AF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS,
SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

City and County of San Francisco Finance Corporation
c/o City and County of San Francisco
Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirm Number: (415) 554-6643

BIDDING FIRM'S NAME:

____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated June 30, 2010, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Bonds (the "Bonds") and offer to purchase all of the $___________* aggregate principal amount of the Bonds dated the date of their delivery on the following terms, including the submission of the required Good Faith Deposit in the amount of $220,000 (check one): _____ cashiers check or _______ wire transfer; and to pay therefor the price of $_________, which is equal to the aggregate principal amount of the Bonds plus a net premium of $_________ less a net discount of $________ (such amount being the "Purchase Price"). The Bonds shall mature and will be subject to mandatory sinking fund redemption commencing no earlier than April 1, 20__ (if term bonds are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedule below.

Principal Payment Date (April 1)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
2010		______	______	______
2011		______	______	______
2012		______	______	______
2013		______	______	______
2014		______	______	______
2015		______	______	______
2016		______	______	______

Principal Payment Date (April 1)	Annual Principal Payment*	(Check one)[1] Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
2017		______	______	______
2018		______	______	______
2019		______	______	______
2020		______	______	______
2021		______	______	______
2022		______	______	______
2023		______	______	______
2024		______	______	______

(1) Circle the final maturity of each term bond specified.

____
Authorized Signatory
Title: ______________________________________
Phone Number: ______________________________ TIC (optional and not binding): ______________________________
Fax Number: ________________________________

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CORPORATION RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE, COMPLETE AND CONFORMING. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

THE BIDDER EXPRESSLY ACKNOWLEDGES THAT (A) THE CORPORATION RESERVES THE RIGHT TO CHANGE THE PRINCIPAL PAYMENT SCHEDULE SET FORTH ABOVE AFTER THE DETERMINATION OF THE WINNING BIDDER, BY ADJUSTING ONE OR MORE OF THE PRINCIPAL PAYMENTS OF THE BONDS IN INCREMENTS OF $5,000, AS DETERMINED IN THE SOLE DISCRETION OF THE CORPORATION, AND (B) IN THE EVENT OF ANY SUCH ADJUSTMENT, NO REBIDDING OR RECALCULATION OF THE BIDS SUBMITTED WILL BE REQUIRED OR PERMITTED AND NO SUCCESSFUL BID MAY BE WITHDRAWN.

* Subject to adjustment in accordance with the Official Notice of Sale.

EXHIBIT B

REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED BY THE PURCHASER AS DESCRIBED UNDER "REOFFERING PRICES AND CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

This certificate is being delivered by ____________________, the purchaser (the "Purchaser") in connection with the issuance of the City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 2010-R1 (Emergency Communications, System Refinancing) (the "Bonds"). The Purchaser hereby certifies and represents that:

A. Issue Price.

1. All Bonds of all maturities have been the subject of an initial offering to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) at prices not higher than, or, in the case of obligations sold on a yield basis, at yields not lower than, those set forth in Schedule A attached hereto.

2. On the date of the sale of the Bonds, to the best of our knowledge based on our records, the first price or yield at which at least ten percent (10%) of each maturity [*if less than ten percent of some maturities of the Bonds has been sold to the public, add*: except the Bonds maturing in the years 20__, 20__ and 20__] was sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) was not greater than the respective price, or was not lower than the respective yield, set forth in Schedule A attached hereto. At the time we agreed to purchase the Bonds, based on our assessment of the then prevailing market conditions, we had no reason to believe that any of the Bonds would be initially sold to the public (excluding such bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers) at prices greater than the prices, or yields lower than the yields, than those set forth in Schedule A attached hereto, and such prices and yields, maturity-by-maturity, represented our best judgment of the fair market value of the Bonds.

3. Less than ten percent (10%) of the Bonds maturing in the years 20__, 20__ and 20__ was sold to the public following a *bona fide* public offering at the prices or yields shown in Schedule A attached hereto. The unsold Bonds were bought by members of the bond syndicate for the Bonds. Even though, on the date of the sale of the Bonds, it was reasonably expected that such unsold Bonds would be held as inventory until sold to the public (as opposed to being held for the bond houses' own accounts), and even though it could then be reasonably expected that such sale to the public might be at prices higher than the prices, or yields lower than the yields, set forth in Schedule A attached hereto, our reasonable expectations regarding the fair market value of such Bonds, as of the date of the sale of the Bonds were those reflected as the public offering prices or yields of such Bonds set forth in Schedule A attached hereto.

4. As of the date hereof, neither the Purchaser nor any affiliate of the Purchaser has participated in offering any derivative product with respect to the Bonds.

B. Compensation.

All compensation received for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Bonds is being paid on the date hereof in the form of a purchase discount in the amount of $______________, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Bonds.

We understand that the representations contained herein will be relied upon by the issuer of the Bonds in making certain of the representations contained in the Tax Certificate, and we further understand that Co-Bond Counsel to the issuer may rely upon this certificate, among other things, in providing an opinion with respect to the exclusion from gross income of the interest on the Bonds pursuant to Section 103 of the Internal Revenue Code of 1986, as amended. Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Tax Certificate relating to the Bonds to which this certificate is attached as an exhibit.

Dated: [Closing Date]

By:____

Name:______________________________________

Title:_______________________________________

Schedule A to Exhibit B

Series 2010-R1 Bonds

Maturity Date (April 1)	Principal Amount	Coupon Rate	Reoffering Price or Yield
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

BOARD OF DIRECTORS

Marc Stad, *President*
Pamela S. Jue, *Secretary/Chief Financial Officer*

CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Gavin Newsom

BOARD OF SUPERVISORS

David Chiu, *Board President*, *District 3*

Michela Alioto-Pier, *District 2*
John Avalos, *District 11*
David Campos, *District 9*
Carmen Chu, *District 4*
Chris Daly, *District 6*
Bevan Dufty, *District 8*
Sean Elsbernd, *District 7*
Eric Mar, *District 1*
Sophie Maxwell, *District 10*
Ross Mirkarimi, *District 5*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Edwin Lee, *City Administrator*

Benjamin Rosenfield, *Controller*

PROFESSIONAL SERVICES

Co-Bond Counsel

Lofton & Jennings
San Francisco, California

Schiff Hardin LLP
San Francisco, California

Corporation Counsel
Dannis Woliver Kelley
San Diego, California

Co-Financial Advisors

KNN Public Finance,
a division of Zions First National Bank
Oakland, California

Grigsby & Associates, Inc.
San Francisco, California

Disclosure Counsel
Orrick, Herrington & Sutcliffe LLP
San Francisco, California

Trustee
The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

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(continued)

OFFICIAL STATEMENT

$21,600,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto, provides certain information concerning the issuance of the City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communications System Refinancing) (the "2010 Bonds"). The 2010 Bonds and any Parity Bonds are referred to herein collectively as the "Bonds." Any capitalized term not defined herein shall have the meaning given to such term in Appendix C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions."

The 2010 Bonds are being sold to provide funds to refund certain outstanding bonds of the City and County of San Francisco Finance Corporation (the "Corporation"). The City and County of San Francisco (the "City") will lease the land and the facilities subject to the Lease (as hereinafter defined) (the "Leased Property" or the "Facilities") from the Corporation. The City will be obligated under the Lease to pay Base Rental payments and other payments to the Corporation each year during the term of the Lease, subject to certain conditions under which the obligation to pay Base Rental may be abated as discussed herein. Pursuant to the Assignment Agreement (as hereinafter defined), the Corporation has assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the benefit of the Owners, substantially all of its rights under the Lease (excluding certain rights as set forth herein) including its right to receive and collect Base Rental payments from the City under the Lease and its right as may be necessary to enforce payment of the Base Rental payments. The Trustee will apply Base Rental it receives to pay principal and interest on the 2010 Bonds when due according to the Trust Agreement (hereinafter defined), which governs the security and terms of payment of the 2010 Bonds.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City and the Corporation have no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" herein.

Quotations from and summaries and explanations of the 2010 Bonds, the Trust Agreement, the Lease, the Facilities Lease, the resolutions providing for the execution and delivery of the 2010 Bonds, and provisions of the constitution and statutes of the State of California (the "State"), the City's Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the 2010 Bonds are available from the City through the Office of Public Finance, City Hall Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City or the Corporation, or were not prepared, reviewed and approved by the City or the Corporation with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The corporate limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's most recently completed Comprehensive Annual Financial Report (the "CAFR") for fiscal year 2008-09 estimated the City's 2009 population at 818,887.

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* Preliminary, subject to change.

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

The City is a major convention and tourist destination. According to the San Francisco Convention & Visitors Bureau, a nonprofit membership organization, during the calendar year 2009, approximately 15.4 million people visited the City and spent an estimated $7.8 billion. The City is also a leading center for financial activity in California and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The Controller of the City (the "Controller") estimates that per-capita personal income of the City for 2009 was $71,764. The San Francisco Unified School District operates 67 elementary school sites, 14 middle schools, 19 senior high schools, 2 adult education programs, and 42 state-funded preschool sites, and sponsors 9 independent charter schools. Higher education institutions located in the City include the University of San Francisco, California State University-San Francisco, University of California-San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2008-09, SFO serviced approximately 36.4 million passengers and handled 420,784 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula), Caltrain (a conventional commuter rail line linking the City with the Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of California, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Gavin Newsom has served as the Mayor of the City since 2004. The City's fiscal year 2009-10 adopted budget includes $6.6 billion of expenditures and reserves, of which $3.1 billion was allocated to the General Fund of the City and $3.5 billion was allocated to all other funds, including enterprise fund departments, such as the San Francisco International Airport, San Francisco Municipal Transportation Authority, and the San Francisco Public Utilities Commission. The CAFR estimates that the City employed approximately 29,300 full-time-equivalent employees at the end of fiscal year 2008-09. Fiscal year 2009-10 total assessed valuation of taxable property in the City is approximately $157.6 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009."

The Corporation

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors. The purpose of the Corporation is to provide a means to 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. For additional information on the Corporation, see "THE CORPORATION."

RECENT DEVELOPMENTS

The information contained in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" was prepared by the City for inclusion in official statements relating to bonds of the City and updated to May 7, 2010. The following information supplements and amends the information set forth in Appendix A as of the date of this Official Statement. Investors are advised to carefully consider the information presented below, together with other information presented in this Official Statement, in order to make an informed investment decision.

Controller's Revenue Letter

Charter Section 9.102 requires that the Controller provide the Board of Supervisors with an opinion regarding the accuracy of economic assumptions underlying the revenue estimates in the proposed budget and the reasonableness of such estimates and revisions. The City Controller's Revenue Letter (the "Revenue Letter") was released on June 10, 2010. The Revenue Letter finds that the Mayor's fiscal year 2010-11 Proposed Budget contains reasonable revenue projections, with three important cautions: First, the budget contains $123 million in revenue for which federal approval is required but not yet received. Second, the State budget could include cuts to State revenues in excess of the $30 million envisioned in the Mayor's budget. If this occurs, mid-year reductions to the City's budget may be required. Third, the budget assumes $19 million in revenue that requires additional action by the voters and/or the Board of Supervisors. The General Fund budget contains $257 million in one-time sources; the loss of these sources and increasing costs indicate that the budget gap for fiscal year 2011-12 is likely to approach or exceed $400 million if current service and employment levels are to be maintained.

Fiscal Year 2010-11 Proposed Budget

On June 1, 2010, Mayor Newsom introduced his fiscal year 2010-11 Proposed Budget to the Board of Supervisors. The fiscal year 2010-11 Proposed Budget balances the $482.7 million deficit for fiscal year 2010-11 projected in the Joint Report. The total Proposed Budget is $6.48 billion, a reduction of $105 million from the fiscal year 2009-10 Original Budget of $6.59 billion. The General Fund portion of the Proposed Budget is $2.95 billion, a reduction of $98 million from the fiscal year 2009-10 Original Budget of $3.05 billion. Funded positions in the Proposed Budget total 25,866, a reduction of 856 from the fiscal year 2009-10 Original Budget.

The Controller's Office has identified approximately $142 million in uncertain General Fund revenues in the Proposed Budget and has reserved that amount in departmental salary and fringe benefit budgets, subject to the outcome of certain events as described below.

These revenues include:

- $88 million in California A.B. 1383/A.B. 188 hospital fee revenues contingent upon approval of the State plan amendment submitted to the U.S. Department of Health & Human Services – Center for Medicare and Medicaid Services;

- $22.5 million from extension of the enhanced Federal Medical Assistance Percentage ("FMAP") funding ratio, pending Congressional approval;

- $12.6 million in federal mental health funding, contingent upon federal approval of the State plan amendment;

- $8 million in condominium conversion fee revenues, pending Board of Supervisors approval and implementation of the proposed program;

- $6 million in enhanced hotel tax (transient occupancy tax) revenues, pending voter approval of a proposed business and tax regulations code amendment that may appear on the City's November 2010 ballot;

- $2.5 million in solid waste impound account surcharge revenues, pending completion of associated administrative procedures and implementation of the proposed surcharge; and

- $2.5 million in cigarette fee revenues, subject to the successful outcome of pending litigation.

Assessment Appeals

On May 26, 2010, the Assessor announced that the City will review approximately 6,460 appeals timely filed by residential property owners with respect to fiscal year 2010-11 property assessments, an increase of approximately 46% over the prior year. During fiscal year 2009-10, the Assessor's office granted 11,700 temporary reductions in residential property assessed value, both to property owners who filed appeals and to others on the initiative of the Assessor, all of which are subject to review for the coming year. The volume of appeals is not an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. The value of residential properties is relatively small compared to that of commercial properties, which comprise the City's largest taxpayers. See Appendix A, Table A-8, "Top 10 Principal Assessed Parcels." City revenue estimates already take into account a projected loss from pending and future assessment appeals.

Labor Relations

Appendix A discusses the status of the City's contract negotiations with all of its employees' bargaining units regarding concessions proposed by the Mayor to address the City's projected budget shortfall for fiscal years 2009-10 and 2010-11.

In May 2010, the Public Employees Committee and each of its member unions and the City reached agreement to have employees take twelve unpaid furlough days, the equivalent of a 4.62% reduction for fiscal years 2010-11 and 2011-12. In addition, the Firefighters Union, the Police Officers' Association, Staff and Per Diem Nurses, and MTA's transit operators all independently reached tentative agreements with the City to forego planned wage increases during fiscal years 2010-11 and 2011-12. In exchange, the City will rescind previously noticed layoffs. These contract concessions are in line with those agreed to by other employee groups, and are currently pending approval by the relevant union membership. The total of all labor concessions is estimated to save the City approximately $91 million in salaries and fringe benefit costs for fiscal year 2010-11.

THE 2010 BONDS

Authority for Execution and Delivery

The 2010 Bonds are being executed and delivered pursuant to a Master Trust Agreement, dated as of July 1, 2010 (the "Trust Agreement"), by and between the Corporation and the Trustee, and in accordance with the Charter of the City and County of San Francisco (the "Charter"). Principal of and interest on the 2010 Bonds are payable from, and are secured by a charge and lien on, the Base Rental payments payable by the City pursuant to a Master Lease, dated as of July 1, 2010 (the "Lease"), by and between the Corporation, as lessor, and the City, as lessee, and amounts held in the funds and accounts established pursuant to the Trust Agreement (except the Rebate Fund). The City is obligated under the Lease to pay Base Rental in consideration for its use and occupancy of the Leased Property. The Leased Property was originally conveyed to the Corporation pursuant to a Facilities Lease, dated as of July 1, 2010 (the "Facilities Lease"), by and between the City, as lessor, and the Corporation, as lessee. Pursuant to the Assignment Agreement, dated as of July 1, 2010 (the "Assignment Agreement"), between the Corporation and the Trustee, the Corporation assigns to the Trustee all its rights, title and interest under the Lease and the Facilities Lease, including, without limitation, the rights to receive the Base Rental payments that are made by the City.

A portion of the proceeds of the 2010 Bonds will be used to refund the Prior Bonds (as hereinafter defined). See "—Purpose" herein. Under Section 9.108 of the Charter, no voter approval is required for the authorization, issuance and sale of refunding bonds which are expected to result in net savings in rental payments to the City on a present value basis. The Resolution (as hereinafter defined) finds that refunding the Prior Bonds is expected to result in net savings in rental payments to the City on a present value basis.

The Trust Agreement, the Lease, the Facilities Lease, and the Assignment Agreement were approved by the Board of Supervisors of the City by its Resolution No. 271-10, adopted on June 15, 2010, and signed by the Mayor on June 22, 2010 (the "Resolution"). The Resolution authorized the execution and delivery of up to $24,000,000 aggregate principal amount of the 2010 Bonds under the Trust Agreement.

Purpose

The 2010 Bonds are being sold to provide funds to: (i) refund certain outstanding bonds of the Corporation (the "Prior Bonds"); (ii) fund the Reserve Fund established under the Trust Agreement; and (iii) pay costs associated with the issuance of the 2010 Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS" herein for a further description of the expected application of the proceeds of the sale of the 2010 Bonds. The Prior Bonds consist of four series of bonds currently outstanding in the following amounts:

- $15,810,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1997 (Combined Emergency Communications Center);
- $2,230,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998 (Combined Emergency Communications System Equipment);
- $3,895,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1998-I (Citywide Emergency Radio System); and
- $4,900,000 City and County of San Francisco Finance Corporation Lease Revenue Bonds, Series 1999-I (Citywide Emergency Radio System).

Form and Registration

The 2010 Bonds are being executed and delivered in the aggregate principal amount shown on the cover hereof.

The 2010 Bonds are being issued in the principal amounts set forth on the cover hereof, in the denomination of $5,000 each or any integral multiple thereof, and will be dated their date of delivery. The 2010 Bonds are issued in fully registered form, without coupons. The 2010 Bonds will be initially registered in the name of Cede & Co. as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, which is required to remit payments of principal and interest to the DTC Participants for subsequent disbursement to the beneficial owners of the 2010 Bonds. See APPENDIX E: "DTC AND THE BOOK–ENTRY ONLY SYSTEM."

Payment of Principal and Interest

The principal of the 2010 Bonds shall be payable on April 1 of each year shown on the inside cover hereof, or upon redemption prior thereto, and shall evidence and represent the sum of the principal components of the Base Rental payments. Payment of the principal and premium, if any, of the 2010 Bonds upon their respective payment dates or redemption prior thereto, will be made upon presentation and surrender of such 2010 Bonds at the Principal Corporate Trust Office of the Trustee in San Francisco, California. Principal and premium shall be payable in lawful money of the United States of America.

Interest on the 2010 Bonds, until the maturity or earlier redemption thereof, is payable on April 1 and October 1 of each year (each an "Interest Payment Date"), beginning on October 1, 2010, and continuing to and including their payment dates or until redemption thereto, and shall evidence and represent the sum of the interest components of the Base Rental payments. Interest with respect to the 2010 Bonds will be calculated on the basis of a 360-day year composed of twelve 30-day months. 2010 Bonds authenticated and registered on any date prior to the close of business on the first Record Date (as defined below) shall bear interest from the date of the 2010 Bonds. 2010 Bonds authenticated during the period between any Record Date and the close of business on its corresponding

Interest Payment Date shall bear interest from such Interest Payment Date. Any other 2010 Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication; provided, however, that if, at the time of authentication of any 2010 Bond, interest is then in default on outstanding 2010 Bonds, such 2010 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

The interest represented by the 2010 Bonds is payable by check mailed to the Owners at the addresses appearing on the 2010 Bond registration books as of the close of business on the fifteenth day of the calendar month preceding the calendar month in which any Interest Payment Date occurs regardless of whether or not such day is a Business Day (the "Record Date"); provided that upon the written request of at least $1,000,000 in aggregate principal amount of 2010 Bonds on or prior to the applicable Record Date, such payment shall be paid by wire transfer in immediately available funds to an account with a financial institution within the continental limits of the United States of America designated by such Owner.

Redemption Provisions

Extraordinary Mandatory Redemption

The 2010 Bonds are subject to extraordinary mandatory redemption, as a whole, or in part by lot within any maturity if less than all of the 2010 Bonds of such maturity are to be redeemed, from proceeds of insurance or proceeds of eminent domain proceedings, upon the terms and conditions of, and as provided for in the Trust Agreement, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Optional Redemption

The 2010 Bonds maturing on or before April 1, 2020* are not subject to optional redemption prior to maturity. The 2010 Bonds maturing on or after April 1, 2021* are subject to optional redemption prior to maturity on or after April 1, 2020* at the option of the City, as a whole or in part on any date from such maturities as are selected by the City, from amounts deposited with the Trustee or an independent fiscal agent from any funds available therefor (other than proceeds from insurance or eminent domain proceedings), at a redemption price equal to 100% of the principal amount of 2010 Bonds to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

Optional redemption of the 2010 Bonds is conditioned upon the prior delivery to the Trustee and the trustees of any Parity Bonds of a Certificate of the City to the effect that the Base Rental remaining under the Lease after the proposed redemption will be sufficient to pay when due the principal of and interest on the 2010 Bonds remaining Outstanding after such proposed redemption.

Mandatory Sinking Fund Redemption

The 2010 Bonds maturing on April 1, 20__, are also subject to redemption prior to their stated maturity dates, in part, by lot, from mandatory sinking fund payments, at a redemption price equal to the principal amount thereof, without premium, plus accrued interest thereon, on April 1 in each of the years and in the amounts set forth below:

Mandatory Sinking Fund Payment Date (April 1)	Sinking Fund Payment
	$
†	

† Maturity.

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* Preliminary, subject to change.

If some, but not all of the 2010 Bonds have been optionally redeemed as described above, the total amount of all sinking account payments shall be reduced by the aggregate principal amount of the 2010 Bonds so redeemed to be allocated among such sinking account payments as determined by the City.

Selection of 2010 Bonds for Redemption

For purposes of selecting the 2010 Bonds for redemption, the 2010 Bonds shall be deemed to be composed of $5,000 portions or any integral multiple of such amount. Whenever less than all the Outstanding 2010 Bonds maturing on any one date are called for redemption pursuant to the provisions of the Trust Agreement at any one time, the Trustee will select the portions to be redeemed by lot in any manner that the Trustee deems appropriate. If less than all the Outstanding 2010 Bonds are called for redemption pursuant to such provisions at any one time, the City shall designate the maturity or maturities and specify to the Trustee a principal amount in each maturity to be redeemed; provided, that if the City specifies the 2010 Bonds to be redeemed in a manner that results in other than approximately equal annual debt service on the 2010 Bonds Outstanding following such redemption, the City is required to, at the time of such specification, deliver a Certificate of the City to the effect that the resulting Base Rental and Additional Rental payable during the remaining term of the Lease will not exceed the fair rental value of the Leased Property during each subsequent Fiscal Year.

Upon the surrender of any 2010 Bond redeemed in part only, the Trustee is required to execute and deliver to the Owners thereof, at the expense of the City, a new 2010 Bond or 2010 Bonds of authorized denominations equal to the unredeemed portion of the 2010 Bond surrendered and of the same series, interest rate and maturity. Such partial redemption is valid upon payment or provision for the payment of the amount required to be paid to such Owner, and the Corporation, the City and the Trustee will be released and discharged thereupon from all liability to the extent of such payment.

Notice of Redemption

The Trustee is required to mail notice of redemption by first-class mail, postage prepaid, at least 30 but not more than 45 days before any redemption date, to the Owners of the 2010 Bonds to be redeemed, to DTC, and to the Information Services; provided, however, that so long as the DTC book-entry system is used for any 2010 Bonds, notice with respect thereto shall be given solely to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See “CONTINUING DISCLOSURE” herein.

Each notice of redemption shall specify: (i) the 2010 Bonds or designated portions of 2010 Bonds (in the case of redemption of the 2010 Bonds in part but not in whole) that are to be redeemed, (ii) the date of redemption, (iii) the place or places where the redemption will be made, including the name and address of any trustee, (iv) the redemption price, (v) the CUSIP numbers (if any) assigned to the 2010 Bonds to be redeemed, (vi) the bond numbers of the 2010 Bonds to be redeemed in whole or in part and, in the case of any 2010 Bond to be redeemed in part only, the amount of such 2010 Bond to be redeemed, (vii) the original issue date and stated maturity date of each 2010 Bond to be redeemed in whole or in part, and (viii) whether such redemption is conditioned upon the receipt of funds or any other event. Such redemption notice shall further state that on the specified date there shall become due and payable upon each 2010 Bond or portion of a 2010 Bond being redeemed the redemption price, together with interest accrued but unpaid to the redemption date, and that from and after such date, if sufficient funds are available for redemption, interest on such 2010 Bonds shall cease to accrue and be payable.

Effect of Notice of Redemption

When notice of redemption has been duly given as provided in the Trust Agreement and moneys for the redemption of the 2010 Bonds to be redeemed, together with interest to such redemption date, are held by the Trustee, then, from and after such redemption date, interest on such 2010 Bonds will cease to accrue and such 2010 Bonds will cease to be entitled to any benefit or security under the Trust Agreement except for the right of the Owners to receive payment of the redemption price thereof.

Cancellation of Redemption

Notwithstanding any other provision of the Trust Agreement, if any 2010 Bonds are subject to extraordinary mandatory or optional redemption in accordance with the Trust Agreement and the Trustee does not have on deposit available moneys sufficient to redeem the principal of plus the applicable premium, if any, and interest on all of the 2010 Bonds proposed to be redeemed on the date fixed for redemption, the redemption shall be cancelled and in each and every such case, the Corporation, the Trustee and the Owners, as the case may be, shall be restored to their former positions and rights under the Trust Agreement. A cancellation of a redemption does not constitute an event of default under the Trust Agreement nor an event that with the passage of time of giving of notice or both will constitute an event of default under the Trust Agreement, and the Trustee, the Corporation and the City will have no liability from such cancellation.

Purchase of 2010 Bonds

Unless expressly provided otherwise in the Trust Agreement, money held in the Revenue Fund may be used to reimburse the Corporation for the purchase of the 2010 Bonds that would otherwise be subject to redemption from such moneys upon the delivery of such 2010 Bonds to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select the 2010 Bonds for redemption. The purchase price of any 2010 Bonds purchased by the Corporation under the Trust Agreement will not exceed the applicable redemption price of such 2010 Bonds. All 2010 Bonds so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to redeem such 2010 Bonds from such moneys.

PLAN OF REFUNDING

Proceeds of the 2010 Bonds will be applied to refund, on a current basis, all of the outstanding principal amount of the Prior Bonds, to fund the Reserve Fund established under the Trust Agreement and to pay costs of issuance of the 2010 Bonds. The Prior Bonds will be redeemed on the date of issuance and delivery of the 2010 Bonds (the "Redemption Date") at a redemption price of 100% of the principal amount thereof plus accrued and unpaid interest to the Redemption Date.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the 2010 Bonds are expected to be applied as follows:

Sources of Funds:	
Par Amount of 2010 Bonds	$
Less/Plus Original Issue Discount/Premium	
Total Sources	$
Uses of Funds:	
Redemption of Prior Bonds	$
Deposit to fund the Reserve Fund	
Deposit to Costs of Issuance Fund†	
Purchaser's Discount	
Total Uses	$

† Includes amounts for fees of co-bond counsel, disclosure counsel, financial advisory fees, rating agency fees, Trustee's fees and expenses, printing costs and other delivery costs.

DEBT SERVICE SCHEDULE

The Lease requires the City to make Base Rental payments on each March 15 and September 15 during the term of the Lease, commencing September 15, 2010. Base Rental shall be for the use and occupancy of the Leased Property for the Fiscal Year in which such March 15 or September 15 occurs, provided that the Base Rental paid on any

March 15 or September 15 shall be only for that portion of the applicable period and to the extent that the City has use and occupancy of the Leased Property.

The Trust Agreement requires that Base Rental payments be deposited in the Revenue Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing on October 1, 2010, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to the 2010 Bonds as the same shall become due and payable, in the following table:

Debt Service Schedule
City and County of San Francisco Finance Corporation
Lease Revenue Refunding Bonds, Series 2010-R1
(Emergency Communications System Refinancing)

Payment Date	Principal	Interest	Total Principal and Interest	Fiscal Year Total

SECURITY AND SOURCES OF PAYMENT FOR THE 2010 BONDS

Source of Payment

The 2010 Bonds are special limited obligations of the Corporation payable solely from and secured solely by the Revenues pledged therefor in the Trust Agreement, together with amounts on deposit from time to time in the funds and accounts held by the Trustee (other than the Rebate Fund). "Revenues" are defined as the proceeds of the 2010 Bonds, if any, deposited in the Revenue Fund and the Reserve Fund; that portion of the Base Rental payments made by the City that is received by the Trustee for the benefit of the Owners of the 2010 Bonds pursuant to the Assignment Agreement; other amounts received by the Trustee for the benefit of the Owners of the 2010 Bonds under the Assignment Agreement; and all other revenues, proceeds, charges, income, rents, receipts, profits, and benefits derived by the Corporation as lessor of the Leased Property under the Lease or otherwise from the use and operation of the Leased Property or arising out of the Leased Property (other than Additional Rental) and payable to the Trustee under the terms of the Assignment Agreement, including interest or profits from the investment of money in any fund or account created under the Trust Agreement (other than the Rebate Fund), any contributions from whatever source, and all rentals received by the Corporation as lessor of the Leased Property from any additions or extensions of the Leased Property hereafter acquired or constructed.

Covenant to Appropriate

The City has covenanted in the Lease to take such action as may be necessary to include all Base Rental and Additional Rental (collectively, the "Rental Payments") due under the Lease as a separate line item in its annual budget and to make the necessary annual appropriations for such Rental Payments, subject to the abatement provisions under the Lease. The Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law and by the Charter, and it is the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter to carry out and perform the covenants and agreements in the Lease.

If the City defaults on its covenant in the Lease to include all Rental Payments in the applicable annual budget and such default shall have continued for 30 days or more, the Trustee may, subject to applicable laws regarding use of such property, either terminate the Lease and re-let the Leased Property or may retain the Lease and hold the City liable for all Rental Payments on an annual basis.

For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER—INVESTMENT POLICY."

Base Rental; Additional Rental

Base Rental. The City has covenanted in the Lease that, so long as the City has the use and occupancy of the Leased Property, it will make Base Rental payments to the Corporation from any legally available funds of the City. The Trustee is required by the Trust Agreement to deposit in the Revenue Fund all Revenues, including Base Rental and certain other amounts received and required to be deposited therein.

Base Rental payments are due and payable by the City on March 15 and September 15 of each year during the term of the Lease, commencing September 15, 2010, provided that any such payment shall be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of or defects in the title to the Leased Property, the obligation of the City to make Base Rental payments is subject to abatement as described under "—Abatement of Base Rental Obligations," below. See also, "CERTAIN RISK FACTORS—Abatement."

Additional Rental. Additional Rental payments due from the City to the Corporation include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all reasonable administrative costs of the Corporation relating to the Leased Property, deposits required to be made to the Rebate Fund, if any, and all other necessary and reasonable administrative costs of the Corporation or charges required to be paid by it in order to maintain its existence or to comply with the terms of the 2010 Bonds, any Parity Bonds or of the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Lease.

Limited Obligation

THE 2010 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM BASE RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS (INCLUDING THE PROCEEDS OF THE SALE OF THE 2010 BONDS) HELD IN CERTAIN FUNDS AND ACCOUNTS ESTABLISHED PURSUANT TO THE TRUST AGREEMENT, OTHER THAN THE REBATE FUND. USE OF AMOUNTS HELD IN SUCH FUNDS AND ACCOUNTS IS SUBJECT TO THE PROVISIONS OF THE TRUST AGREEMENT PERMITTING THE APPLICATION OF SUCH AMOUNTS FOR THE PURPOSES AND ON THE TERMS AND CONDITIONS SET FORTH IN THE TRUST AGREEMENT. THE CORPORATION SHALL BE OBLIGATED TO PAY THE PRINCIPAL OF AND INTEREST ON THE 2010 BONDS ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE 2010 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE AN OBLIGATION OF THE CITY TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE 2010 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OF THE CITY, THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OF CALIFORNIA OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Abatement of Base Rental Payments

The City's obligation under the Lease to make Rental Payments shall be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material non-completion of any Bond Financed Facilities Component, material damage to or destruction of the Leased Property, or condemnation of or defects in the title of the Leased Property, except to the extent of (i) available amounts held by the Trustee in the Revenue Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the 2010 Bonds. In the case of abatement relating to the Leased Property, the amount of abatement will be equal to that amount by which the Rental Payments exceed the fair rental value of the Leased Property. The City is required to calculate such abatement and will provide the Corporation and the Trustee with a certificate setting forth such calculation and the basis therefor. Such abatement will continue for the period commencing with the date of material non-completion of a Bond Financed Facilities Component or the date of such damage or destruction of Leased Property and ending with the substantial completion of a Bond Financed Facilities Component or of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of the Lease will be extended by the period during which the rental is abated under the Lease, except that such extension will in no event extend beyond April 1, 2030.

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, the Lease requires the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the Lease for a period of at least 24 months. See "—Insurance" below. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance to make payments of principal and interest on the 2010 Bonds. The City is also required by the Lease to replace or repair Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay 2010 Bonds such that resulting Rental Payments are sufficient to pay all amounts due under the Lease and the Trust Agreement with respect to the 2010 Bonds remaining Outstanding. See "—Maintenance and Utilities; Changes to the Leased Property" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the Lease. See "—Substitution, Release and Addition of Leased Property" below. In addition, the Trust Agreement establishes a Reserve Fund and requires the Trustee to use any moneys on deposit in the Reserve Fund to make payments of principal and on the 2010 Bonds. See "—Reserve Fund," below.

Reserve Fund

The Trust Agreement establishes a Reserve Fund that will be held by the Trustee. The Reserve Fund shall be available to support payments with respect to any Bonds issued pursuant to the Trust Agreement. The Reserve Fund Requirement with respect to the Bonds, as of any date of as of any date of calculation, is the least of (i) 10% of the original principal amount of a series of Bonds, (ii) Maximum Annual Debt Service, or (iii) 125% of average Annual Debt Service. As of the date of delivery of the 2010 Bonds, the Reserve Fund Requirement is $_________. Simultaneously with the delivery of the 2010 Bonds, the City will cause to be deposited into the Reserve Fund a portion of the proceeds of the 2010 Bonds, which amount will be sufficient to bring the Reserve Fund up to the Reserve Fund Requirement.

On each Interest Payment Date, after making all payments required under the Trust Agreement, the Trustee shall deposit in the Reserve Fund such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement; provided, however, that failure to so maintain such amounts on deposit in the Reserve Fund (because such amounts have been used for the purpose for which the Reserve Fund has been established) shall not constitute an event of default under the Trust Agreement, but only if and to the extent Revenues are not available for such purpose.

At the option of the Corporation, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, with the deposit of a Credit Facility with the Trustee; provided that (i) such substitution will not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Corporation is required under the Trust Agreement to notify each Rating Agency prior to making any such substitution), and (ii) the Trustee receives, prior to any such substitution becoming effective, an Opinion of Bond Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall, subject to any limitations in the Tax Certificate, be transferred to another fund established and held pursuant to the Trust Agreement as directed by the City in a Request of the City.

Moneys in (or available to) the Reserve Fund will be applied solely for the purpose of paying the interest on the Bonds as the same shall become due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Trust Agreement, or for the purpose of paying the principal of the Bonds as the same become due (in both instances, however, only to the extent that there are insufficient moneys available for such purposes in the Revenue Fund).

Any moneys in excess of the Reserve Fund Requirement in the Reserve Fund shall, on or before any April 15 or October 15 occurring while any Bonds are Outstanding, be transferred to the Revenue Fund or, to the extent provided in the Trust Agreement, to the Rebate Fund, or, subject to any limitations in the Tax Certificate, to such other fund or account under this Trust Agreement as directed in a Request of the City.

Maintenance and Utilities; Changes to the Leased Property

The Lease requires the City to maintain or cause to be maintained the Leased Property in good order, condition and repair during the term of the Lease. The Trust Agreement requires that if the Leased Property or any portion thereof is damaged or destroyed, the City must elect to either redeem the 2010 Bonds or replace or repair the affected portion of the Leased Property in accordance with the Lease. Throughout the term of the Lease, as part of the consideration for rental payments with respect to the Leased Property, all improvements, repairs, landscaping and maintenance of the Leased Property will be the responsibility of the City, and the City is required to pay for or otherwise arrange for the payment of all utility services supplied to the Leased Property and will pay or otherwise arrange for payment of the cost of the repair and replacement of the Leased Property resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee of the City.

The City has the right during the term of the Lease to make additions, alterations or improvements to, or to attach fixtures, structures or signs to, the Leased Property if said additions, alterations, improvements, fixtures, structures and signs are necessary or beneficial for the use of the Leased Property by the City. The City may remove any fixture, structure or sign added by the City; provided that such removal not materially impair the City's beneficial use of the Leased Property or reduce the annual fair rental value of the Leased Property below the maximum annual Base Rental and Additional Rental payable under the Lease.

Insurance

The Lease requires the City to maintain or cause to be maintained throughout the term of the Lease: (i) general liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the Leased Property in the minimum amount of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained; (ii) with respect to any Bond Financed Facilities Component financed with the proceeds of Parity Bonds, builder's risk insurance throughout the course of construction in an amount equal to the Outstanding principal amount of the Bonds (to the extent commercially available), but in no event less than the completed value of the applicable Bond Financed Facilities Component, which insurance shall be maintained until substantial completion of such Bond Financed Facilities Component; and (iii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of the Bonds, with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance, including a replacement cost endorsement. The City must also maintain (i) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City for a period of at least 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under the Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by the Lease (with respect to a Bond Financed Facilities Component such insurance coverage will commence upon substantial completion of the Bond Financed Facilities Component); and (ii) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident (with respect to a Bond Financed Facilities Component such insurance coverage will commence upon Substantial Completion).

The City is also required under the Lease to deliver to the Trustee, on the date of issuance and delivery of each Series of Bonds, evidence of the commitment of a title insurance company to issue a CLTA policy of title insurance, in an amount at least equal to the initial aggregate principal amount of such Bonds, showing a leasehold interest in the name of the City and naming the insured parties as the Trustee, for the benefit of the Owners of the Bonds.

The Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount of the 2010 Bonds (to the extent commercially available) or the replacement cost of the Leased Property; provided that no such earthquake insurance is required if the Risk Manager of the City files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies. Based upon the recommendation of the Risk Manager of the City, earthquake insurance is not required at this time.

The City may self-insure against any of the risks required to be insured against in the lease, except for rental interruption and title defect.

Eminent Domain

If all of the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Lease, is taken under the power of eminent domain: (i) the City may, at its option, replace the Leased Property or (ii) the Lease will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of 2010 Bonds. If less than a substantial portion of the Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the Lease shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of the Leased Property taken or to the partial prepayment of 2010 Bonds. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—TRUST AGREEMENT—Eminent Domain" and "—THE LEASE—Eminent Domain."

Substitution of Property

Whenever the City determines that the annual fair rental value of proposed substitute facilities (the "Substitute Facilities") is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid under the Lease and that the Substitute Facilities are complete and available for beneficial use and occupancy by the City, the City may, without the consent of the Owners, amend the Lease and the definition of "Facilities" and "Site", as applicable, to substitute (a "Substitution") such Substitute Facilities for all or a portion of the Leased Property leased under the Lease upon compliance with all of the conditions set forth in the Lease, and following a Substitution, all or a portion of the Leased Property originally leased under the Lease will be released from the leasehold thereunder, as appropriate. The Corporation and the City shall also make any amendments needed to be made to this Lease, and shall enter into or amend or supplement any necessary site, ground or facilities leases, including, without limitation, the Facilities Lease, in connection with such Substitution. Such amendments may be made without the consent of Owners. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS—THE LEASE—Substitution, Release and Addition of Leased Property."

Investment of Funds under the Trust Agreement

Any moneys in any of the funds established by the Trustee pursuant to the Trust Agreement, upon the Request of the City, shall be invested in Permitted Investments (subject in each case to the limitations as to maturities set forth in the Trust Agreement). The Trustee shall notify the City not less than two Business Days prior to the date moneys held thereunder will be available for investment requesting that the City deliver to the Trustee a Request of the City specifying the Permitted Investments to be acquired by the Trustee with such moneys. The City, in issuing such Request, shall comply with the restrictions and instructions set forth in the Tax Certificate. Moneys in all funds and accounts held thereunder shall be invested in obligations that will, as nearly as practicable, mature on or before the date on which the invested moneys are estimated by the City to be required for expenditure.

Additional Bonds; Parity Bonds and Pre-Parity Bonds

Under the Trust Agreement and the Lease, the Corporation may issue Parity Bonds payable from Base Rental on a parity with the 2010 Bonds, but only to provide funds (i) for the acquisition, construction, reconstruction, rehabilitation, or improvement of components of the Project, (ii) for the completion of any components of the Project being financed with the proceeds of Bonds, or (iii) to refund Bonds. In connection with the issuance of Parity Bonds or Pre-Parity Bonds (defined below) to provide funds for the acquisition, construction, reconstruction, rehabilitation, or improvement or completion of additional components of the Project, the following conditions and requirements are required to be satisfied prior to such issuance:

(i) The Corporation and the City are required to (a) amend as necessary the definition of "Facilities" attached to the Lease to reflect the addition of facilities under the Lease, or, if applicable, to reflect the addition of improvements to be financed with the proceeds of Parity Bonds or which then exist on the real property to be added to the definition of "Site," (b) amend as necessary the definition of "Site" attached to the Lease to reflect the addition of real property to the Site under the Lease, (c) amend the Base Rental Payment Schedule attached to the Lease such that the Base Rental scheduled to be paid under the Lease is sufficient to pay debt service when due on the Bonds Outstanding after the issuance of such Parity Bonds, and (d) make any other amendments necessary in connection with the issuance of the Parity Bonds, provided that no such amendment shall cause the ratings on any Outstanding Bonds to be downgraded;

(ii) The City has delivered to the Trustee a Certificate of the City to the effect that the Base Rental scheduled to be paid under the Lease does not exceed the fair rental value of the Leased Property as amended in connection with the issuance of such Parity Bonds;

(iii) The Parity Bond Instrument pursuant to which the Parity Bonds are issued provides that the interest payment dates for such Parity Bonds shall be April 1 and October 1 and the principal payment date for such Parity Bonds shall be April 1; and

(iv) The Corporation and the Trustee execute a new Assignment Agreement reflecting the issuance of the Parity Bonds.

Notwithstanding the foregoing, if Parity Bonds are issued prior to the completion of a Bond Financed Facilities Component (such bonds being herein referred to as the "Pre-Parity Bonds"), the Corporation and the City may, rather than revising the Base Rental Payment Schedule, provide a separate Base Rental Payment Schedule (the "Pre-Parity Base Rental Schedule") relating solely to a Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. The payments scheduled to be made under such Pre-Parity Base Rental Payment Schedule, together with any available funds set aside for capitalized interest, shall be sufficient to pay debt service on such Pre-Parity Bonds and shall not exceed the fair rental value of a Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. Upon the delivery of the Certificate of Substantial Completion (as defined in the Lease) with respect to a Bond Financed Facilities Component being financed with the proceeds of such Pre-Parity Bonds, the Base Rental Payment Schedule relating to the 2010 Bonds and any previously issued Parity Bonds shall then be revised as described above. Prior to the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as described above, the Pre-Parity Bonds shall only be secured by the payments to be made under the Pre-Parity Base Rental Payment Schedule. After the delivery of the Certificate of Substantial Completion and the revision of the Base Rental Payment Schedule as set forth above, such Pre-Parity Bonds shall become Parity Bonds and will be equally and ratably secured with all Outstanding Bonds by Base Rental to be paid pursuant to the Base Rental Payment Schedule.

If Parity Bonds are issued, they will be entitled, subject to the requirements set forth in the Lease, the Facilities Lease, and the Trust Agreement, to a pledge and assignment of, and security interest in, the Base Rental (including amounts received as insurance or condemnation proceeds) on a parity with the pledge and assignment of, and security interest in, the Base Rental established under the Trust Agreement for the benefit of the Owners of the 2010 Bonds.

THE LEASED PROPERTY

The Leased Property consists of the land and office building that houses the San Francisco Department of Emergency Management ("DEM") located at 1011 Turk Street. DEM was created in 2006 by local legislation that reorganized the Emergency Communications Department and the Office of Emergency Services into a single agency under the office of the Mayor. DEM consists of two divisions. The Division of Emergency Communications provides 9-1-1 emergency dispatch services for police, fire, and the emergency medical system. The Division of Emergency Services ("DES") coordinates disaster preparation and response planning in partnership with City agencies, non-profit entities, schools, and the private sector. DES also houses the Emergency Medical Services Agency, which coordinates all of the components of the City's prehospital care system.

The office building is an approximately 55,000-square foot, two-story building built above a partially underground parking structure. The building was completed in 1999 and cost approximately $18,800,000 to construct. A portion of the proceeds of the Prior Bonds were used to construct the building. The building is a braced, steel-frame structure with a metal deck and concrete slabs above a reinforced concrete basement and grade beam foundation. The two floors are structurally "base isolated" above the fixed concrete basement such that the two floors could move approximately two feet in any direction in the event of a major seismic event without significant damage. The building is equipped with a fire suppression system. Electrical power is provided underground and filtered through an uninterruptable power supply, and the building is also equipped with emergency power generators. The parcel of land that is part of the Leased Property is approximately 36,600 square feet. The City's Real Estate Division estimates that the value of the Leased Property (excluding the value of the land) is $24,750,000.

CERTAIN RISK FACTORS

The following risk factors should be considered by potential investors, along with all other information in this Official Statement, in evaluating the risks inherent in the purchase of the 2010 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the 2010 Bonds. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the 2010 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental payments does not constitute an obligation of the City to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The 2010 Bonds are payable solely from Base Rental payments made by the City pursuant to the Lease and amounts held in the Reserve Fund and the Revenue Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City shall be obligated to make Rental Payments subject to the terms of the Lease, and neither the City nor any of its officers shall incur any liability or any other obligation with respect to the delivery of the 2010 Bonds.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the 2010 Bonds. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CAPITAL FINANCING AND BONDS—General Obligation Bonds Authorized but Unissued," "—Overlapping Debt," and "—Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009."

Abatement

The obligation of the City under the Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property.

The amount of Base Rental payments due under the Lease will be abated in whole or in part during any period in which by reason of damage, destruction, condemnation or title defect there is substantial interference with the use and right of occupancy of the Leased Property or any portion thereof. The amount of rental abatement will be that amount by which the Rental Payments exceed the fair rental value of the Leased Property. Such abatement will continue for the period commencing with the date of material non-completion of a Bond Financed Facilities Component or the date of such damage or destruction of the Leased Property and ending with the substantial completion of a Bond Financed Facilities Component or of the work of repair or replacement of the Leased Property so damaged or destroyed; and the term of the Lease will be extended by the period during which the rental is abated under the Lease, but in no event beyond April 1, 2030.

Reserve Fund moneys and the proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the 2010 Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the 2010 Bonds as such amounts become due. See "SECURITY AND SOURCES OF

PAYMENT FOR THE 2010 BONDS – Insurance" and " – Maintenance and Utilities; Changes to Leased Property" for additional provisions governing damage to the Leased Property.

In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Fund after such payments may be less than the Reserve Fund Requirement. The City is not required by the Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Fund to the Reserve Fund Requirement.

It is not possible to predict the circumstances under which an abatement of Base Rental payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the 2010 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the 2010 Bonds.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the Reserve Fund and any available insurance proceeds and other moneys available under the Trust Agreement are insufficient to make all payments with respect to the 2010 Bonds during the period that the Leased Property, or a portion thereof, are being restored, then all or a portion such payments may not be made and no remedy is available to the Trustee or the Owners under the Lease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest on, the 2010 Bonds as a result of abatement of the City's obligation to make Rental Payments under the Lease is not an event of default under the Trust Agreement or the Lease.

Notwithstanding the provisions of the Lease and the Trust Agreement specifying the extent of abatement of Base Rental and the application of other funds in the event of the City's failure to have use and possession of the Project, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of the remaining principal and interest with respect to the 2010 Bonds.

Limited Recourse on Default; Re-letting of the Leased Property

The Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may, subject to applicable laws regarding use of such property, take possession of and re-let the Leased Property, for account of the City. Re-letting might prove to be difficult or impossible, and the amounts received from any such-reletting may be insufficient to pay the scheduled principal and interest on the 2010 Bonds when due. The amounts received from such re-letting may be insufficient to pay the scheduled principal and interest on the 2010 Bonds when due, and the City is not required by the Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Fund to the Reserve Fund Requirement.

The Lease provides that upon the failure of the City to deposit with the Trustee any Base Rental within five calendar days after the same becomes due, or any Additional Rental within 30 calendar days after the same becomes due, or in the event that the City fails to keep, observe or perform any term, covenant, conditions or agreement contained in the Lease (and does not remedy such breach within 30 days or such additional time reasonably required to correct such default following notice thereof by the Corporation to the City), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of 2010 Bonds then Outstanding, shall proceed), without any further notice (i) to terminate the Lease, notwithstanding any re-entry or re-letting of the Leased Property, and re-enter the Leased Property and remove all persons, possessions and personal property therein; or (ii) without terminating the Lease, to collect each installment of Base Rental payments and exercise the right of entry or re-entry and re-let the Leased Property, provided that any such re-letting is for public purposes in accordance with the Charter; and (iii) to enforce all of its rights and remedies under the Lease by pursuing any remedy available in law or in equity.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Lease and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures, and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the 2010 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the 2010 Bonds will be qualified, as to the enforceability of the 2010 Bonds, the Trust Agreement, the Lease and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties in the State. See "CERTAIN RISK FACTORS—Bankruptcy" herein.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments for the term of the Lease. The Trustee's remedy would be to either terminate the Lease and re-let the Leased Property, or to retain the Lease and sue the City each year for Base Rental due in the year.

Substitution, Release and Addition of Leased Property

The Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property under specified conditions. See "SECURITY AND SOURCE OF PAYMENT FOR THE 2010 BONDS– Substitution of Property" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Lease – Substitution, Release and Addition of Leased Property." Although the Lease requires that the Substitute Facilities have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments and Additional Rental Payments yet unpaid under the Lease remaining due with respect to the Leased Property being replaced, it does not require that such Substitute Facilities have an annual fair rental value equal to the total annual fair rental value at the time of replacement of the Leased Property or portion thereof being replaced. In addition, such Substitute Facilities could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of the Leased Property could have an adverse effect on the security for the 2010 Bonds.

Seismic Risks

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about 3 miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. In addition to the potential damage to City-owned buildings and facilities, including the Facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

The obligation of the City to make payments of Base Rental may be abated if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City is not obligated under the Lease to maintain earthquake insurance on the Leased Property so long as the City's Risk Manager determines that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies, and the City does not expect to obtain earthquake insurance.

Risk Management and Insurance

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. The City is also required to maintain rental interruption insurance in an amount at least equal to 24 months of Base Rental payments. The Lease allows the City to insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as self-insurance. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Lease and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest on the 2010 Bonds when due.

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. For information concerning the self-insurance and risk management programs of the City see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—LITIGATION AND RISK MANAGEMENT—Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Article XIII B of the California Constitution."

Change in Law

No assurance can be given that the State or the City electorate will not at some future time adopt initiatives or that the State Legislature or the City's Board of Supervisors will not enact legislation that will amend the laws or the Constitution of the State, or the Charter, respectively, in a manner that could result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES—CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES—Articles XIII C and XIII D of the California Constitution."

No Liability of Corporation to the Owners

Except as expressly provided in the Trust Agreement, the Corporation will not have any obligation or liability to the Owners of the 2010 Bonds with respect to the payment when due of the Rental Payments by the City, or with respect to the performance by the City of other agreements and covenants required to be performed by it contained in the Lease or the Trust Agreement, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

Bankruptcy

In addition to the limitations on remedies contained in the Lease and the Trust Agreement, the rights and remedies provided therein may be limited by and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights.

Under Chapter 9 of the Bankruptcy Code (Title 11, United States Code), which governs the bankruptcy proceedings for local public agencies, there are no involuntary petitions in bankruptcy. It is not clear that the Corporation would be protected by Chapter 9 in an involuntary bankruptcy. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners, the Trustee and the Corporation could be prohibited or severely restricted from taking any steps to enforce their rights under the Lease, and from taking any steps to collect amounts due from the City under the Lease.

Although the Corporation's activities are limited and it generally does not have any assets or engage in activities that could give rise to debts and obligations, the City would not be able to prevent the Corporation from filing a petition for bankruptcy. The Corporation has entered into financing leases with the City and has issued bonds, which as of June 1, 2010, amount in the aggregate to $279,830,000 in outstanding principal (not including any Bonds authorized by the Trust Agreement). See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Lease Payments and Other Long-Term Obligations;" APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009," Note 8. In the event the Corporation declared bankruptcy or were declared a bankrupt, the bankruptcy court would have the power to review and abrogate lease arrangements entered into by the Corporation involving the assignment of revenues to other parties, including the Lease and the Trust Agreement. The court could order, at least for some period of time, that the Corporation not allow any of its revenues received from the City under the Lease to be paid over to the Trustee.

Other

There may be other Risk Factors inherent in ownership of the 2010 Bonds in addition to those described in this section.

THE CORPORATION

The Corporation is a nonprofit public benefit corporation duly organized and validly existing under the Nonprofit Public Benefit Corporation Law (Section 5110 et seq. of the California Corporations Code). The Corporation was formed in 1991 by the Chief Administrative Officer of the City pursuant to a resolution of the Board of Supervisors of the City. The purpose of the Corporation is to provide a means to 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 Corporation cannot issue obligations or enter into leases without the City's consent and participation.

The Corporation is governed by a three-member Board of Directors. Currently, there is one vacant seat on the Board of Directors. The initial Board of Directors was appointed by the Chief Administrative Officer of the City. Successive members of the Board of Directors are appointed by the existing Board of Directors to indefinite terms and serve without compensation. The Corporation has no employees. Pursuant to an Administrative Services Agreement dated May 23, 1997, between the City and the Corporation, the City provides administrative services to the Corporation.

Name	Date of Appointment
Marc Stad, President	November 17, 2005
Pamela S. Jue, Secretary/Chief Financial Officer	February 21, 2008

Outstanding Debt

In addition to the 2010 Bonds, the Corporation has issued other bonds secured by separate leases with the City. Additional bonds secured by separate leases with the City may be issued by the Corporation from time to time. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Overlapping Debt" and "– Lease Payments and Other Long-Term Obligations." No amount received by or on behalf of the Corporation with respect to any other bonds issued by the Corporation is available to secure payment of the 2010 Bonds.

TAX MATTERS

General

Federal tax law contains a number of requirements and restrictions which apply to the 2010 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed or refinanced with bond proceeds, and certain other matters. The Corporation and the City have each covenanted to comply with all requirements that must be satisfied in order for the interest on the 2010 Bonds to be excludible from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the 2010 Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the 2010 Bonds.

Subject to compliance by the Corporation and the City with their above-referenced covenants, under present law, in the separate opinions of Co-Bond Counsel, interest on the 2010 Bonds is excludible from the gross income of their owners for federal income tax purposes and thus will be exempt from present federal income taxes based upon gross income. Such interest is not included as an item of tax preference in computing the federal alternative minimum tax on individuals and corporations. A copy of the proposed form of the opinions to be rendered by Co-Bond Counsel is attached hereto as Appendix F.

The Internal Revenue Code of 1986, as amended (the "Code"), includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (excluding S Corporations, Regulated Investment Companies, Real Estate Investment Trusts, REMICS and FASITs) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). Under the American Recovery and Reinvestment Act of 2009, "adjusted current earnings" does not include interest on the 2010 Bonds.

Ownership of the 2010 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Co-Bond counsel will express no opinion with respect to any such collateral consequences with respect to the 2010 Bonds. Prospective purchasers of the 2010 Bonds should consult with their own tax advisors regarding any collateral consequences arising with respect to the 2010 Bonds described in this paragraph.

Original Issue Discount, Market Discount and Bond Premium

If the Issue Price of a maturity of the 2010 Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the 2010 Bonds (the "OID Bonds") and the principal amount payable at maturity is original issue discount. For this purpose, the "Issue Price" of a particular maturity of the 2010 Bonds is the first price at which a substantial amount of such maturity is sold to the public (excluding bond houses, brokers or other similar persons acing in the capacity of underwriters, placement agents or wholesalers). For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the Issuer complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Based upon the stated position of the Illinois Department of Revenue under Illinois income tax law, accreted original issue discount on such OID Bonds is subject to taxation as it accretes, even though there may not be a corresponding cash payment until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of 2010 Bonds who dispose of 2010 Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase 2010 Bonds in the initial public offering but at a price different from the Issue Price, or purchase 2010 Bonds subsequent to the initial public offering should consult their own tax advisors as to the consequences of any such transaction. For this purpose, the "Issue Price" of a particular maturity of the 2010 Bonds is the first price at which a substantial amount of such maturity is sold to the public (excluding bond houses, brokers or other similar persons acing in the capacity of underwriters, placement agents or wholesalers).

If a 2010 Bond is purchased at any time for a price that is less than the 2010 Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a 2010 Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a 2010 Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such 2010 Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the 2010 Bonds.

An investor may purchase a 2010 Bond for a price in excess of its stated principal amount at maturity. (Such 2010 Bond is referred to as a "Premium Bond"). Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Premium Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a Premium Bond. The amortized bond premium is treated as a reduction in the amount of tax-exempt interest received. As bond premium is amortized, it reduces the investor's basis in the 2010 Bond. Investors who purchase a Premium Bond should consult their own tax advisors regarding the amortization of bond premium and its effect on the Premium Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of such Premium Bond.

Co-Bond Counsel Opinions Based on Present Law

The opinions of Co-Bond Counsel and the descriptions of the tax law contained in this Official Statement are based on statutes, judicial decisions, regulations, rulings and other official interpretations of law in existence on the date the 2010 Bonds are issued. There can be no assurance that such law or those interpretations will not be changed or that new provisions of law will not be enacted or promulgated at any time while the 2010 Bonds are outstanding in a manner that would adversely affect the value or the tax treatment of ownership of the 2010 Bonds. Co-Bond Counsel have not undertaken to provide advice with respect to any such future changes.

In rendering their respective opinions on tax exemption, Co-Bond Counsel will receive and rely upon certifications and representations of facts, estimates and expectations furnished by the Corporation and the City which Co-Bond Counsel will not have verified independently.

Risk of Legislation or of Audit by Internal Revenue Service

From time to time, there are legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to in this section or adversely affect the market price or liquidity of the 2010 Bonds. It cannot be predicted whether or in what form any such proposal might be introduced in Congress or enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the 2010 Bonds should consult their own tax advisers regarding any pending or proposed federal tax legislation. Co-Bond Counsel will express no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service ("IRS") conducts a program of audits of issues of tax-exempt obligations to determine whether, in the view of the IRS, interest on such obligations is properly excluded from the gross income of the owners of such obligations for federal income tax purposes. Whether or not the IRS will decide to audit the 2010 Bonds cannot be predicted. If the IRS begins an audit of the 2010 Bonds, under current IRS procedures, the IRS will treat the Corporation as the taxpayer subject to the audit and the holders of the 2010 Bonds may not have the right to participate in the audit proceedings. The fact that an audit of the 2010 Bonds is pending could adversely affect the liquidity or market price of the 2010 Bonds until the audit is concluded even if the result of the audit is favorable.
Risk of Legislation

State and Local Taxes

Subject to compliance by the Corporation and the City with their above-referenced covenants, under present law, in the separate opinions of Co-Bond Counsel, interest on the 2010 Bonds is exempt from present California personal income taxes.

Ownership of the 2010 Bonds may result in other state and local tax consequences to certain taxpayers. Co-Bond Counsel will express no opinion with respect to any such state and local tax consequences with respect to the 2010 Bonds. Prospective purchasers of the 2010 Bonds should consult with their own tax advisors regarding any state and local tax consequences arising with respect to the 2010 Bonds.

Backup Withholding

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax-exempt obligations, including the 2010 Bonds, are in most cases required to be reported to the IRS. Additionally, backup withholding may apply to any such payments to any 2010 Bond owner who fails to provide an accurate Form W-9 Payers Request for Taxpayer Identification Number, or a substantially identical form, or to any 2010 Bond owner who is notified by the IRS of a failure to report all interest and dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

OTHER LEGAL MATTERS

The validity of the 2010 Bonds and certain other legal matters are subject to the approving opinions of Schiff Hardin LLP, San Francisco, California, and Lofton & Jennings, San Francisco, California, Co-Bond Counsel. Complete copies of the proposed forms of Co-Bond Counsel opinions are contained in Appendix F hereto, and will be made available to the initial purchasers of the 2010 Bonds at the time of the original delivery of the 2010 Bonds. Co-Bond Counsel undertake no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain legal matters will be passed upon for the City by the City Attorney and by Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel. Certain legal matters will be passed upon for the Corporation by Dannis Woliver Kelley.

Orrick, Herrington & Sutcliffe LLP has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the 2010 Bonds, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to attention of the attorneys at such firm rendering legal services in connection with such firm's role as disclosure counsel which caused them to believe that this Official Statement as of its date and as of the date of delivery of the 2010 Bonds contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. No purchaser or holder of the 2010 Bonds, or other person or party other than the Corporation, will be entitled to or may rely on such letter or Orrick, Herrington & Sutcliffe LLP's having acted in the role of disclosure counsel to the City.

PROFESSIONALS INVOLVED IN THE OFFERING

Grigsby & Associates, Inc., San Francisco, California and KNN Public Finance, a division of Zions First National Bank, Oakland, California, have served as Co-Financial Advisors to the City with respect to the issuance, sale and delivery of the 2010 Bonds. The Co-Financial Advisors have assisted the City in the review of this Official Statement and in other matters relating to the planning, structuring, and sale of the 2010 Bonds. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City or the Corporation to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the 2010 Bonds. The Bank of New York Mellon Trust Company, N.A. is acting as trustee and registrar with respect to the 2010 Bonds.

CONTINUING DISCLOSURE

The City, on behalf of the Corporation, has covenanted for the benefit of the holders and beneficial owners of the 2010 Bonds to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2009-10, which is due not later than March 27, 2011, and to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of material events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the initial purchasers of the 2010 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). The City has never failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

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

ABSENCE OF LITIGATION

The opinions of the Counsel to the Corporation and of the City Attorney, which will be addressed solely to the City and the Corporation, will be furnished to the initial purchaser at the time of the original delivery of the 2010 Bonds.

Corporation

No litigation is pending with service of process having been accomplished or, to the knowledge of the Counsel to the Corporation, threatened, concerning the validity of the Trust Agreement, the Lease, the Facilities Lease or the Assignment Agreement, or the entitlement to their respective offices of the officers of the City who will execute and deliver the 2010 Bonds and other documents and certificates in connection therewith. The Corporation will furnish to the initial purchasers of the 2010 Bonds a certificate of the Corporation as to the foregoing as of the time of the original delivery of the 2010 Bonds.

City

No litigation is pending or threatened concerning the validity of the 2010 Bonds, the Lease, the Facilities Lease, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver other documents and certificates in connection with the 2010 Bonds. The City will furnish to the initial purchasers of the 2010 Bonds a certificate of the City as to the foregoing as of the time of the original delivery of the 2010 Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aa3," "AA-," and "AA-," respectively, to the 2010 Bonds. Certain information not included in this Official Statement was supplied by the City and the Corporation to the rating agencies to be considered in evaluating the 2010 Bonds. On March 16, 2010, Moody's announced that it will recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in mid-April 2010, stating that the purpose of the recalibration is to enhance the comparability of credit ratings between municipal obligations and those issued by other entities, such as corporations. The rating assigned to the 2010 Bonds by Moody's was issued on Moody's global rating scale. On March 25, 2010, Fitch announced that it will recalibrate its ratings of U.S. municipal bond issues and issuers to its global rating scale beginning in April 2010, stating that the purpose of the recalibration is to enhance the comparability of credit ratings between municipal obligations and those issued by other entities, such as corporations. The rating assigned to the 2010 Bonds by Fitch was issued on Fitch global rating scale. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the 2010 Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE 2010 BONDS

The 2010 Bonds were sold at competitive bid on ________. The 2010 Bonds were awarded to ______ (the "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of $______. Under the terms of its bid, the Purchaser will be obligated to purchase all of the 2010 Bonds if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Bond Counsel, and certain other conditions to be satisfied by the City.

The Purchaser has certified the reoffering prices or yields for the 2010 Bonds set forth on the inside cover of this Official Statement, and the City and the Corporation take no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the 2010 Bonds is $______, and the Purchaser's gross compensation (or "spread") is $______. The Purchaser may offer and sell 2010 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover. The offering prices may be changed from time to time by the Purchaser.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement among the City, the Corporation and the initial purchasers or Owners and Beneficial Owners of any of the 2010 Bonds.

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

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: ____
President

CITY AND COUNTY OF SAN FRANCISCO

By: ____
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

This Appendix contains information that is current as of May 7, 2010.

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

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such specified documents and other information that is inconsistent with the information set forth in this Official Statement should be disregarded and no such other information is a part of or incorporated into this Appendix A.

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CITY GOVERNMENT AND ORGANIZATION

City Charter

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

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

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments", as they are not integrated into the City's General Fund operating budget. Enterprise fund departments are not necessarily self-supporting: San Francisco General Hospital, Laguna Honda Hospital, Muni operations, and DPT are subsidized by significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor and Board of Supervisors

Gavin Newsom has been serving since January 8, 2004 as the 42nd Mayor of the City. The Mayor is the chief executive officer of the City, with responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Newsom was first elected Mayor on December 9, 2003 and was re-elected to a second term as Mayor on November 6, 2007. Mayor Newsom served on the Board of Supervisors from 1997 to

2004. Mayor Newsom graduated from Santa Clara University in 1989 with a Bachelor of Arts degree in Political Science.

Table A-1 lists the current members of the Board of Supervisors.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
David Chiu, *Board President, District 3*	2008	2013
Michela Alioto-Pier, *District 2*	2004	2011
John Avalos, *District 11*	2008	2013
David Campos, *District 9*	2008	2013
Carmen Chu, *District 4*	2007	2011
Chris Daly, *District 6*	2000	2011
Bevan Dufty, *District 8*	2002	2011
Sean Elsbernd, *District 7*	2004	2013
Eric Mar, *District 1*	2008	2013
Sophie Maxwell, *District 10*	2000	2011
Ross Mirkarimi, *District 5*	2004	2013

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission. Mr. Herrera received his law degree from George Washington University School of Law and became a member of the California Bar in 1989.

Philip Y. Ting was elected to a four-year term as Assessor-Recorder of the City on November 7, 2006. The Assessor-Recorder administers the property tax assessment system of the City. Mr. Ting was first elected Assessor-Recorder at a special election held on November 8, 2005, after being appointed by Mayor Newsom in July 2005, upon the mid-term resignation of his predecessor. Mr. Ting's professional experience includes positions as senior consultant for Arthur Andersen, Associate Director of Governmental and Community Relations at San Francisco State University, and former Executive Director of the Asian Law Caucus.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2009. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

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

Edwin Lee was appointed to a five-year term as City Administrator by Mayor Newsom on April 26, 2005, and was confirmed by the Board of Supervisors in accordance with the Charter. The City Administrator bears responsibility for administrative services within the executive branch as assigned by the Mayor, and for administering policies and procedures regarding City bonds and contracts. Prior to this appointment, Mr. Lee served as the City's Director of Public Works. Mr. Lee previously worked as the City's Director of Purchasing and as the Director of the Human Rights Commission. Mr. Lee has also served as the Deputy Director of the Employee Relations Division and coordinator for the Mayor's Family Policy Task Force.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. The City's fiscal year 2009-10 adopted budget appropriated annual revenues, fund balance, transfers, and reserves of approximately $6.59 billion, of which the City's General Fund accounts for approximately $3.05 billion. Each year's budget legislation is prepared by the Mayor for the City departments, and must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes, and charges for services. A significant portion of the City's revenues comes in the form of intergovernmental transfers from the State and federal governments. Thus the City's fiscal well-being depends on the health of the local real estate market, the local business and tourist economy, and on budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors, and other City officials, and the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. In addition, the City's annual budget must be adopted before the State and federal budgets, adding uncertainty to the budget process, and imposing the need to be flexible so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

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

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfgov.org/controller. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on its conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS—Capital Plan" herein.

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

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

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

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Two-year budgets are being prepared for the following four pilot departments in fiscal year 2010-11: the Airport, the Port, the Public Utilities Commission, and MTA. MTA already implemented a two-year budgeting process as a result of the passage of a previous measure, also known as Proposition A, in November 2007. Two-year budgets will be prepared for all departments beginning with fiscal year 2011-12.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The Controller's Office will implement this requirement by expanding the time horizon of annual three-year revenue and expenditure projections to five years. The plan would include a forecast of expenditures and revenues, and proposed actions to balance them in light of strategic goals.

- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15 each year. Charges the Controller's Office with proposing to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt, and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office presented these financial policies to the Mayor and Board of Supervisors on March 1, 2010, as required by Proposition A. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent year. On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. These policies are described in further detail in the Budget Reserves and Economic Stabilization section below.

Role of Controller; Budgetary Analysis and Projections

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

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City Controller issues detailed six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The City Controller issued the most recent of these reports, the fiscal year 2009-10 Nine-Month Report, on May 7, 2010. The City Controller, jointly with the Mayor's Budget Director and the Board of Supervisors' Budget Analyst, also publishes an annual three-year revenue and expenditure projection report, which provides a review of all major General Fund revenue and expenditure assumptions for the upcoming three fiscal years. See "Three-Year Budget Projection Report", below. The reports are available from the City Controller's website: www.sfgov.org/controller.

General Fund Results; Audited Financial Statements

The General Fund portion of the fiscal year 2008-09 Revised Budget totaled $2.9 billion in revenues. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port, and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2005-06 through 2008-09 and the Original Budget for fiscal year 2009-10. See "PROPERTY TAXATION—Tax Levy and Collection", "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2008-09 was issued on December 23, 2009. The fiscal year 2008-09 CAFR reported that the audited General Fund balance unreserved and available for appropriation as of June 30, 2009 was $95.4 million, which was $0.9 million more than the $94.5 million assumed in the fiscal year 2009-10 Original Budget (see Table A-4). This $0.9 million resulted primarily from savings and greater-than-budgeted additional tax revenue in fiscal year 2008-09. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled $98.3 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2005-06 through 2009-10
($000s)

	FY 2005-06 Final Revised Budget	FY 2006-07 Final Revised Budget	FY 2007-08 Final Revised Budget	FY 2008-09 Final Revised Budget	FY 2009-10 Original Budget[2]
Prior-Year Budgetary Fund Balance & Reserves	$324,724	$478,001	$563,435	$461,193	$173,747
Budgeted Revenues					
Property Taxes	$696,660	$837,543	$934,720	$1,018,877	$1,058,060
Business Taxes	288,320	332,168	359,718	394,556	371,848
Other Local Taxes	413,712	477,804	534,420	552,977	457,183
Licenses, Permits and Franchises	19,128	20,917	22,076	25,041	25,138
Fines, Forfeitures and Penalties	11,475	4,899	6,496	6,060	3,761
Interest and Investment Earnings	11,393	33,994	35,519	23,041	11,582
Rents and Concessions	19,583	20,138	19,805	21,107	19,434
Grants and Subventions	685,948	667,683	713,294	706,953	676,077
Charges for Services	130,773	133,331	137,103	150,839	147,015
Other	13,090	13,809	9,306	11,641	20,963
Total Budgeted Revenues	$2,290,083	$2,542,286	$2,772,457	$2,911,093	$2,791,061
Bond Proceeds & Repayment of Loans	597	901	1,278	2,579	1,725
Expenditure Appropriations					
Public Protection	$743,958	$804,082	$883,539	$911,533	$955,519
Public Works, Transportation & Commerce	46,708	55,679	72,033	68,967	33,414
Human Welfare & Neighborhood Development	548,935	578,581	647,787	653,694	642,810
Community Health	453,716	428,460	458,462	501,700	488,330
Culture and Recreation	81,126	93,091	102,254	96,776	95,114
General Administration & Finance [1]	140,674	178,318	213,433	195,192	177,892
General City Responsibilities	53,601	61,834	77,172	79,097	104,476
Total Expenditure Appropriations	$2,068,718	$2,200,045	$2,454,680	$2,506,959	$2,497,556
Budgetary reserves and designations, net	$22,712	$20,539	$20,013	$28,028	$26,043
Transfers In	$108,902	$62,659	$68,847	$133,771	$85,574
Transfers Out	(436,092)	(498,202)	(541,853)	(549,757)	(528,509)
Net Transfers In/Out	($327,190)	($435,543)	($473,006)	($415,986)	($442,935)
Budgeted Excess (Deficiency) of Sources					
Over (Under) Uses	$196,784	$365,061	$389,471	$423,892	$0
Variance of Actual vs. Budget	281,217	198,374	71,722	(33,379)	
Total Actual Budgetary Fund Balance	$478,001	$563,435	$461,193	$390,512	$0

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

[2] FY 2009-10 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget Total Actual Budgetary Fund Balance upon the release of the FY 2009-10 Final Revised Budget in the CAFR.

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2009 was $301.7 million using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues (as shown in Table A-4) of $2.7 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2005 through June 30, 2009.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
General Fund Balances
Fiscal Year Ended June 30
Audited
($000s)

	2005	2006	2007	2008	2009
Reserved for rainy day (Economic Stabilization account)	$48,139	$97,910	$117,556	$117,556	$98,297
Reserved for rainy day (One-time Spending account)		24,066	16,066	236	-
Reserved for encumbrances	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward	36,198	124,009	161,128	99,959	91,075
Reserved for subsequent years' budgets					
Reserved for baseline appropriation funding mandates	6,223	5,232	2,891	1,491	-
Reserved for budget savings incentive program (citywide)	2,628	2,628	10,540	16,181	-
Reserved for budget savings incentive program (Recreation & Park)	3,075	3,366	-	3,266	6,575
Reserved for salaries and benefits (MOU)	9,150	13,349	11,806	12,777	316
Reserved for litigation	-	2,877	6,824	2,626	-
Total Reserved Fund Balance	$163,175	$311,596	$387,759	$317,160	$262,165
Unreserved - designated for litigation & contingency	$24,370	$20,823	$43,794	$38,969	$32,900
Unreserved - available for appropriation	137,179	145,582	131,882	105,064	95,447
Total Unreserved Fund Balance	$161,549	$166,405	$175,676	$144,033	$128,347
Total Fund Balance, Budget Basis	$324,724	$478,001	$563,435	$461,193	$390,512
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$324,724	$478,001	$563,435	$461,193	$390,512
Unrealized gain on investments	224	(562)	(376)	(2,629)	(1,148)
Reserved for Assets Not Available for Appropriation	9,031	10,710	12,665	11,358	11,307
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(24,419)	(23,806)	(30,940)	(34,629)	(56,426)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	-	-	-	(26,071)	(37,940)
Deferred Amounts on Loan Receivables	(1,880)	(3,067)	(3,323)	(3,587)	(4,630)
Total Fund Balance, GAAP Basis	$307,680	$461,276	$541,461	$405,635	$301,675

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

Table A-4, entitled "Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent years. Audited financial statements for the fiscal year ended June 30, 2009 are included herein as Appendix B— "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009." Prior years' audited financial statements can be obtained from the City Controller's website. Excluded from this statement of General Fund revenues and expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenditures and Changes in General Fund Balances (000s)

Fiscal Year Ended June 30

Audited

	2005	**2006**	**2007**	**2008**	**2009**
Revenues:					
Property Taxes	$705,949	$783,303	$887,690	$939,812	$999,528
Business Taxes	292,172	322,407	336,757	394,267	387,313
Other Local Taxes	428,244	480,501	540,695	519,867	479,194
Licenses, Permits and Franchises	19,427	20,825	19,639	23,212	24,750
Fines, Forfeitures and Penalties	9,536	10,195	4,720	8,398	5,618
Interest and Investment Income	8,374	22,496	30,089	15,779	9,193
Rents and Concessions	20,468	20,007	18,449	19,490	19,096
Intergovernmental	604,535	672,635	663,321	649,923	645,365
Charges for Services	115,812	126,433	125,682	135,473	135,926
Other	12,277	15,037	21,697	17,948	11,199
Total Revenues	$2,216,794	$2,473,839	$2,648,739	$2,724,169	$2,717,182
Expenditures:					
Public Protection	$697,450	$739,470	$800,383	$881,009	$889,594
Public Works, Transportation & Commerce	60,628	46,448	65,184	69,944	61,812
Human Welfare and Neighborhood Development	503,874	524,516	568,241	613,135	630,112
Community Health	413,110	377,226	410,169	454,935	487,638
Culture and Recreation	87,023	80,516	93,992	105,036	97,415
General Administration & Finance	120,400	146,567	166,673	196,430	170,109
General City Responsibilities	62,185	53,065	56,834	71,885	73,904
Total Expenditures	$1,944,670	$1,967,808	$2,161,476	$2,392,374	$2,410,584
Excess of Revenues over Expenditures	$272,124	$506,031	$487,263	$331,795	$306,598
Other Financing Sources (Uses):					
Transfers In	$152,288	$62,431	$71,277	$70,969	$136,195
Transfers Out	(330,230)	(420,086)	(486,600)	(543,640)	(550,910)
Other Financing Sources	3,063	5,220	8,245	5,050	4,157
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($174,879)	($352,435)	($407,078)	($467,621)	($410,558)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$97,245	$153,596	$80,185	($135,826)	($103,960)
Total Fund Balance at Beginning of Year	210,435	307,680	461,276	$541,461	405,635
Total Fund Balance at End of Year -- GAAP Basis [1]	$307,680	$461,276	$541,461	$405,635	$301,675
Unreserved & Undesignated Balance, Year End					
-- GAAP Basis	$134,199	$138,971	$141,037	$77,117	$28,203
-- Budget Basis	$137,179	$145,582	$131,882	$105,064	$95,447

[1] Fund Balances include amounts reserved for Rainy Day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

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

Three-Year Budget Projection Report

Section 3.6 of the City's Administrative Code requires the City Controller, the Mayor's Budget Director and the Board of Supervisors' Budget Analyst to jointly publish an annual three-year revenue and expenditure projection report assuming status quo operations (the "Joint Report"). This summary includes a review of all major revenue and expenditure assumptions affecting the upcoming three fiscal years for the City's General Fund-supported operations, including the City's two hospitals, San Francisco General and Laguna Honda. The City's Administrative Code further requires that the Mayor and Board of Supervisors consider the three-year budget projection when composing the City's budget for the next fiscal year.

The most recent Joint Report was published on April 2, 2010 and covered the projection period of fiscal years 2010-11 through 2012-13. The Joint Report projected a shortfall of $483 million for fiscal year 2010-11, followed by a shortfall of $712 million for fiscal year 2011-12, and a shortfall of $787 million for fiscal year 2012-13.

The projected shortfall of $483 million in fiscal year 2010-11 is primarily due to four factors: 1) the loss of $117.3 million in fund balances and prior-year reserves as a funding source, 2) the loss of $110.1 million in local and State revenue sources, including a preliminary State budget assumption of a $40.0 million increase in State funding cuts, 3) an increase of $121.4 million in personnel-related costs related to negotiated wage increases, employee and retiree benefit cost increases, and 4) a net increase of $133.9 million in other Citywide and departmental costs, due to increases in facilities maintenance and inflationary increases assumed for supplies and contracts. These losses are assumed to be offset by the mid-year budget reductions made in fiscal year 2009-10 annualized for the full fiscal year 2010-11, and reduced baseline spending requirements.

Joint Reports for fiscal years 2003-04 through 2008-09 all included projections of shortfalls. In each of those years, the City adopted a balanced budget as required by law. The projected shortfall of $438.0 million in fiscal year 2009-10 was balanced in the following manner: $159.8 million in departmental reductions; $126.3 million in Citywide savings; $51.0 million in collective bargaining agreement concessions; $49.4 million in additional Citywide revenue; $28.2 million in departmental revenues; and $23.4 million in other solutions.

The City's latest Joint Report contains a number of economic, political and other assumptions which, if not realized, would affect the actual budgetary shortfalls for the three-fiscal year projection period. The latest Joint Report is posted on the City Controller's website at www.sfgov.org/controller. (The Joint Report is not incorporated by reference herein.)

Adopted Fiscal Year 2009-10 Budget

On June 1, 2009, Mayor Newsom introduced his fiscal year 2009-10 Proposed Budget to the Board of Supervisors. The fiscal year 2009-10 Original Budget was approved by the Board of Supervisors on July 29, 2009.

The fiscal year 2009-10 Original Budget reflected a decline from the fiscal year 2008-09 Final Revised Budget of approximately 4.1 percent in General Fund revenues, excluding transfers in and fund balances. The largest percentage decline was in Property Transfer Tax revenue, projected to decrease $49.1 million, or 52.0 percent, from fiscal year 2008-09 budgeted levels given continuing commercial transaction weakness in fiscal year 2008-09. The General Fund allocation of hotel tax revenue was projected to decrease $71.2 million, or 37.7 percent, from the fiscal year 2008-09 budget. Business taxes were projected to be $22.7 million, or 5.8 percent, less. These declines were partially offset by an increase in the General Fund share of Property Tax revenue, which was projected to be $39.2 million or 3.8% more than the fiscal year 2008-09 budget.

The fiscal year 2009-10 Original Budget included a fiscal year 2008-09 General Fund ending balance of $94.5 million, an increase of $12.8 million over the fiscal year 2008-09 adopted budget, largely the result of expenditure savings and cancellation of multi-year projects with unspent appropriations. The General Fund was further balanced using prior year reserves of $79.3 million, including the use of $49.2 million of the Rainy Day Reserve Economic Stabilization Fund for the City. Capital spending was budgeted at $25.7 million, a reduction of $40.9 million from the $66.6 million that would have been required for full funding of the City's General Fund Capital Plan. The fiscal year 2009-10 budget reflected a decrease in funded positions (FTEs, or full time equivalents) of 1,080 from the prior year. The remainder of the shortfall was primarily closed through additional departmental reductions of both administrative and program expenditures.

The City Controller's Revenue Letter analyzing the budgeted sources in the Mayor's proposed budget and the Annual Appropriation Ordinance can be viewed online at www.sfgov.org/controller. (The Revenue Letter and the Annual Appropriation Ordinance are not incorporated by reference herein.)

City Budget Updates for Fiscal Year 2009-10

On September 14, 2009, the City Controller submitted a report that outlined $26.5 million in negative General Fund impacts due to provisions of the State's amended fiscal year 2009-10 budget, passed on July 28, 2009. $18.0 million of the impacts could be offset by an allowance for State budget reductions included in the City's fiscal year 2008-2009 budget. On October 2, 2009, the Mayor submitted a plan to the Board of Supervisors to close the remaining $8.5 million gap, which had dropped to $2 million after further analysis of formulas underlying the State program reductions.

The City Controller's Three-Month Budget Status Report projected a further General Fund shortfall of $45 million, primarily due to a $35 million reduction in property tax revenue projections as a result of high levels of property tax appeals, and a $25 million reduction in payroll tax projections compared to budget as a result of more recent data on the impact of the economic downturn on local payroll spending. These reductions were partially offset by better-than-expected hotel tax and property transfer tax projections.

On December 17, 2009, the Mayor presented the Board of Supervisors with a mid-year balancing plan proposal to close the $45 million shortfall through cost savings of $36.8 million and $8.2 million in increased revenues. An ordinance to implement the Mayor's proposal was submitted to the Board of Supervisors on January 12, 2010 and approved by the Board on February 2, 2010.

On February 9, 2010, as required by Charter Section 3.105, the City Controller released his fiscal year 2009-10 Six-Month Budget Status Report (the "Six-Month Report"), providing revenue and expenditure projections as of December 31, 2009, and on May 7, 2010, the City Controller released his Fiscal Year 2009-10 Nine-Month Budget Status Report (the "Nine-Month Report"), with updated projections as of March 31, 2009. These reports are available on the City Controller's website at www.sfgov.org/controller. As shown in Table A-5, the Nine-Month Report projected that that after taking into account the mid-year balancing plan measures approved by the Board and other actions taken by the Mayor and Departments to control expenditures, the General Fund was projected to end fiscal year 2009-10 with a positive $49.7 million available fund balance.

TABLE A-5

FY 2009-10 Nine-Month Report Projected General Fund Ending Balance ($ Millions)	6-Month	9-Month	Change
A. Starting Balance			
Better than anticipated starting balance	$ 0.9	$ 0.9	$ -
Budgeted General Fund reserve	25.0	$ 25.0	-
	25.9	**$ 25.9**	**-**
B. Citywide Revenues & Baselines			
Citywide Revenues	$ (37.1)	$ (34.7)	2.4
Change to Baseline Revenue Transfers	$ 1.9	$ (0.5)	(2.4)
	$ (35.2)	**$ (35.1)**	**0.1**
C Departmental Operations			
Mid-year balancing plan revenues and expenditure savings	$ 35.7	$ 35.7	-
Federal Stimulus Funds allocated to GF Supported Departments	$ 4.7	$ 29.4	24.7
	$ 40.4	**$ 65.1**	**24.7**
D Use of General Fund Reserve	$ (1.4)	$ (6.1)	(4.7)
E. Ending Balance	**$ 29.6**	**$ 49.7**	**$ 20.1**
Source: Office of the Controller, City and County of San Francisco.			

Budget Outlook for Fiscal Year 2010-11

On November 19, 2009, the Mayor's office issued Budget Instructions to Departments reporting a projected $522.2 million shortfall for fiscal year 2010-11 if current service levels were maintained, and requested Departments to submit budgets including 20% reductions in General Fund support. The $522.2 million figure combined $290.7 million in revenue reductions, compared to sources used for the fiscal year 2009-10 Original Budget, and $231.5 million in expenditure increases. The revenue reductions consisted of $81.4 million projected reductions in general taxes, $49.2 million loss of Rainy Day Reserve funds, $62.2 million reduction in federal stimulus funding, $35.4 million reductions in starting fund balance, $40.0 million allowance for other State funding reductions, and $22.5 million in shortfalls in other sources. The expenditure pressures were identified as $104.6 million in increased labor and fringe benefit costs due to scheduled increases, expiration of certain labor concessions, and anticipated increases in employer share of retirement and health contributions, $57.5 million in loss of one-time expenditure savings assumed in the fiscal year 2009-10 budget, and $69.4 million in other expenditure increases. The updated shortfall figure provided in the Joint Report, discussed above, is $483 million.

Departmental budget submissions were submitted to the Mayor's office on March 1, 2010. Enterprise fund department budgets were submitted by the Mayor to the Board of Supervisors on May 1, 2010. Other Department budgets will be submitted by the Mayor to the Board of Supervisors on June 1, 2010. The Charter requires the Board to approve the budget by August 1, 2010. On April 1, 2010, the Mayor's Budget Director directed departments to make additional fiscal year 2010-11 General Fund budget reductions of $100 million, including ten-percent reductions to management and supervisory employee salaries, office and other supplies, travel expenses and cell phone costs. In addition, there will be Citywide reductions in energy, vehicle, and overtime expenditure budgets.

Impact of State Budget on City Budget

The State is in the midst of a severe economic recession. Revenues from the State represent approximately 15.8% of the fiscal year 2009-10 General Fund Original Budget, and thus changes in State revenues could have a significant impact on the City's finances. In crafting its own budget, the City looks to preliminary indications of the State's financial condition. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

The State budget has had structural deficits for several years. In addressing these shortfalls in the recent past, the State has reduced transfers of State general fund money to local governments, including the City.

The Governor submitted his fiscal year 2010-11 Proposed Budget to the California legislature on January 8, 2010, and submitted his May revision of the budget on May 14, 2010. The City anticipates that many changes will be made to the Governor's Proposed Budget before its adoption by the State Legislature and that the City will have to make a number of policy choices, including whether to backfill potential reductions in State funding for specific programs. At this time, the Mayor has included a preliminary allowance for $30.0 million in new cuts in State funding for City services in his fiscal year 2010-11 budget projections. It is not possible to predict how future State budgets and mid-year changes to the current budget may adversely affect the City.

Budgetary Reserves and Economic Stabilization

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS—Investment Policy" herein.

Additionally, in November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth as follows:

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
25 percent of the excess revenues to any lawful governmental purpose.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. In fiscal year 2009-10, the City Controller projected that General Fund revenues will decrease from prior year levels, and $49.2 million was appropriated from the City's Rainy Day Reserve.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. In fiscal year 2009-10, $24.6 million was appropriated to be transferred to the SFUSD to partially offset SFUSD's planned layoffs and declining per-pupil revenues. The City Controller does not project any additional transfers to the SFUSD in fiscal year 2009-10.

On April 13, 2010, the Board of Supervisors unanimously approved the City Controller's proposed financial policies on reserves and the use of volatile revenues. Specifically, the proposed policies would: 1) codify the current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated during the budget process. The size of this reserve would equal $25 million in fiscal year 2010-11, which has been the City's practice in recent years, and would increase to 2% of General Fund revenues ($56 million in current dollars) by fiscal year 2016-17, and 2) create a new Budget Stabilization Reserve to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year revenue downturns. The Budget Stabilization Reserve would be funded through the dedication of 75% of volatile revenues to the reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling for the effect of the rate increase in Proposition N approved by voters in November 2008), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. No further deposits would be made once this cap is reached, and no deposits would be required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn. In the second year, the maximum withdrawal is 50%, and in the third year, the entire remaining balance may be drawn. Had the proposed policy been in place at the same time the Rainy Day Reserve went into effect (fiscal year 2003-04), approximately $210 million would have been deposited into the Budget Stabilization Reserve.

These policies will become law if adopted by the Mayor. These policies can only be suspended for a given fiscal year by a two-thirds vote of the Board.

PROPERTY TAXATION

Property Taxation System - General

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

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. The City Controller compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay City bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by resolution adopted no later than September 1. The Treasurer and Tax Collector prepares and mails tax bills to taxpayers and collects the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-6 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-6 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-25: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, the SFUSD levies a voter-approved tax at $198 per parcel, to be adjusted annually for inflation until its expiration in 2028.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the San Francisco Redevelopment Agency ("SFRA"). Upon formation of each "project area" of SFRA, all property tax revenues attributable to the growth in assessed value of taxable property within the project area (known as "tax increment") belong to SFRA, causing a loss of tax revenues from that time forward to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. SFRA received $102.6 million and $89.1 million in property tax increment for twelve current project areas in fiscal year 2007-08 and fiscal year 2008-09, respectively.

As shown below, the compound annual growth rate in total assessed value from fiscal year 2005-06 through 2009-10 was 7.4%. Property tax delinquencies have increased from 2.2% in fiscal year 2005-06 to 3.2% in fiscal year 2008-09, the most recent year for which data are available.

Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, increased to 494 in fiscal year 2007-08 from 162 in fiscal year 2006-07, an increase of 205%, and to 609 in fiscal year 2008-09, a further increase of 23%. This represented 0.29% and 0.35% of total parcels in fiscal years 2007-08 and 2008-09, respectively.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2005-06 through 2009-10
($000s)

Fiscal Year	Real Property	Personal Property	Total Assessed Valuation	% Change from Prior Year	Exemptions[1]	Total Tax Rate per $100	Total Tax Levy (000s)[2]	Total Tax Collected (000s)	Delinquency Rate June 30
2005-06	114,767,252	3,465,752	118,233,004	7.0%	11,357,245	1.140	1,291,491	1,469,621	2.18%
2006-07	126,074,101	3,524,897	129,598,998	9.6%	12,608,911	1.135	1,411,316	1,596,086	2.77%
2007-08	136,887,654	3,807,362	140,695,016	8.6%	16,473,923	1.141	1,530,484	1,707,737	2.79%
2008-09	152,150,004	3,943,357	156,093,361	10.9%	15,711,190	1.163	1,731,668	1,938,176	3.16%
2009-10 [3]	153,315,549	4,268,376	157,583,925	1.0%	15,811,979	1.159	1,754,104	n/a	n/a

[1] Exemptions include non-reimbursable and homeowner exemptions and redevelopment tax increments.
Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.
[2] The total tax levy through FY 2008-09 is based on year-end actual assessed values as reported in CAFR.
[3] Based on Certificate of Assessed Valuation. FY 2009-10 budget not available for non-governmental funds (i.e. taxing entities external to the City, including the SFUSD, SFCCD, BART, and Bay Area Air Quality Management District).

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

For fiscal year 2009-10, total assessed valuation of taxable property within the City is $157.6 billion. After deducting non-reimbursable and homeowner exemptions, net assessed valuation is $151.3 billion. Of this total, $140.9 billion (93.1%) represents secured valuations and $10.4 billion (6.9%) represents unsecured valuations. (See "—Tax Levy and Collection", below, for a further discussion of secured and unsecured property valuations.)

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Every year, some taxpayers appeal the Assessor's determination of their properties' assessed value, and some of the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments. With respect to the fiscal year 2009-10 levy, property owners representing approximately 21.7% of the total assessed valuation in the City filed appeals for a partial reduction of their assessed value. This reflects an increase in the amount appealed from fiscal year 2008-09, when property owners representing approximately 10.8% of total assessed valuation filed for a partial reduction of their assessed value.

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

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District, and BART. The total tax levy for all taxing entities in fiscal year 2009-10 is estimated to produce $1.7 billion. Of this amount, the City projects in the Nine-Month Report to receive $1.05 billion for the General Fund. SFUSD and SFCCD are estimated to receive $109.7 million and $20.6 million, respectively, and the local ERAF is estimated to receive $355.7 million (before adjusting for the State's Triple Flip sales tax and VLF backfill shifts). The SFRA is budgeted to receive $95.6 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD, and BART may only be applied for that purpose.

The City's General Fund is allocated about 50% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

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

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

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

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance

Year Ended	Amount Funded
June 30, 2005	$10,080,000
June 30, 2006	10,060,000
June 30, 2007	13,180,000
June 30, 2008	14,330,000
June 30, 2009	16,220,000

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year ended June 30, 2009 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Principal Assessed Parcels
Fiscal Year Ended June 30, 2009

Assessee	Parcel Number	Type of Business	Assessed Value ($000s) [1]	% of Total Assessed Value
HWA 555 Owners LLC	0259 026	Office	$899,842	0.57%
PPF Office One Market Plaza Owner LLC	3713 007	Office	451,012	0.29%
Mission Street Development LLC	3719 019	Office	444,253	0.28%
Marriott Hotel	PI 802102	Hotel	421,926	0.27%
SHC Embarcadero LLC	0233 044	Office	380,721	0.24%
Post-Montgomery Associates	0292 015	Office	370,325	0.24%
SHR St. Francis LLC	0307 001	Hotel	368,964	0.23%
One Embarcadero Center Venture	0230 028	Office	328,539	0.21%
Broadway Partners	0289 004	Office	312,120	0.20%
Three Embarcadero Center Venture	0232 016	Office	308,931	0.20%
			$4,286,633	2.73%

[1] Represents the Assessed Valuation as of the Basis of Levy, which excludes assessments processed during the fiscal year.
Source: Office of the Assessor, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2009-10 valuation of property assessed by the State Board of Equalization is $2.1 billion, as recorded on the fiscal year 2009-10 certificate of assessed valuation.

OTHER CITY TAX REVENUES

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

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes to the tax exempted small businesses with annual payroll of less than $250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately $10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from $25 to $500 per year per subject business based on the prior year computed payroll tax liability.

The fiscal year 2009-10 Original Budget included $8.6 million in business registration revenues and $363.2 million in payroll tax revenues accruing to the General Fund. This compares to fiscal year 2008-09 actual amounts of

$8.7 million in business registration tax revenues and $378.7 million in payroll tax revenues. The Nine-Month Report projects payroll tax revenues to be $329.7 million and business registration tax revenues to be $7.6 million – decreases of $33.5 million and $1.0 million, respectively, from the fiscal year 2009-10 Original Budget. The changes from the fiscal year 2009-10 Original Budget are due to greater-than-expected declines in payroll in the first quarter of 2009.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Receipts ($000's)
Fiscal Years 2005-06 through 2009-10
All Funds

Fiscal Year		**Revenue**		**Change**	
2005-06	$	323,152	$	30,390	10.4%
2006-07		337,592		14,440	4.5%
2007-08		396,025		58,433	17.3%
2008-09		388,654		(7,371)	-1.9%
2009-10 *Projected*		337,305		(51,349)	-13.2%

Includes both Payroll Tax and Business Registration Tax. Figures for FY 2005-06 through FY 2008-09 are audited actuals. Figure for FY 2009-10 is the Nine-Month Report projection. Includes portion allocated to special revenue funds.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. The fiscal year 2009-10 Original Budget includes a General Fund allocation of $117.5 million, a decline of $44.2 million or 27.3% from fiscal year 2008-09 actuals. The fiscal year 2009-10 Original Budget assumed average declines of 7.5% in both occupancy and average daily room rates from fiscal year 2008-09. Final receipts for fiscal year 2008-09 were slightly stronger than projected, increasing the base for fiscal year 2009-10. The Nine-Month Report projects transient occupancy revenues to be $134.6 million – an increase of $17.1 million or 14.6% from the fiscal year 2009-10 Original Budget due to better than expected occupancy rates achieved in part through rate discounting by hoteliers. Because the allocation of hotel tax revenues is set by the Mayor and Board of Supervisors as described in the Administrative Provisions of the Annual Appropriation Ordinance, all of the gain or loss in revenue from budgeted levels falls to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of transient occupancy tax receipts for fiscal years 2005-06 through 2009-10.

TABLE A-10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Receipts ($000's)
Fiscal Years 2005-06 through 2009-10
All Funds

Fiscal Year	Tax Rate	Revenue		Change		
2005-06	14.00%	$	179,471	$	21,527	13.6%
2006-07	14.00%		199,768		20,297	11.3%
2007-08	14.00%		224,814		25,046	12.5%
2008-09	14.00%		219,777		(5,037)	-2.2%
2009-10 *Projected*	14.00%		191,206		(28,571)	-13.0%

Revenues reflect the underlying occupancy and room rate activity by fiscal year.

Figures for FY 2005-06 through FY 2008-09 are audited actuals. Figure for FY 2009-10 is the Nine-Month Report projection.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Rates as of July 1, 2009 were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; and $15.00 per $1,000 for properties valued over $5.0 million or more. Budgeted revenue from the real property transfer tax for fiscal year 2009-10 is $45.3 million, a 5.0% increase from estimated fiscal year 2008-09 collections in the Nine-Month Report. Strong performance in the last six weeks of fiscal year 2008-9 brought year end revenues to $49.0 million. The Nine-Month Report projects property transfer tax revenue to be $67.6 million – an increase of $22.3 million or 49% from the fiscal year 2009-10 Original Budget. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources.

On November 4, 2008, voters approved Proposition N, which increased the transfer tax rate for properties valued at $5.0 million or more from $7.50 per $1,000 to $15.00 per $1,000; provided partial transfer tax exemptions to property sellers who implement solar or seismic improvements; and required transfer taxes to be paid on properties involved in stock swaps.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO Real Property Transfer Tax Receipts ($000's) Fiscal Years 2005-06 through 2009-10				
Fiscal Year		Revenue	Change	
2005-06	$	131,279	$ 14,482	12.4%
2006-07		143,976	12,697	9.7%
2007-08		86,219	(57,757)	-40.1%
2008-09		48,957	(37,262)	-43.2%
2009-10 *Projected*		67,561	18,604	38.0%

Figures for FY 2005-06 through FY 2008-09 are audited actuals. Figure for FY 2009-10 is is the Nine-Month Report projection.

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

Sales and Use Tax

The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. The rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund. The fiscal year 2009-10 Original Budget includes $98.2 million in local sales tax revenue, a decrease of $3.4 million, or 3.4% from the fiscal year 2008-09 year end amount of $101.7 million. The Nine-Month Report projects local sales tax revenues to be $95.4 million, $2.9 million or 3.0% below the fiscal year 2009-10 Original Budget.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2005-06 through 2008-09, as well as the imputed impact in each year since 2005-06 of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State. Figures in Table A-12 for fiscal year 2009-10 are Original Budget figures.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO Sales and Use Tax Receipts ($000's) Fiscal Years 2005-06 through 2009-10						
Fiscal Year	Tax Rate	City Share		Revenue	Change	
2005-06	8.50%	0.75%	$	103,074	$ 8,385	8.9%
2005-06 adj.*	8.50%	1.00%		136,840	18,553	15.7%
2006-07	8.50%	0.75%		107,813	4,739	4.6%
2006-07 adj.*	8.50%	1.00%		143,453	6,613	4.8%
2007-08	8.50%	0.75%		111,410	3,597	3.3%
2007-08 adj.*	8.50%	1.00%		148,729	5,276	3.7%
2008-09 **	9.50%	0.75%		101,662	(9,749)	-8.8%
2008-09 adj.*	9.50%	1.00%		137,415	(11,314)	-7.6%
2009-10 *Projected*	9.50%	0.75%		95,359	(6,303)	-6.2%
2009-10 adj.* *Projected*	9.50%	1.00%		128,854	(8,561)	-6.2%

*Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

**Effective April 1, 2009, the State General Fund rate increased from 5% to 6%. The City share did not change.

Figures for FY 2005-06 through FY 2008-09 are audited actuals. Figures for FY 2009-10 are Nine-Month Report projections.

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

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone utilities, as well as all cellular telephone and enhanced specialized mobile radio communication services for billing addresses in the City. Budgeted revenue from the utility users tax for fiscal year 2009-10 is $87.0 million, 3.0% or $2.8 million below fiscal year 2008-09 actual numbers. Of the total $87.0 million, $39.2 million is related to energy, $45.4 million is related to telephone usage, and $2.4 million is related to water usage. The fiscal year 2009-10 Nine-Month Report projects utility users tax revenue to be $92.5 million – an increase of $5.5 million or 6.3% from the fiscal year 2009-10 Original Budget. In May 2006, a change in the IRS interpretation of the federal excise tax created uncertainty regarding certain provisions of local telephone taxes modeled on the federal excise tax, including the City's telephone user tax. In August 2006, the City adopted an ordinance clarifying that the City levies its telephone tax under the City's inherent powers as a charter city, that federal law is not the basis or authority for the City's imposition of the telephone tax, and that the change in the IRS interpretation would not change the City's collection of the tax. Other cities in California also elected not to change their collection of their telephone taxes in response to the changed IRS interpretation, and legal challenges ensued in State court against some of those cities' telephone taxes.

On November 4, 2008, voters approved Proposition O, which modernized the Telephone Users Tax ("TUT"). Proposition O updated the definition of "telephone communications services" to apply to all current and future technologies used for telephone communications services, including voice over internet protocol (VoIP) service. Proposition O maintained the prior ordinance's exemptions, including the exemption for wireline residential telephone communications service. Proposition O removed the prior ordinance's reference to the federal excise tax ("FET"), but recited and continued the exemptions that had been incorporated from the FET. In addition, Proposition O ratified and approved the City's collection of the TUT to date. Suppliers of telephone communications services began implementing the updated TUT on April 1, 2009.

Emergency Response Fee; Access Line Tax

As of December 1993, the City required every person who subscribes to local telephone service within the City to pay an emergency response fee to help the City recover the cost of operating its 911 emergency response system. Telephone service providers collected this fee from their subscribers and remitted the revenues to the City. In April 2008, in *Bay Area Cellular Telephone Company v. City of Union City*, the California Court of Appeal, First District, upheld a trial court decision invalidating an emergency response fee that Union City had imposed to fund its 911 emergency communication response system, concluding that Union City's fee was a special tax adopted without the approval of two-thirds of the voters as required by Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIIIC and XIIID of the California Constitution" for information on Proposition 218. The California Supreme Court has declined to review this Court of Appeal decision.

In addition to certain changes in the TUT described above, Proposition O repealed the City's emergency response fee and replaced it with a general tax (the "ALT") of an equivalent amount as of April 1, 2009. Like the fee, the ALT applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. The same exemptions that applied to the fee apply to the ALT. The ALT monthly rates are the same as those that previously applied to the fee. Beginning December 31, 2009, the rates may be increased annually by the increase in the consumer price index for the San Francisco area. Proposition O ratified and approved the City's collection of the fee to date.

There are no pending claims or litigation against the City challenging the validity of the emergency response fee. The City budgeted $42.9 million in revenue collections for fiscal year 2009-10, a decrease of $1.0 million or 2.2% under fiscal year 2008-09 results. The Nine-Month Report projects revenues of $37.3 million, a decrease of $5.6 million or 13% from fiscal year 2009-10 Original Budget. Although the fee has been repealed and its past collection has been ratified by the voters, there is a risk that the fee could be challenged under Proposition 218 or otherwise and, if a challenge succeeded, the City could be required to make refunds.

Parking Tax

A 25.0% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities. The City's budgeted General Fund revenue from the parking tax is $64.1 million in fiscal year 2009-10, 0.7% or $0.4 million below fiscal year 2008-09 levels. The Nine-Month Report projected parking tax revenue to be $64.5 million – an increase of $0.4 million or 0.6% from the fiscal year 2009-10 Original Budget.

OTHER CITY REVENUE SOURCES

Intergovernmental Revenues, Grants and Subventions

For fiscal year 2009-10, the City budgeted General Fund intergovernmental revenues, grants and subventions of $676.1 million, including $235.6 million from the federal government and $440.4 million from the State government. This is an overall increase of 2.8% from fiscal year 2008-09 results of $657.9 million, including $182.9 million in federal and $474.9 million in state subventions. The Nine-Month Report projected federal and State revenues to be $669.1 million – a decrease of $7.0 million or 1.0% below the fiscal year 2009-10 Original Budget. The major categories of such funds are described below.

Actual State revenues will vary from the City budget based on the solutions to the State's fiscal challenges that are ultimately adopted by the Governor and the State Legislature. Current budget assumptions for fiscal year 2010-11 include a $30.0 million drop in State revenues, affecting each category of intergovernmental revenues described below.

Health and Welfare Realignment

In fiscal year 1991-92, the State transferred to counties the responsibility for determining service levels and administering most mental health, public health and some social service programs, thereby reducing the State's obligations. The State also increased its share of certain welfare costs formerly borne by counties. In order to meet these obligations, counties share in the proceeds of a 0.5% statewide sales tax and a portion of vehicle license fees ("VLF"). These sources are budgeted to provide $200.7 million to the City's General Fund and its two General Fund-supported county hospitals for fiscal year 2009-10, which constitutes a $0.4 million or 0.2% increase over fiscal year 2008-09 actual levels. The Nine-Month Report projected health and welfare realignment revenues to be $184.7 million, a decrease of $16.0 million or 8.0% from the fiscal year 2009-10 Original Budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. Budgeted revenue from this source is $65.1 million for fiscal year 2009-10, $1.4 million or 2.2% % greater than fiscal year 2008-09 actual revenue. This revenue is a function of the City's proportionate share of statewide sales activity. The Nine-Month Report projected this revenue to be $62.7 million, a decrease of $2.3 million from the fiscal year 2009-10 Original Budget.

Motor Vehicle License Fees

The City's budget reflects the permanent roll-back of the VLF revenues, along with the associated backfill shift made by the State, which partially reduced the amount of property taxes shifted from the City to the ERAF to make up the difference. After factoring in State shifts, the fiscal year 2009-10 Original Budget for vehicle license fee revenues is $1.4 million, which is $1.3 million or 47.2% below fiscal year 2008-09 actual revenue. The Nine-Month Report projected revenue of $1.4 million, unchanged from the fiscal year 2009-10 Original Budget.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, across all funds in fiscal year 2009-10, the City budgeted approximately $977.9 million in subventions from the State and federal governments to fund programs such as Food Stamps, CalWORKs, Child Support Services, transportation and other projects. The fiscal year 2009-10 Original Budget reflects an expected decline of $80.9 million, or 7.6%, in these sources from fiscal year 2008-09 actual receipts. Health and welfare subventions are often based on State and federal funding formulas, which currently reimburse counties according to actual spending on these services.

Charges for Services

Charges for services are budgeted at $147.0 million for fiscal year 2009-10 in the General Fund, which is 11.2 million, or 8.2%, greater than the fiscal year 2008-09 actual charges. This includes $42.1 million of general government service charges (including City planning fees), $26.2 million of public safety service charges (including boarding of prisoners and safety inspection fees), $9.6 million of recreation charges, $54.1 million of MediCal, MediCare and health service charges, and $15.1 million of other miscellaneous service charges. The Nine-Month Report projects charges for services revenues to be $130.7 million – a decrease of $8.1 million or 5.8% from the fiscal year 2009-10 Original Budget.

On July 14, 2009, the Board of Supervisors adopted an ordinance imposing a fee of $0.20 per pack of cigarettes sold in San Francisco. The ordinance was signed by the Mayor on July 21, 2009, and the fee it imposes became operative as of October 1, 2009. The ordinance provides that the fee revenues are to be used only to pay for the collection and removal of cigarette litter from San Francisco's sidewalks, gutters and public spaces; for public outreach and education to curb improper cigarette litter disposal; and for the costs of administering, collecting, and enforcing the fee. On December 18, 2009, Philip Morris USA and several cigarette retailers filed an action in San Francisco Superior Court, alleging that the fee is an unlawful special tax and is preempted by California statutes. The lawsuit is currently being litigated in the Superior Court. The City has reserved $2.3 million of salaries and benefits in the FY 2010-11 budget and such amount will be released only upon the successful outcome of this litigation. The City can give no assurances about the outcome of the lawsuit.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for upwards of 50% of all City expenditures. Fixed costs, including leases and debt service on bonds, account for approximately 11% of budgeted expenditures. Programs mandated by the State and federal governments account for approximately 23% of budgeted expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding in fiscal year 2009-10 is $535.7 million.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in the following table:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO Expenditures by Major Service Area ($000s) Fiscal Years 2008-09 and 2009-10		
Major Service Areas	FY 2008-09 Original Budget	FY 2009-10 Original Budget
Public Protection	$899,378	$955,519
Human Welfare & Neighborhood Development	654,162	642,810
Community Health	513,858	488,330
General Administration & Finance	182,139	177,892
Culture and Recreation	104,232	95,114
General City Responsibilities	78,524	104,476
Public Works, Transportation & Commerce	53,143	33,414
Total	$2,485,436	$2,497,555
Source: Office of the Controller, City and County of San Francisco.		

Public Protection includes the Police Department, budgeted in fiscal year 2009-10 to receive $345.2 million of General Fund support, the Sheriff's Department, budgeted to receive $141.7 million of the General Fund support, and the Fire Department, budgeted to receive $188.5 million of General Fund support. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive $203.1 million of General Fund support in the fiscal year 2009-10 Original Budget, and within Community Health, the Department of Public Health is budgeted to receive $343.7 million for the operation of San Francisco General Hospital and Laguna Honda Hospital.

For budgetary purposes, enterprise funds are characterized as either self-supported Funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund, the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it is budgeted to receive $178.3 million of revenue-driven baseline funding in the fiscal year 2009-10 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO Baselines & Set-Asides ($000s) Fiscal Year 2009-10		
	FY 2009-10	**FY 2009-10**
Baselines & Set-Asides	**Required Baseline**	**Adopted Budget**
Municipal Transportation Authority	$129.47	$129.47
Parking and Traffic Commission	48.83	48.83
Children's Services	96.88	119.14
Library Preservation	42.24	42.24
Public Education Baseline Services	5.65	5.79
Unified School District	27.67	27.67
First Five Commission	15.00	15.00
City Services Auditor	12.40	12.40
Human Services Homeless Care Fund	13.67	13.67
Property Tax Related Set-Asides		
Municipal Symphony	1.90	1.87
Children's Fund Set-Aside	44.86	44.86
Library Preservation Set-Aside	37.38	37.38
Open Space Set-Aside	37.38	37.38
Staffing and Service-Driven		
Police Minimum Staffing	Requirement met	
Fire Neighborhood Firehouse Funding	Requirement met	
Treatment on Demand	Minimum requirement likely underfunded by $7 million to $13 million	
Total Baseline Spending	**$ 513.33**	**$ 535.71**
Source: Office of the Controller, City and County of San Francisco.		

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances, and four Rescue Captains (medical supervisors).

Reserves

The City's budget includes reserves that are available for appropriation to City departments by action of the Board of Supervisors. These include the General Reserve ($25.0 million), the Salaries and Benefit Reserve ($13.2 million), and the Litigation Reserve ($1.0 million), all in the fiscal year 2009-10 Original Budget.

The Charter requires some set-asides of departmental expenditure savings in the form of a Citywide Budget Savings Incentive Reserve and a Recreation and Park Budget Savings Incentive Reserve.

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

Salaries, wages, and benefits comprise upwards of 50% of the City's total annual General Fund expenditures. In the fiscal year 2009-10 Original Budget, total personnel costs are budgeted at approximately $1.5 billion, compared to $1.6 billion in the fiscal year 2008-09 Original Budget. Across all funds, personnel costs are budgeted at $3.4 billion in fiscal year 2009-10, compared to $3.3 billion in the fiscal year 2008-09 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, and medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits.

Labor Relations

The City's fiscal year 2009-10 Original Budget includes approximately 31,000 full-time personnel, excluding employees in SFUSD, SFCCD, and San Francisco Superior Court. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union ("SEIU"), Local 1021; International Federation of Professional and Technical Engineers (the "IFPTE"), Local 21; and unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (California Government Code Sections 3500-3511, "Meyers-Milias-Brown Act") and the Charter. Except for nurses, transit workers, and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through a final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses and transit workers are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

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

Since the spring of 2008, the City has engaged labor organizations in concession discussions to help address the City's projected budget shortfall for fiscal years 2008-09, 2009-10 and 2010-11. In fiscal years 2008-09 and 2009-10, labor organizations made economic concessions that ranged from 1.5% to 7%.

In May 2010, the City negotiated 14 successor agreements, seven contract amendments and the annual unrepresented employees' ordinance. These contracts and amendments all contained economic concessions for two fiscal years, 2010-11 and 2011-12 (except for the unrepresented employees' ordinance, which is filed annually), in the form of unpaid furlough days, wage reductions or deferral of wage increases. In general, the concessions range from 4.0% to 4.62% in each fiscal year.

The City continues to meet with members of the Supervising Nurses, Police Officers' Association, Municipal Executives' Association Police, Firefighters Union and the Municipal Executives' Association Fire.

The City's labor agreement with the Deputy Sheriffs' Association, whose term is July 1, 2009 through June 30, 2012 already contains economic concessions for fiscal year 2010-11 in the form of one unpaid legal holiday and suspending employer-paid meals, uniform allowance and longevity pay during the term of the agreement.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The parties have agreed to extend the term of the existing contract covering transit operators to June 30, 2011.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)		
Employee Organizations as of July 1, 2009		
Organization	**Budgeted Positions**	**Expiration Date of MOU**
Automotive Machinists, Local 1414	411	June 30, 2012
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2012
Building Inspectors Association	64	June 30, 2012
Carpenters, Local 22	107	June 30, 2012
Carpet, Linoleum & Soft Tile	1	June 30, 2012
CIR (Interns & Residents)	216	June 30, 2011
Cement Masons, Local 580	29	June 30, 2012
Deputy Sheriffs Association	939	June 30, 2011
District Attorney Investigators Association	41	June 30, 2011
Electrical Workers, Local 6	823	June 30, 2012
Glaziers, Local 718	13	June 30, 2012
International Alliance of Theatrical Stage Employees, Local 16	16	June 30, 2012
Ironworkers, Local 377	17	June 30, 2012
Laborers International Union, Local 261	1,048	June 30, 2012
Municipal Attorneys' Association	423	June 30, 2012
Municipal Executives Association	1,064	June 30, 2012
MEA - Police Management	3	June 30, 2012
MEA - Fire Management	10	June 30, 2012
Operating Engineers, Local 3	60	June 30, 2012
Painters, Local 1176	121	June 30, 2012
Pile Drivers, Local 34	17	June 30, 2012
Plumbers, Local 38	334	June 30, 2012
Probation Officers Association	145	June 30, 2012
Professional & Technical Engineers, Local 21	4,441	June 30, 2012
Roofers, Local 40	11	June 30, 2012
S.F. Institutional Police Officers Association	3	June 30, 2012
S.F. Firefighters, Local 798	1,729	June 30, 2011
S.F. Police Officers Association	2,557	June 30, 2012
SEIU, Local 1021	10,774	June 30, 2012
SEIU, Local 1021 Staff & Per Diem Nurses	1,480	June 30, 2012
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2011
Sheet Metal Workers, Local 104	46	June 30, 2012
Stationary Engineers, Local 39	669	June 30, 2012
Supervising Probation Officers, Operating Engineers, Local 3	21	June 30, 2012
Teamsters, Local 350	1	June 30, 2010
Teamsters, Local 853	163	June 30, 2012
Teamsters, Local 856 (Multi-Unit)	103	June 30, 2012
Teamsters, Local 856 (Supervising Nurses)	120	June 30, 2011
TWU, Local 200 (SEAM multi-unit & claims)	338	June 30, 2012
TWU, Local 250-A Auto Service Workers	220	June 30, 2012
TWU-250-A Miscellaneous	94	June 30, 2012
TWU-250-A Transit Operators	2,055	June 30, 2011
Union of American Physicians & Dentists	183	June 30, 2012
Unrepresented Employees	145	June 30, 2011
	31,082 (1)	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

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

San Francisco Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined benefit pension plan (the "Fund") and an individual account deferred compensation plan ("SFDCP" or "457 Plan"). These two plans are separate and distinct legal entities, with trust funds independent of each other. The Fund was initially established in the late 1880s and was constituted in its current form by the 1932 City Charter. It continues to exist and operate under the Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

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

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System including Administration, Investments, Member Services, Accounting, Information Technology, Communications, and the deferred compensation or 457 Plan. The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuary retained by the Retirement Board to produce a valuation report and other analyses as described below. The independent consulting actuary is Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process. The 457 Plan is funded solely by its members on a voluntary basis and is unrelated to the City's funding obligation to the defined benefit plan. The 457 Plan bears responsibility for its own costs. The Actuary and consulting actuarial firm have no duties or responsibilities to the 457 Plan.

Membership

The Retirement System estimates that the total active membership of the Fund as of June 30, 2009 was 34,961, including 4,096 vested members, 890 reciprocal members and 56 active Deferred Retirement Option Program (DROP) participants, compared to 35,396 members a year earlier. Vested members are members who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. Reciprocal members are members who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Active DROP participants are Police Plan members who have elected to participate in the program. The total new enrollees in the Fund were 3,3236 in fiscal year 2007-08 and 1,885 in fiscal year 2008-09. Checks are mailed to approximately 22,294 benefit recipients monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-16 shows total Retirement System participation for fiscal years 2004-05 through 2008-09.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO Employees' Retirement System Fiscal Years 2004 - 05 through 2008 - 09						
Fiscal Year	Active Members	Vested Members	Reciprocal Members	**Total Non-retired**	Retirees/ Continuants	Active to Retiree Ratio
2004-05	29,164	2,833	763	32,760	20,093	1.630
2005-06	29,426	2,901	734	33,061	20,489	1.614
2006-07	30,190	3,096	774	34,060	21,116	1.613
2007-08	30,650	3,877	869	35,396	21,514	1.645
2008-09	29,975	4,096	890	34,961	22,294	1.568

Sources: SFERS' Actuarial Valuation reports as of July 1, 2009, July 1, 2008, July 1, 2007, July 1, 2006, and July 1, 2005.

Funding Practices

Actuarial valuation of the Fund is a joint effort shared by the Retirement Board and the consulting actuarial firm described above. Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions based on the experience of the Fund. These economic assumptions include a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption. At its November 2008 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board reduced the plan's long-term investment earnings assumption from 8.00% to 7.75%. The Retirement Board did not change the other two long-term economic assumptions, leaving the long-term wage/inflation assumption at 4.50% per annum and the consumer price index assumption at 3.25% per year. These economic assumptions along with periodic demographic studies are utilized to prepare the valuation of the Fund each year. The latest report as of June 30, 2009 was issued in January 2010. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board as to the Retirement Board's acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as detailed in the report.

The consulting actuary and the Retirement Board determine the actuarially required contribution amounts using three related calculations:

First, the normal cost is established for the Fund. The normal cost of the Fund represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Fund uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the average future life of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Fund liabilities exceeds the actuarial value of Fund assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL." If the actuarial value of assets exceeds the actuarial value of liabilities, the contribution amount is adjusted to reflect this excess by decreasing it in an amount equal to the excess of actuarial assets over actuarial liabilities, divided by the present value of projected salaries for the next 15 years. Such a situation is known colloquially as a "negative UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Fund assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. As for calculating the pension benefit liability, certain assumptions must be made about future costs of pension benefits to generate an overall liability amount. If the Fund's results are better or worse than the estimated UAAL, the result is called an actuarial gain or loss, respectively, and under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to changes in the aforementioned assumptions, the effect of such changes is also amortized over a 15-year period.

Third, after calculating the normal cost and the adjustment for UAAL, the consulting actuary amortizes supplemental costs for the various member benefit plans. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to extend additional benefits to some or all beneficiaries of the Retirement System, the Retirement System's payment liability is increased by the amount of the new benefit earned in connection with the service time already accrued by the then-current beneficiaries. These supplemental costs for each beneficiary are amortized over no more than 20 years.

The consulting actuary combines the three calculations described above to arrive at a total contribution requirement for funding the Fund in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contributions are mandated by the Charter. Sources of payment may be the subject of collective bargaining agreements with each union or bargaining unit. The employer contribution is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS retirement benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment. For example, on June 3, 2008, the voters of San Francisco approved Proposition B, which increases the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, establishes a separate Retiree Health Care Trust Fund to fund retiree health costs, and increases retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409). The cost of Proposition B is incorporated in the actuarial valuations since July 1, 2008.

The voters of San Francisco have recently approved two other retirement plan amendments:

- The enactment of DROP, a Deferred Retirement Option Plan available to certain police members effective July 1, 2008, authorized by the February 2008 election by initiative proposition; and
- A limited cost transfer of 33 Airport police officers' historical service from CalPERS to SFERS effective July 1, 2009, authorized by the November 2007 election.

Recent Funding Performance

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Fund decreased to zero due to lowered funding requirements as determined by the consulting actuary of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period were due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuary in the manner described above in "Funding Practices." In fiscal year 2008-09, total employer contributions to the Retirement System were $119.75 million, which was 4.99% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes $54.9 million from the General Fund. For the fiscal year 2009-10, total employer contributions to the Retirement System were budgeted at $200.5 million, which was 9.49% of Pensionable Salary. This amount included $92.2 million from the General Fund. The contribution rate effective July 1, 2010 is 13.56% of Pensionable Salary.

Table A-17 shows Fund contributions for fiscal years 2004-05 through 2008-09. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Fund's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Fund. The "Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employer and Employee

Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2004-05 through 2008-09.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Employee Retirement System (in $000s)
Fiscal Years 2004-05 through 2008-09

Fiscal Year	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Percent Funded	Employee & Employer Contribution [1]	Employer Contribution Rates[2]
2004-05	13,135,263	12,659,698	11,765,737	108.0	248,029	4.48%
2005-06	14,497,022	13,597,646	12,515,463	109.0	289,226	6.58%
2006-07	16,952,044	14,929,287	13,541,388	110.0	308,348	6.24%
2007-08	15,832,521	15,941,390	15,358,824	103.8	319,183	5.91%
2008-09	11,886,729	16,004,730	16,498,649	97.0	312,715	4.99%

[1] For fiscal years 1999-00 through 2003-04, the City paid no employer contribution.

[2] Employer contribution rates for fiscal years 2009-2010 and 2010-2011 are 9.49% and 13.56% respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2009, 2008, 2007, 2006, and 2005.
SFERS' Actuarial Valuation report as of July 1, 2009, July 1, 2008, July 1, 2007, July 1, 2006, and July 1, 2005.

Asset Management and Actuarial Valuation

The assets of the Fund are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 68 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2009. The Fund does not hold hedge funds. The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org.

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

As shown in Table A-17, the market value of the Retirement System was approximately $11.9 billion as of June 30, 2009, and approximately $15.8 billion as of June 30, 2008. The $3.9 billion difference reflects, among other things, participant and employer contributions, benefit payments and a decline on a time-weighted basis of approximately 22% in the market value of assets held by the Retirement System.

As of March 31, 2010, SFERS estimated that the market value of its assets had increased to $13.7 billion. The estimated market value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. SFERS cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are not subject to audit (other than at year end).

The Retirement System investment portfolio is structured to focus on long-term performance, and the Retirement System actively manages its investment portfolio, including periodic review of its investment policy and asset allocation strategy. The Retirement System continues to review its investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Because the values of individual investments fluctuate based on volatile market conditions, the amount of losses, if any, that the Retirement System will recognize in future actuarial valuations cannot be determined. Market fluctuations are an expected investment risk for a pension fund and the value of the Retirement System investment portfolio changes periodically.

A decline in the actuarial value of assets over time, without a commensurate decline in the actuarial value of liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not continue to increase.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled $15.4 million in fiscal year 2007-08. For fiscal year 2008-09, the City budgeted $17.8 million in payments from the General Fund, and for fiscal year 2009-10, the City budgeted $18.8 million. These contributions are summarized in Note 9 to the City's CAFR, as of June 30, 2009, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City retirees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of the SFUSD, SFCCD and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries.

The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and four members of the Health Service System, active or retired, elected from among their members.

The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted in the Health Service System website: www.myhss.org/finance.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service

Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, in January of each year, the Health Service System conducts a survey of the 10 most populous counties in California (other than the City) to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and domestic partners of City employees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "*—Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

- Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

- In addition to the average contribution described in the second paragraph of this subsection, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

- After application of the calculations described above, the City contributes 50% of City retirees' remaining monthly contributions.

In addition, the City contributes 50% of the monthly contributions required for the first dependent of a retired City participant.

Health Care Reform

On March 22, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the "Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases with only certain eligibility and other changes taking place in 2010. Other provisions of the Health Care Reform Law will be implemented for the most part in future years, including, among other things, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. Several states have challenged the constitutionality of the Health Care Reform Law but that litigation is in its early stages and no assurance can be made about its outcome.

Employer Contributions for Health Service System Benefits

For fiscal year 2008-09, the Health Service System received approximately \$517.5 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately \$431.2 million, approximately \$116.3 million of this amount was for health care benefits for approximately 22,576 retired City employees and their eligible dependents and approximately \$314.9 million was for benefits for approximately 28,700 active City employees and their eligible dependents.

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter, as amended by Proposition B, passed by voters on June 3, 2008. Employees and a spouse or dependent are potentially eligible for health benefits following retirement after age 50 and completing five years of City service, subject to other eligibility requirements.

The City was required to begin reporting the liability and related information for unfunded post-retirement medical benefits (“OPEBs”) in the City’s financial statements for the fiscal year ending June 30, 2008. This new reporting requirement is defined under GASB 45. GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability—rather, it requires that government agencies start to record and report a portion of the liability in each year if they do not fund it. GASB 45 requires that non-pension benefits for retirees, such as retiree health care, be shown as an accrued liability on the City’s financial statements starting in fiscal year 2007-08. The City has not established an OPEB trust fund.

To help plan for the implementation of GASB 45, the City engaged an actuary to prepare a preliminary actuarial valuation of this liability. In its November 1, 2007 report on GASB 45 Valuation Results and Plan Design, Mercer Consulting estimated that if the City were to have a Funded Plan to cover post-employment medical benefits, the projected liability would be \$4.0 billion and have an annual required contribution for fiscal year 2007-08 of \$409.1 million, assuming a 4.5 percent return on investments, while covering all City operations, including those that are General Fund supported. See Note 9(c) and (d) to the City’s CAFR, as of June 30, 2009, included as Appendix B to this Official Statement. The difference between the estimated annual required contribution and the amount expended on post-retirement medical benefits in any year (as shown in Table A-18) is the amount by which the City’s overall liability for such benefits increases in that year. The City’s most recent CAFR estimates that the 2008-09 annual required contribution was \$430.9 million, of which the City funded \$120 million, causing the long-term liability to increase by \$311 million. The calculations in the Mercer Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. An updated actuarial report is expected to be completed in June, 2010.

Proposition B, passed by San Francisco voters on June 3, 2008, tightens post-retirement health benefit eligibility rules for employees hired after January 10, 2009, and requires payments by the City and these employees equal to three percent of salary into a new retiree health trust fund. The City's actuarial analysis shows that by 2031, this three-percent funding will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. See "Retirement System –*Recent Voter Approved Changes to the Retirement Plan*" above.

Total City Fringe Benefits Costs

The City continued to budget only for current-year benefits expenditures, without any set-aside for accrued or future liabilities in the fiscal year 2009-10 Original Budget. To begin to address the issue of accrued liabilities for future retiree health costs, the City created a new Post Employment Benefits Fund with $500,000 contributions in fiscal years 2007-08 and 2008-09. In addition, $300,000 for employees hired after January 10, 2009 was deposited into the Post Employment Benefits Fund in fiscal year 2008-09. The estimated fiscal year 2009-10 projected fund balance is $3.0 million given contributions and earnings of $2.0 million and expenses of $0.2 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 provides a five-year history for all fringe benefits costs paid including pension, health, dental and other miscellaneous fringes. For all fiscal years shown, a "pay-as-you-go" approach was used by the City.

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Total Fringe Benefit Costs
Fiscal Years 2005-06 through 2009-10

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10
Retirement	$174,738,472	$202,607,710	$206,317,989	$197,660,298	$284,150,515
Social Security & Medicare	121,589,065	136,241,775	143,781,950	147,748,266	144,541,668
Health - Medical	194,950,403	220,483,696	246,439,434	273,805,487	276,434,833
Health - Retiree Medical	96,286,433	102,062,188	110,634,136	116,893,684	128,725,140
Health - Dental	34,225,398	36,141,082	35,734,275	37,247,063	37,033,107
Other Fringes	19,315,549	36,057,549	28,816,300	31,979,189	25,385,547
Total Fringe Costs	**$641,105,320**	**$733,594,000**	**$771,724,084**	**$805,333,987**	**$896,270,810**

FY 2005-06 through FY 2008-09 figures are audited actuals. FY 2009-10 figures are budgeted.
Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Policy

The management of the City's surplus cash is governed by an Investment Policy administered by the Office of the Treasurer and Tax Collector. In order of priority, the objectives of the Investment Policy are the preservation of capital, liquidity and yield. To preserve capital, investments generally are diversified as to investment return and financial institution, and are made so that securities can be held to maturity. Liquidity is managed with the objective of enabling the City to meet all disbursement requirements that are anticipated from any fund during the subsequent six months. The Treasurer is required by State law and the Investment Policy to certify each month to the City Controller, the Mayor, and the Board of Supervisors that the City's investment portfolio meets this liquidity requirement. Once preservation and liquidity objectives have been achieved, the Treasurer and Tax Collector then attempts to generate a favorable return by maximizing interest earnings without compromising the first two objectives.

The Treasurer's investment policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. See "APPENDIX C – City and County of San Francisco Office of the

Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy dated April 2010. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org.

Investment Portfolio

As of April 30, 2010, the City's surplus investment fund consisted of the investments classified in Table A-19, and had the investment maturity distribution presented in Table A-20.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Investment Portfolio
Pooled Funds
As of April 30, 2010

Type of Investment	Par Value	Book Value	Market Value
Agency	$ 2,077,766,000	$ 2,082,292,053	$ 2,081,023,498
Treasury Liquidity Guarantee Program	956,000,000	969,617,114	973,698,063
Treasury	770,000,000	771,426,602	771,481,246
Collateral C D	25,000,000	25,000,000	25,000,000
Public Time Deposit	65,100,000	65,100,000	65,100,000
Total	$ 3,893,866,000	$ 3,913,435,769	$ 3,916,302,806

April 2010 Earned Income Yield: 1.27%

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

TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO
Investment Maturity Distribution
Pooled Funds
As of April 30, 2010

Maturity In Months	Par Value	Percentage
0 to 1	$ 100,100,000	2.57%
1 to 2	200,000,000	5.14%
2 to 3	-	0.00%
3 to 4	5,000,000	0.13%
4 to 5	25,000,000	0.64%
5 to 6	50,000,000	1.28%
6 to 12	465,000,000	11.94%
12 to 24	1,121,470,000	28.80%
24 to 36	1,927,296,000	49.50%
36 to 48	-	0.00%
48 to 60	-	0.00%
	$ 3,893,866,000	100%

Weighted Average Maturity: 665 Days

Source: Office of the Treasurer & Tax-Collector, City and County of San Francisco
From Bank of New York-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2009 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2009", Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The City Administrator, in conjunction with a capital planning committee composed of other City finance and capital project officials (the "Capital Planning Committee"), is directed to develop and submit an annual ten-year capital plan (the "Capital Plan") each fiscal year for approval by the Board of Supervisors. The Capital Plan provides an assessment of the City's infrastructure needs over such period, investments required to meet the needs identified and a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted annually in parallel with the budget process. The Capital Planning Committee is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 and adopted by the Board of Supervisors and the Mayor on or before each May 1. The fiscal year 2011-2020 Capital Plan (the "Plan") was approved by the Capital Planning Committee on March 1, 2010 and adopted by the Board of Supervisors on April 27, 2010. The Plan contains $17.8 billion in capital investments over the coming decade for all City departments, including $3.8 billion in projects for General Fund-supported departments. The Plan also assumes $67.0 million (or 54% of the annual amount needed to keep capital assets in a state of good repair and renewal) for General Fund pay-as-you-go capital projects in fiscal year 2010-11. The amount for General Fund pay-as-you-go capital projects is assumed to grow 10% each year so that by the end of the ten-year plan, the City will cover 67% of its annual pay-as-you-go needs. The Plan is not incorporated by reference herein but may be found at www.sfgov.org/cpp.

Capital projects for General Fund-supported departments included in the Plan consist of upgrades to library, hospital, police, fire and park facilities; replacement of the Hall of Justice; repairs to the high-pressure fire hydrant system; repaving of streets; and removal of barriers to accessibility, among other capital projects. Approximately $2.2 billion or 60% of the capital projects of General Fund supported departments is financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, General Fund, and other sources.

In addition to the City General Fund-supported investments, the Plan recommends $14.1 billion in enterprise fund department projects to continue major transit, water and wastewater projects such as the Central Subway, Airport Terminal 2, Wastewater Master Plan and the Water System Improvement Program (WSIP), among others. Approximately $6.3 billion or 45% of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund, and other sources.

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

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of May 1, 2010, the City had $1.5 billion aggregate principal amount of general obligation bonds outstanding.

Table A-21 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-21

CITY AND COUNTY OF SAN FRANCISCO

Direct Tax-Supported Debt Service

As of May 1, 2010[1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2010	$125,996,160	$40,824,668	$166,820,828
2011	123,035,240	65,866,619	188,901,859
2012	97,990,350	60,167,771	158,158,121
2013	88,736,548	56,196,571	144,933,119
2014	84,143,892	51,992,874	136,136,766
2015	77,982,445	48,124,774	126,107,219
2016	81,567,271	44,490,808	126,058,079
2017	72,308,442	40,796,432	113,104,874
2018	71,816,030	37,429,884	109,245,914
2019	68,975,113	34,295,551	103,270,664
2020	65,040,771	31,158,205	96,198,976
2021	58,808,092	27,537,770	86,345,862
2022	62,482,166	25,507,889	87,990,055
2023	63,043,088	22,519,152	85,562,240
2024	62,185,960	19,400,454	81,586,414
2025	59,080,889	16,308,845	75,389,734
2026	50,017,986	13,301,860	63,319,846
2027	52,072,364	10,717,001	62,789,365
2028	53,767,781	7,985,190	61,752,971
2029	50,465,000	5,129,308	55,594,308
2030	43,120,000	2,381,776	45,501,776
TOTAL[3]	$1,512,635,588	$662,133,402	$2,174,768,990

[1] The City's only outstanding direct tax-supported debt is general obligation bonded indebtedness. This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency agency indebtedness.

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

General Obligation Bonds Authorized but Unissued

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

In November 1992, voters approved Proposition A, which authorized the issuance of up to $350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued $35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007 the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed $35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007 the City initiated an initial borrowing of $2.0 million, and in October 2007, the City borrowed approximately $3.8 million from the Credit Bank. In January 2008, the City borrowed approximately $3.9 million and in November 2008, the City borrowed $1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the $35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $294.6 million in March 2010.

In November 2008, voters approved Proposition A, which authorized the issuance of up to $887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately $131.7 million in March 2009. The City issued the second series in the amount of approximately $60.4 million in March 2010.

Table A-22 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of May 1, 2010, the City had authorized and unissued general obligation bond authority of $847.1 billion.

The Board of Supervisors has proposed a bond measure on the June 8, 2010 ballot in the amount of $412.3 million, for projects to improve City-wide emergency water supplies for fire, earthquake and emergency response, to improve neighborhood fire stations, and to construct an earthquake-safe emergency command center. Passage of the measure would require approval of two-thirds of those voting.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO General Obligation Bonds (as of May 1, 2010)				
Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Golden Gate Park Improvements (6/2/92)	2001A	$17,060,000	$1,570,000	
Seismic Safety Loan Program (11/3/92)	2007A	10,995,228	10,295,589	$304,004,772 [2]
Steinhart Aquarium Improvement (11/7/95)	2005F	29,245,000	25,075,000	
Affordable Housing Bonds (11/5/96)	2001C	17,000,000	770,000	
	2001D	23,000,000	5,510,000	
Educational Facilities - Unified School District (6/3/97)	2003B	29,480,000	22,535,000	
Zoo Facilities Bonds (6/3/97)	2002A	6,210,000	4,505,000	
	2005H	7,505,000	6,430,000	
Laguna Honda Hospital (11/2/99)	2005A	110,000,000	97,320,000	
	2005I	69,000,000	65,365,000	
Neighborhood Recreation and Park (3/7/00)	2001B	14,060,000	1,295,000	
	2003A	20,960,000	16,020,000	
	2004A	68,800,000	56,585,000	
California Academy of Sciences Improvement (3/7/00)	2004B	8,075,000	6,640,000	
	2005E	79,370,000	68,060,000	
Branch Library Facilities Improvement (11/7/00)	2001E	17,665,000	805,000	
	2002B	23,135,000	16,785,000	
	2005G	34,000,000	29,160,000	
	2008A	31,065,000	30,150,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	41,375,000	
	2010C	24,785,000	24,785,000	
	2010D	35,645,000	35,645,000	82,050,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	124,020,000	
	2010A	120,890,000	120,890,000	
	2010C	173,805,000	173,805,000	461,055,000
SUB TOTALS		**$1,145,920,228**	**$985,395,589**	**$847,109,772**
General Obligation Refunding Bonds Series 2002-R1 issued 4/23/02		118,945,000	52,290,000	
General Obligation Refunding Bonds Series 2004-R1 issued 6/16/04		21,930,000	3,795,000	
General Obligation Refunding Bonds Series 2006-R1 issued 10/31/06		90,690,000	81,395,000	
General Obligation Refunding Bonds Series 2006-R2 issued 12/18/06		66,565,000	47,425,000	
General Obligation Refunding Bonds Series 2008-R1 issued 5/29/08		232,075,000	187,480,000	
General Obligation Refunding Bonds Series 2008-R2 issued 5/29/08		39,320,000	36,725,000	
General Obligation Refunding Bonds Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
TOTALS		**$1,833,575,228**	**$1,512,635,589**	**$847,109,772**

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $10,995,228 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds Authorized but Unissued."

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

Refunding General Obligation Bonds

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. The City has issued six series of refunding bonds under the Resolution as shown on Table A-23:

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds

Series Name	Date Issued	Principal Amount Issued (Millions)
2004-R1	June 2004	$21.9
2006-R1	October 2006	90.7
2006-R2	December 2006	66.6
2008-R1	May 2008	232.1
2008-R2	May 2008	39.3
2008-R3	July 2008	118.1

Lease Payments and Other Long-Term Obligations

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

Table A-24 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of May 1, 2010. Note that the annual payment obligations reflected in Table A-24 include the fully accreted value of any capital appreciation obligations that will accrue as of the final payment dates.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds, Certificates of Participation,
and San Francisco Redevelopment Agency Bonds
As of May 1, 2010

Fiscal Year	Principal	Interest	Annual Payment Obligation
2010	$12,277,024	$17,683,021	$29,960,045
2011	47,408,573	66,213,694	113,622,267
2012	40,280,763	64,877,924	105,158,687
2013	39,651,157	63,552,332	103,203,489
2014	44,711,550	62,141,897	106,853,447
2015	51,380,751	55,652,072	107,032,823
2016	52,145,000	48,150,504	100,295,504
2017	52,440,000	45,622,995	98,062,995
2018	53,630,000	43,041,640	96,671,640
2019	38,765,000	40,385,474	79,150,474
2020	40,265,000	38,453,388	78,718,388
2021	41,440,000	36,408,448	77,848,448
2022	42,585,000	34,333,211	76,918,211
2023	39,275,000	32,171,399	71,446,399
2024	45,180,000	29,925,056	75,105,056
2025	42,880,000	27,533,179	70,413,179
2026	44,345,000	25,297,696	69,642,696
2027	46,490,000	22,939,032	69,429,032
2028	46,905,000	20,492,294	67,397,294
2029	49,085,000	18,005,217	67,090,217
2030	48,540,000	15,439,187	63,979,187
2031	39,760,000	12,878,228	52,638,228
2032	28,910,000	10,825,891	39,735,891
2033	27,865,000	9,351,686	37,216,686
2034	29,230,000	7,821,199	37,051,199
2035	16,305,000	6,467,599	22,772,599
2036	14,395,000	5,567,607	19,962,607
2037	15,030,000	4,752,794	19,782,794
2038	15,690,000	3,902,287	19,592,287
2039	16,375,000	3,014,711	19,389,711
2040	17,095,000	2,088,419	19,183,419
2041	17,845,000	1,121,651	18,966,651
2042	9,680,000	313,971	9,993,971
TOTAL [1]	$1,167,859,818	$876,425,703 [2][3]	$2,044,285,521

[1] Totals reflect rounding to nearest dollar.

[2] For purposes of this table, the interest payments on the Lease Revenue Bonds, Series 2008-1, and 2008-2 (Moscone Center Expansion Project) are assumed to be 3.8%. These bonds are in variable rate mode.

[3] Does not include Redevelopment Agency Bonds sold in August, 2009.

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

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

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, such amount increasing by five percent each fiscal year. As of May 1, 2010, the total authorized amount for such financings was $50.5 million. The total principal amount outstanding as of May 1, 2010 was $12.3 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of Proposition B lease revenue bonds, respectively, leaving $14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the $100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. The City has no current timetable for issuance of the Proposition D bonds.

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately $27.0 million and $42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on December 16, 2008 and the Mayor approved on December 19, 2008, the issuance of not to exceed $45.0 million of City and County of San Francisco Certificates of Participation (Moscone Center Improvement Project), Series 2010B (the "Certificates") to finance improvements to the Moscone Convention Center. The proceeds from the sale of the Certificates will be used to provide funding for various improvements to the City's convention facilities known as Moscone South, Moscone North, and Moscone West. The City anticipates issuing the Certificates in the summer of 2010.

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term financing to be issued when market conditions are favorable. Projects will be eligible to access the CP Program once the Board and the

Mayor have approved the project and the long-term, permanent financing for the project. The City anticipates issuing the first series of CP Notes in the summer of 2010.

Overlapping Debt

Table A-25 shows bonded debt and long-term obligations sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases long-term obligations issued by a public agency are payable only from the General Fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2009-2010 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	151,310,445,899	
	Outstanding	
DIRECT GENERAL OBLIGATION BOND DEBT	**5/1/2010**	
General City Purposes Carried on the Tax Roll	$1,512,635,589	
GROSS DIRECT DEBT	$1,512,635,589	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco COPs, Series 1997 (2789 25th Street Property)	$5,400,000	
San Francisco COPs, Series 1999 (555-7th Street Property)	6,210,000	
San Francisco Parking Authority Lease Revenue Bds, Series 2000A (North Beach Garage)	6,165,000	
San Francisco COPs, Series 2000 (San Bruno Jail Replacement Project)	123,315,000	
San Francisco Refunding COPs, Series 2001-1 (25 Van Ness Avenue Property)	8,300,000	
San Francisco Refunding Settlement Obligation Bonds, Series 2003-R1	7,040,000	
San Francisco COPs, Series 2001A & Taxable Series 2001B (30 Van Ness Ave. Property)	31,580,000	
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	37,785,000	
San Francisco Finance Corporation, Equipment LRBs Series 2003A, 2004A, 2005A, 2006A, 2007A, 2008A	12,340,000	
San Francisco Finance Corporation Emergency Communication Series, 1997, 1998, 1998-1, 1999-1	26,835,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	141,600,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	65,195,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	33,860,000	
San Francisco Redevelopment Agency Moscone Convention Center 1992	18,349,818	[1]
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2002	65,850,000	
San Francisco Redevelopment Agency Lease Revenue Refunding Bonds, Series 2004	31,140,000	
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	28,135,000	
San Francisco COPs, Series 2007A and Taxable Series 2007B (City Office Buildings - Multiple Properties)	149,870,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	163,335,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Gas Tax)	37,885,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	38,120,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000	
LONG-TERM OBLIGATIONS	$1,167,859,818	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$2,680,495,407	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$765,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	111,585,000	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	108,774,650	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	401,030,000	
San Francisco Parking Authority Meter Revenue Refunding Bonds - 1999-1	15,880,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 1994	4,840,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Refunding Bonds - 1998	49,510,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	855,412,839	
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	243,525,227	
Association of Bay Area Governments Obligations (Special Tax Bonds)	47,832,090	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006	479,665,000	
San Francisco Unified School District COPs - 1996 Refunding, 1998 & 1999	12,720,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,331,539,806	
GROSS COMBINED TOTAL OBLIGATIONS	$5,012,035,213	[2]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**	
Gross Direct Debt (General Obligation Bonds)	1.00%	< 3.00%	[3]
Gross Direct Debt & Long-Term Obligations	1.77%	n/a	
Gross Combined Total Obligations	3.31%	n/a	

[1] The accreted value as of July 1, 2009 is $62,521,597.

[2] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to City taxes.

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

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.0 million of such authorization in October 2004, $130.0 million in October 2005 and $92.0 million in October 2006, leaving $15.0 million authorized but unissued.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed $980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the $980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or $282.0 million. Of such authorization, BART issued $100.0 million in May 2005 and $400.0 million in July 2007, of which the allocable City portion is approximately $29.0 million and $116.0 million, respectively.

On November 8, 2005, voters approved the issuance of up to $246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of $90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional $110.0 million of such authorization. SFCCD has announced plans to issue the remaining authorization in the spring of 2010 in the aggregate principal amount of $46.3 million.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed $450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of $100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of $150.0 million under the Proposition A authorization in January 2009.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Major projects currently under development include:

The Octavia Boulevard Project - The Market Octavia Plan is a culmination of an eight-year community planning effort led by the City and the affected neighborhoods. The adoption of the plan will now allow for implementation of the long-range vision for these neighborhoods along Market Street and the new Octavia Boulevard, including Hayes Valley, the Castro, Duboce Triangle and parts of the Civic Center. Benefits of the plan include an additional 6,000 units of new housing; a comprehensive infrastructure improvement plan and approximately $85 million in funding to help build these improvements, and additional opportunities and funding for affordable housing. Adoption of the Market Octavia Plan also allows for the completion of the Octavia Boulevard project, notably the 900 units of housing, including affordable housing, along the former Central Freeway right-of-way. The City's Office of Economic and Workforce Development will lead the effort to sell the remaining eleven land parcels and use the proceeds to support affordable housing development on the remaining parcels, and to make public space and street improvements in the neighborhood, including a new skatepark under the new freeway ramp at Duboce and Mission, repaving Van Ness Avenue, and a new community garden at McCoppin and Valencia Streets.

New Transbay Transit Center Project - In May 2008, the Transbay Joint Powers Authority selected the team of Pelli Clarke Pelli Architects and Hines group to enter into exclusive negotiations to replace the existing Transbay Transit Terminal at Mission and First Streets. Hines offered $350 million for the purchase of the tower property. The new Transit Center will feature a 5.4-acre rooftop park above the bus and rail station. Under the current proposal, the tower will have approximately 1.6 million square feet. Construction is scheduled to begin on the Transit Center and tower in summer 2010, and completion is due in 2014.

Hunters Point Shipyard/Candlestick Point Phase 2 **-** In mid-2007, the City's Redevelopment Agency Commission and the Board of Supervisors endorsed the conceptual framework to guide the City, the Redevelopment Agency, and Lennar Communities in planning an integrated, mixed-use project at the Candlestick Point Area of the Bayview Hunters Point ("BVHP") and the Hunters Point Shipyard Redevelopment Project Areas. Together, these sites comprise over 700 acres of waterfront land along the City's southeastern shores. The development project is designed to provide over 10,500 residential units—a significant portion of which will be offered at below-market rates—over 300 acres of new waterfront parks, including a new "Crissy Field of the South", approximately 700,000 square feet of destination retail and entertainment space and over 2.5 million square feet of commercial space oriented around a "green" science and technology campus, targeting emerging technologies, and the rehabilitation and rebuilding of public housing projects. The project is also being designed to accommodate a world-class football stadium for the San Francisco 49ers professional football team. A sum of $82 million has been federally appropriated for Navy cleanup at Hunters Point Shipyard, a $20 million increase over what the federal government has committed annually over the past several years. In addition, on June 3, 2008, City voters approved Proposition G to replace and update two 1997 measures authorizing $100 million in public lease-revenue financing as well as land-use rule changes to allow the new football stadium and shopping mall at Candlestick Point.

Hunters Point Shipyard Phase 1 **-** Lennar/BVHP completed mass grading and is finalizing infrastructure construction for the first phase of development on Parcel A, which will include 1,500 housing units (about 30% set aside as affordable), approximately 1.5 acres of improved land dedicated to community facilities, approximately 34 acres of improved open space, and numerous community benefits. By agreement with Lennar/BVHP, the City's Redevelopment Agency will share in proceeds from the sale of lots on Parcel A, which it will use to fund the Shipyard Legacy Fund, to be administered by an independent quasi-public entity. Lennar is investing $90 million in infrastructure; environmental remediation and grading for Phase 1.

Treasure Island – Recent progress at Treasure Island includes a land transfer agreement between the City and the United States Navy which will allow the transfer of the land to the Treasure Island Development Authority. At the present stage of design and negotiation, the proposed conceptual development program consists of approximately 300 acres of parks and open space slated for water-oriented, recreational, and natural and passive uses. Approximately 5,500 residential units are part of the proposed plan, 30 percent of which are below market rates and more than 400 of which are allotted for homeless San Franciscans – an effort coordinated in partnership with the Treasure Island Homeless Development Initiative. The development is clustered around a new ferry terminal, and is designed to prioritize walking, biking and transit. The proposed development includes a system of storm-water treatment wetlands, rigorous "green" building standards and maximization of renewable energy. The development plan for Treasure Island includes a mixed-use commercial district, including hotel accommodations, retail stores, entertainment venues and cultural exhibitions.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIII A of the California Constitution

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

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

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

Article XIII B of the California Constitution

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

Articles XIII C and XIII D of the California Constitution

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

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

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

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

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the *"Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See, *Fielder v. City of Los Angeles,* 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure would be insignificant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES", herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

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

The amended 2009-10 State Budget includes a Proposition 1A diversion of $1.9 billion in local property tax revenues from cities, counties, and special districts to the State to offset State general fund spending for education and other programs. Such diverted revenues must be repaid, with interest, no later than June 30, 2013. The amended 2009-10 State Budget diverts another $1.7 billion in local property tax revenues from local redevelopment agencies, but this is not covered by Proposition 1A, and may be subject to lawsuits by such affected local agencies. The impact of these shifts on City revenues in fiscal year 2009-10 are discussed under "CITY BUDGET—Impact of State Budget on City Budget" above.

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

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

Future Initiatives

Articles XIII A, XIII B, XIII C and XIII D and Propositions 62 and 1A were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2009, attached as Appendix B to this Official Statement, as well as those described in this Appendix A under "Business Taxes" above. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City to first evaluate self-insurance for the risks of losses to which it is exposed. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance when it makes economic sense and when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, typically for more limited-scope projects, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. The vast majority of the City's traditional insurance program is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, Municipal Railway, the Public Utilities Commission, the Port and Convention Facilities, etc.). The remainder of the insured program is made up of insurance for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials.

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

The City actuarially determines and allocates workers' compensation costs to departments according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement improved programs, such as return-to-work programs, to lower or mitigate workers' compensation costs. Various programs focus on accident prevention, investigation and duty modification of injured employees with medical restrictions so the injured employees can return to work as early as possible.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2009

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CITY AND COUNTY OF
SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2009

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year ended June 30, 2009

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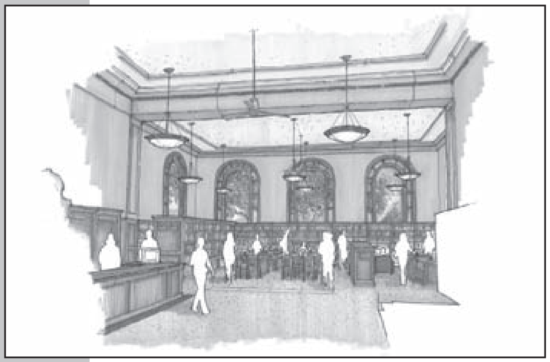
- Certificate of Achievement – Government Finance Officers Association
- City and County of San Francisco Organization Chart
- List of Principal Officials



December 23, 2009

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
Citizens of the City and County of San Francisco
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the fiscal year ended June 30, 2009 (FY 2008-2009), with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

KEY FINANCIAL REPORT SECTIONS:

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

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

The financial statements of several enterprise activities and of all component units of government are included in this CAFR. Some component units' financials are blended with the City's, such as: the San Francisco County Transportation Authority, the San Francisco Finance Corporation, and the San Francisco Parking Authority. The reason for this is that these component units have the same governing body as the primary government or provides services exclusively to the City. In other instances, namely, for the San Francisco Redevelopment Agency and the Treasure Island Development Authority, financial reporting is shown separately. Supplemental combining statements and schedules for non-major governmental funds, internal service funds and fiduciary funds are also presented in the financial section.

The **Statistical Section** includes up to ten years of historical financial data and miscellaneous social and economic information that conforms to GASB standards for reporting—Statement No. 44. This section may be of special interest to prospective investors in our bonds.

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

The national recession which started in December 2007 finally began to affect the San Francisco economy in October 2008, in the wake of the financial crisis following the collapse of Lehman Brothers. The depth of the local recession can most clearly be seen in the number of unemployed, which has nearly doubled from June 2008 to June 2009. The City's unemployment rate rose to an average rate of 7.4% during FY 2008-2009, the highest annual rate in over 10 years. In addition to higher unemployment, the recession of FY 2008-2009 has led to lower retail sales, declining consumer prices, housing and commercial real estate price drops, and higher vacancies and lower rates in hotels and commercial real estate.

Nonetheless, San Francisco's economy has continued to outperform most other jurisdictions in California, and the State itself, during the recession. To place San Francisco's economic performance in context, the State of California's economy has continued to worsen since 2006. The clearest indication of this distress is the state's employment situation. During FY 2008-2009, California's unemployment rate increased by over 50%, to a rate of 11.6% in June 2009.

San Francisco did not feel the national recession until well into FY 2008-2009. The recession initially formed in areas of the State that suffered severe housing price declines and construction industry contractions. These declines occurred with the collapse of a housing bubble built on speculative overbuilding and an excessive spread of high-risk mortgages. The housing bubble in California was significant, but for the most part did not spread to coastal counties such as San Francisco, where rates of housing construction have remained low by State standards.

The housing market downturn broadened into an economy-wide credit and financial crisis in the fall of 2008. San Francisco businesses were not immune, and immediately curtailed investment and shed jobs. Almost every sector of the City's economy lost jobs during FY 2008-2009. Job losses were led, in percentage terms, by the construction, retail trade, and financial service sectors. Only health care and educational services have maintained employment during the recession.

Nevertheless, San Francisco's long-term economic fundamentals – the quality of its workforce, environment, technological base, and cultural amenities – remain among the strongest of any city in the United States. These competitive advantages are likely to secure the City's continued prosperity after the current recession ends.

Significant Economic Outcomes

Several aspects of San Francisco's recent economic performance over the past several years are discussed in more detail in the following section.

Population: Rising through 2008

Since 2000, the California Department of Finance and the U.S. Census Bureau have released significantly different estimates of San Francisco's population. For both calendar years 2007 and 2008, both sources indicated a rise in San Francisco's population over the prior years' levels. According to the Census Bureau, San Francisco had 808,976 residents as of July 1, 2008, a 1.2% increase over July 1, 2007. The Department of Finance reported San Francisco's population as 835,364 as of January 1, 2008, a 0.7% increase over the same date in 2007. In addition, the Department of Finance has estimated San Francisco's population to be 845,559 as of January 1, 2009, a 1.2% increase over the same date in 2008.

Employment Base: Severe Job Losses, But Outperforming the State

The wage and salaried employment base of San Francisco fell by 17,000 jobs between March 2008 and March 2009, based on the latest preliminary data available from the Bureau of Labor Statistics. This 3.0% drop is the largest annual change since 2003, and partially reverses a 4.0% increase in employment during the prior year. To put the recent job loss into context, San Francisco lost 94,000 jobs between 2000 and 2004, or 16% of its total wage and salary employment base, according to the Employment Development Department. Although that represents four consecutive years of job losses, each of the first three years of the 2000-2004 recession featured annual job losses that were greater than what San Francisco experienced between March 2008 and March 2009.

San Francisco's average monthly unemployment rate for FY 2008-2009 rose to 7.4%, an increase of nearly two-thirds over the average annual figure for the prior fiscal year. Despite the significant increase in local joblessness, San Francisco had a lower unemployment rate than most California counties, as of the end of June 2009. The State's unemployment rate rose from 7.6% to 11.6% during this same fiscal year.

Taxable Sales: Significant Declines Late in the Fiscal Year

Unlike most of the State of California, San Francisco's taxable sales base grew through most of 2008, even as the national economy entered a severe recession. However, as of the second quarter of FY 2008-2009, the City saw annual declines in taxable sales and its associated sales tax revenue. Actual taxable sales declined by 11.2% in the second quarter of FY 2008-2009, 17.6% in the third quarter, and 20.5% in the fourth quarter, all versus the same quarter in the prior fiscal year. Overall, taxable sales declined by 11.3% in FY 2008-2009, versus the prior year.

San Francisco's Major Industries

San Francisco's economy is dependent on the global competitiveness of two primary sets of industry clusters: knowledge-based businesses centered around professional, financial, and information services, and experience-based businesses centered on tourism. San Francisco's continued economic growth has been, and will in the future be, due to the competitiveness of these key elements of its economy. In addition, a new set of emerging technology-based industries has helped diversify San Francisco's economy in recent years. Nevertheless, almost all major segments of the local economy have suffered employment declines during FY 2008-2009.

Financial, Professional, and Business Services

The core of San Francisco's knowledge-based economy is its large downtown concentration of corporate headquarters, banks and financial services companies, and professional services such as law firms and consultants. The competitiveness of these industry clusters is important to San Francisco's long-term economic outlook.

In March 2008, San Francisco held over 173,000 private sector jobs in financial activities and business and professional services, according to the Bureau of Labor Statistics. As a group, employment in these industries declined by 11,000 jobs between March 2008 and March 2009, a 6.1% overall reduction. In California, employment in these sectors declined by 7.1% during the same period, while nationally they declined by 5.7%.

The commercial real estate market in downtown San Francisco provides another indicator of the challenges facing the City's knowledge-based industries during the current recession. In the April to June 2009 period, the City's commercial vacancy rate increased by approximately 30%. Average commercial lease rates experienced a corresponding decline of 30.6% during the same period, with an average annual asking lease rate of $32.67 per square foot.

Tourism and Hospitality

The other major segment of San Francisco's economic base is the tourism and hospitality industry. Like the downtown office sector, tourism experienced a strong recovery after the recession of the early 2000s, but experienced declines during FY 2008-2009.

There were approximately 73,000 people working in arts, recreation, cultural services, accommodation, and food services in San Francisco in March 2009, according to the latest preliminary data from the Bureau of Labor Statistics. This represents a loss of over 3,400 jobs, or a 4.7% decrease, versus the prior year. After several years of growth that exceeded State and national levels, San Francisco's loss in FY 2008-2009 exceeded the State's decline of 4.2% and the national decline of 3.1%.

Like most of the rest of the local economy, San Francisco's hotel sector entered FY 2008-2009 with strength, only to see rapid declines in the second quarter which continued until the end of the fiscal year. Both occupancy rates and average daily rates declined, resulting in a combined reduction in revenue per available room-night of 11.5% during the fiscal year.

Emerging Industries: Biotechnology and Clean Technology

Recombinant genetic engineering, the central innovation that created the biotechnology industry, was co-invented by a researcher at the University of California, San Francisco (UCSF) in the 1970s. Between UCSF, Stanford University, the University of California at Berkeley, and other local research institutions, the Bay Area is the leading biomedical research region in the world.

Until recently, however, few biotechnology companies were located in San Francisco itself. This has begun to change with the growth of the Mission Bay redevelopment area. Mission Bay now houses a new UCSF campus, and growing amounts of lab and incubator space for researchers and start-up companies. Today, San Francisco is home to 52 life sciences companies and has 6% of the Bay Area's occupied space for biotechnology, up from just 1% in 2003. As Mission Bay continues to develop, it is expected that San Francisco's biotechnology industry will continue to grow.

San Francisco also has a growing clean technology industry, with over 200 firms located within the City, including Suntech America, the world's largest solar manufacturer, that has located their North American headquarters in San Francisco.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

The City and County of San Francisco was established by Charter in 1850, and is the only legal subdivision of the State of California with the governmental powers of both a city and a county. The City's legislative power is exercised through a Board of Supervisors, while its executive power is vested upon a Mayor and other appointed and elected officials. Key public services provided by the City include public

safety and protection, public transportation, water and sewer, parks and recreation, public health, social services and land-use and planning regulation. The heads of most of these departments are appointed by the Mayor and advised by commissions and boards appointed by City elected officials.

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

San Francisco's Budgetary Process

The City adopts annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

In November 2009, City voters approved a change to the City's Charter which requires the City to adopt a host of financial planning tools, including a two-year budget, a five-year financial plan, and a series of financial policies. The Charter amendment phases these changes in over a four year period, beginning in FY 2010-2011.

Key Government Initiatives

San Francisco's industry competitiveness and overall prosperity are underpinned by a number of local economic foundations that benefit City residents, visitors, and businesses. Improvement affecting core City infrastructure, to proceeding with key redevelopment and land-use projects, to initiatives aimed at improving the quality of life for those that live, work, and visit the City. The City government is taking steps to strengthen these advantages, and thereby helping to secure the City's continued prosperity. Some important initiatives are described below.

Key Initiatives: Housing and Commercial Development

San Francisco's recovery and future economic growth depends on developing new residential and commercial areas. Despite the recession, the City continued to make significant progress on these objectives in FY 2008-2009.

Treasure Island Redevelopment Project

The City has proceeded during the past year with planning for the redevelopment of Treasure Island, a former military base in the San Francisco Bay. By leveraging private capital and the City's entitlement power, the City plans to develop the closed base into a green, sustainable community. The Treasure Island Plan will add 6,000 new residential units, including 1,800 at below-market rate. The planned project also includes 250,000 square feet of retail and commercial space, 450 hotel rooms, entertainment venues and cultural exhibitions, and a 300-acre park.

Bayview and Hunters Point Redevelopment Projects

A similar development opportunity exists along San Francisco's southern waterfront, at Candlestick Point and the Hunters Point Shipyard. Current plans include up to 10,000 housing units, over two million square feet of research and development space, and over 350 acres of open space and waterfront park land. A new 49ers stadium could be an element of that revitalization effort; plans are proceeding with, and without, a stadium alternative. Revitalizing these waterfront sites will create badly-needed jobs, affordable housing and parks and open space for the Hunters Point community, and the broader region.

In June 2008, City voters approved Proposition G, supporting the combined Hunters Point Shipyard Candlestick Point redevelopment project. This measure affirmed the actions of both the Redevelopment Agency Commission and the Board of Supervisors, who in 2007 endorsed the conceptual framework to plan for an integrated, mixed-use project in the southeast corner of the City. In addition, the Navy's cleanup and transfer of the Shipyard parcels to the City are accelerating, including an $82 million federal appropriation for the Navy's clean-up of the site during FY 2008-2009, a significant increase over appropriations in prior years.

Key Initiatives: Transportation Infrastructure

San Francisco's economic recovery and future development will raise demand for transportation and create a need for increased infrastructure investment. The City is planning for this growth across all modes, including bus, rail, and air.

The Transbay Transit Center

Rising freeway congestion in the Bay Area make it critical for the region to have the ability to rapidly bring large numbers of workers into a transit-accessible employment center. Downtown San Francisco can serve this function better than any other area in the region, and the Transbay Center will significantly strengthen this capacity. Plans for a multi-modal hub located in the City's core – the Transbay Transit Center – are targeted to meet this need.

In 2006, the Transbay Transit Center project obtained Federal and State environmental approvals. The Center will initially feature an expanded terminal for buses to and from surrounding counties, and is planned to include a terminal for commuter rail from San Mateo County, high speed rail from Southern California, and pedestrian connections to both Bay Area Rapid Transit (BART) and City Municipal Transportation Agency (MTA) subways. Plans for the Transbay Center include a mixed use transit tower, where development will fund much of the transit infrastructure.

The project is scheduled for completion in 2014, followed by completion of an extension of the Caltrain rail line to the site in 2018. Once completed, the Center is expected to serve more than 100,000 people per day through nine different transportation systems.

Expanded Capacity at San Francisco International Airport

The San Francisco International Airport (SFO) is nearing completion of a $383 million renovation of Terminal 2 from a 10-gate international terminal to a 14-gate domestic terminal. As a result of the international economic slowdown, U.S. airports have experienced an average decline of 7.7% in air traffic. In contrast, air traffic at SFO has decreased by only 0.8% as a result of additional flights being offered by low-cost carriers. Virgin America and American Airlines are the anticipated tenants of the new Terminal 2, which is scheduled to open in early 2011.

Improved Municipal Transit Planning

The City has recently completed a comprehensive review of current and projected transit travel patterns and produced a series of recommended changes to the City's mass transit system designed to improve reliability and reduce travel times. The analytical and planning phase of this project concluded during FY 2008-2009.

The City is currently developing a five-year implementation plan for these recommendations. The plan will include goals and target outcomes, a phasing plan for route updates and service changes, a detailed list of required capital projects and funding strategies, and a master schedule with critical path steps to deliver the five-year program. Concurrently, the City will commence required environmental assessment processes during spring 2010.

Subway System Expansion

In 2007 the City completed an extension of its light-rail system from the edge of the City's financial district to the City's southeast sector through completion of the Third Street Light Rail Project. The next phase of this project, titled the Central Subway Project, will extend this light rail line underneath the City's financial district to Chinatown. The City is now completing preliminary engineering work and anticipates receiving federal approval to enter into the final design of the project late in FY 2009-2010.

Key Initiatives: Health and Human Services

Public health and human services are important to the long-run productivity of the workforce. The City offers a host of health and safety net services, including operation of two public hospitals, the administration of federal, state, and local entitlement programs, and a vast array of community-based health and human services.

Access to Healthcare

The City launched the Healthy San Francisco program in 2007 with the goal of increasing access to healthcare for San Francisco residents. The program creates a mandate for many businesses in San Francisco to either provide employer-paid health insurance for their employees or to pay into an expansion of the City's public health network. The program is funded with a mix of grants, employer-paid fees, and through a redirection of local funds allocated for public health services.

During this past fiscal year, the City's Department of Public Health has focused on expanding enrollment and broadening the medical provider network participating in the program. The provider network now includes a number of private and nonprofit community health care associations and hospitals. By the end of FY 2008-2009, over 43,000 uninsured adult residents had enrolled in the program, or approximately 72% of the City's estimated uninsured population.

Rebuilding the City's Public Hospitals

The City is in the process of replacing and modernizing both of its public hospitals, Laguna Honda Rehabilitation Center and San Francisco General Hospital.

The replacement of Laguna Honda is scheduled for completion during the coming fiscal year. The $585 million project has been funded with a mix of General Obligation bonds, tobacco settlement revenues, and certificates of participation. Three new seismically-safe buildings, which will be home to 780 residents, will open in April 2010.

The voters approved a General Obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This $887 million project is required given changes to state law governing seismic requirements for hospitals. It will replace the existing facility with a new nine-story building on the existing hospital campus. The hospital is the only trauma center in San Francisco, and also acts as the safety net hospital for our residents. Preliminary excavation and utility work on the site has already commenced, with completion expected in 2015.

Key Initiatives: Quality of Life

In recent years the City has completed renovation and expansion of a number of recreational and cultural facilities that serve those that live, work, and visit the City. The experience generated by these institutions is one of the keys to the maintaining the high quality of life that, in turn, serves to attract and retain the City's many visitors and residents.

New Museums

Several museums have recently opened, broadening the base of available cultural amenities. During the past three years, the California Academy of Sciences and de Young Museum have reopened in new and expanded facilities. The Contemporary Jewish Museum, Museum of the African Diaspora, and Walt Disney Family Museum and Library have all opened during this same period. And work is underway to relocate the Exploratorium Museum to a larger, more central waterfront location.

Parks and Libraries

San Francisco voters have approved a number of bond measures to fund capital improvements to the City's parks and libraries during the past decade, most recently with the approval of a $185 million General Obligation bond for improvements to neighborhood parks in February 2008. This most-recent parks improvement measure includes funds for seismic improvement, disability access, and facility renovation at key facilities and parks throughout the City, and is scheduled for completion by FY 2013-2014.

A comprehensive capital improvement program intended to renovate the City's branch library system is proceeding, with planned improvements at over half of the City's branches now complete. The $187 million program, funded with a mix of General Obligation and lease-revenue bonds, focuses on seismic safety, accessibility, and modernization of facilities for current uses. The program is scheduled for completion in FY 2010-2011.

SUMMARY:

Short Term Weakness, Long Term Strength

The economic recession that had begun earlier elsewhere in the State had significant impacts on San Francisco's economy in FY 2008-2009. Unemployment rates increased, consumer prices declined, retail sales weakened, housing and commercial real estate price declined, and vacancy rates in commercial real estate and hotels increased.

Corresponding tax revenue declines forced reductions in general government services and resulted in the need for mid-year budget corrections to maintain a Charter-required balanced budget. These pressures on the City's General Fund budget are expected to continue into FY 2009-2010 and FY 2010-2011.

As discussed above, however, San Francisco is positioned to maintain its historic strength after the current recession ends. Significant investments in key infrastructure and land-use projects will provide needed jobs and economic stimulus in the short-term, with long-term benefits resulting to the City and region's economic competitiveness. These investments are complemented by a number of key initiatives aimed at improving the quality of life of those who live in and visit the City. In the longer term, the City and region's longstanding advantages in workforce educational attainment, research and development, entrepreneurial talent, venture capital financing, and quality of life are likely to ensure it remains among the most competitive regional economies in the world.

Certificate of Achievement Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2008. This was the 27th consecutive year (fiscal years ended June 30, 1982 – 2008) that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

Acknowledgements

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

Respectfully submitted,

Ben Rosenfield
Controller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2008

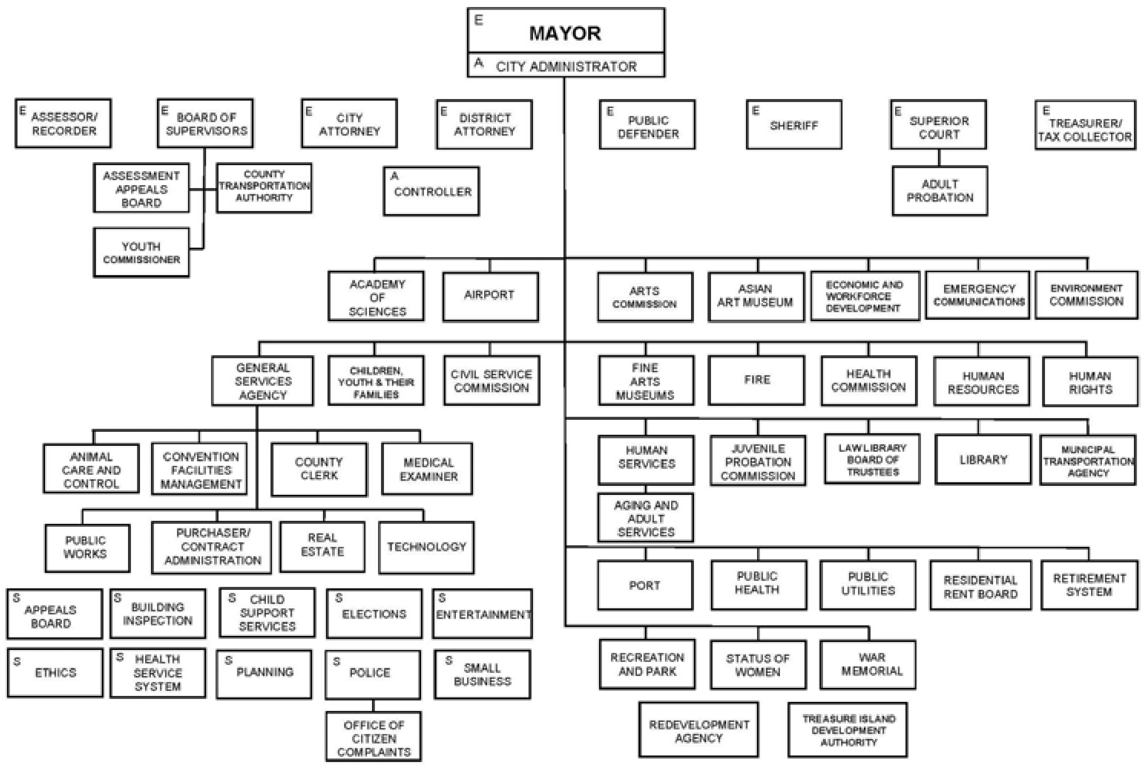
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

City and County of San Francisco Organization Chart

(As of June 30, 2009)



A = Appointed by Mayor and confirmed by Board of Supervisors / **E** = Elected / **S** = Shared – appointed by various elected officials.

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CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2009

ELECTED OFFICIALS

Mayor	Gavin Newsom
Board of Supervisors:	
President	David Chiu
Supervisor	Michela Alioto-Pier
Supervisor	Eric L. Mar
Supervisor	Chris Daly
Supervisor	Bevan Dufty
Supervisor	Sean Elsbernd
Supervisor	Carmen Chu
Supervisor	Sophie Maxwell
Supervisor	David Campos
Supervisor	Ross Mirkarimi
Supervisor	John Avalos
Assessor/Recorder	Phil Ting
City Attorney	Dennis J. Herrera
District Attorney	Kamala D. Harris
Public Defender	Jeff Adachi
Sheriff	Michael Hennessey
Superior Courts	
Presiding Judge	Judge James J. McBride
Treasurer/Tax Collector	José Cisneros

APPOINTED OFFICIALS

City Administrator	Edwin M. Lee
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport	John L. Martin
Appeals Board	Cynthia Goldstein
Arts Commission	Luis Cancel
Asian Art Museum	Jay Xu
Board of Supervisors	Angela Calvillo
Assessment Appeals Board	Dawn Duran
County Transportation Authority	José Luis Moscovich
Building Inspection	Vivian Day
California Academy of Sciences	Gregory C. Farrington, Ph.D.
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Anita Sanchez
Economic and Workforce Development	Michael Cohen
Elections	John Arntz
Emergency Management	Vicki Hennessy (acting)
Entertainment	Robert Davis
Environment	David Assman (acting)
Ethics	John St. Croix
Fine Arts Museums	John E. Buchanan, Jr.
Fire	Joanne Hayes-White

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control	Rebecca Katz
Convention Facilities Management	John Noguchi
County Clerk	Karen Hong Yee
Medical Examiner	Amy P. Hart, M.D.
Public Works	Ed Reiskin
Purchaser/Contract Administration	Naomi Kelly
Real Estate	Amy L. Brown
Department of Technology	Chris Vein
Health Service System	Bart Duncan
Human Resources	Micki Callahan
Human Rights	Chris Iglesias
Human Services	Trent Rohrer
Aging and Adult Services	Anne Hinton
Juvenile Probation	William P. Siffermann
Law Library Board of Trustees	Marcia Bell
Library	Luis Herrera
Municipal Transportation Agency	Nathaniel P. Ford, Sr.
Planning	John Rahaim
Police	Heather Fong
Office of Citizen Complaints	Joyce M. Hicks
Port	Monique Moyer
Public Health	Mitchell H. Katz, M.D.
Public Utilities	Edward Harrington
Recreation and Park	Jared Blumenfeld (acting)
Residential Rent Board	Delene Wolf
Retirement System	Clare M. Murphy
Small Business	Regina Dick-Endrizzi
Status of Women	Emily Murase
Superior Court	Gordon Park-Li
Adult Probation	Patrick Boyd
War Memorial	Elizabeth Murray

DISCRETELY PRESENTED COMPONENT UNITS

Redevelopment Agency	Fred Blackwell
Treasure Island Development Authority	Mirian Saez

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Financial Section

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

MGO

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Certified Public Accountants & Management Consultants

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925.274.0190

SACRAMENTO

OAKLAND

LOS ANGELES

NEWPORT BEACH

SAN DIEGO

The Honorable Mayor Gavin Newsom
The Honorable Members of the Board of Supervisors
City and County of San Francisco

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, San Francisco Municipal Transportation Agency, San Francisco Wastewater Enterprise, San Francisco Market Corporation, City and County of San Francisco Finance Corporation, and the Health Service System, which collectively represent the following percentages of assets, net assets/fund balances and revenues/additions as of and for the year ended June 30, 2009.

Opinion Unit	Assets	Net Assets/ Fund Balances	Revenues/ Additions
Governmental activities	2%	15%	0%
Business-type activities	91%	85%	71%
Aggregate remaining fund information	3%	0%	8%

Those financial statements were audited by other auditors whose reports thereon 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. The prior year partial and summarized comparative information has been derived from the City's 2008 basic financial statements and, in our report dated January 30, 2009, we expressed unqualified opinions, based on our audit and the reports of other auditors, on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2(r) to the basic financial statements, effective July 1, 2008, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

The financial statements include partial or summarized prior year comparative information. Such prior year information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2008, from which such partial or summarized information was derived.

The management's discussion and analysis and schedules of funding progress listed in the accompanying table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Macias Gini & O'Connell LLP
Certified Public Accountants

Walnut Creek, California
December 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2009. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as 2007-2008 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the 2008-2009 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets of the City exceeded its liabilities at the end of the fiscal year by approximately $6.07 billion (net assets). Of this amount, the City's unrestricted net assets, decreased from $229.5 million to a deficit of $165.2 million.

The government's total net assets decreased by $368.1 million or 5.7 percent over the previous fiscal year. Within the $368.1 million, the government's total capital assets net of related debt and restricted assets increased by $71.6 million, which includes a $15.5 million decrease related to an adjustment to beginning net assets of the business-type activities, and were offset by a $394.7 million decrease in unrestricted net assets. A significant portion of the decrease in unrestricted net assets is due to recognition of $301.3 million other postemployment benefit expense and $33.5 million pollution remediation liabilities in the current fiscal year, of which $27.5 million was reported as an adjustment to beginning net assets as a result of the implementation of the new pollution remediation accounting standard.

The City's governmental funds reported total revenues of $3.68 billion; an $8.2 million or 0.2 percent slight increase over the prior year. The growth in property tax revenues of $92.7 million and the growth in federal and state grant revenues of approximately $49.2 million were largely offset by declines in other local taxes and other revenues. Governmental funds expenditures totaled $3.65 billion for this period, a $109.4 million or 3.1 percent increase, reflecting increases in cost of living and growth in demand for government services.

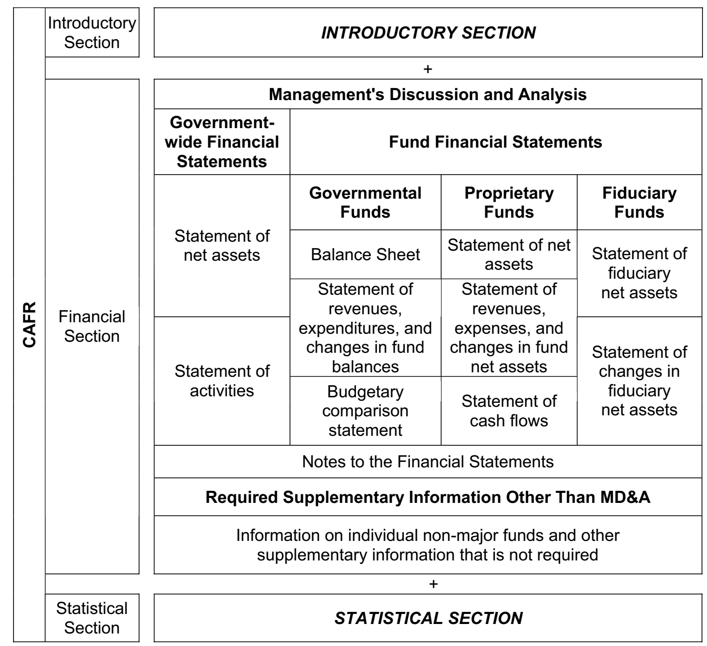
At the end of the fiscal year, the City's General Fund had an unreserved fund balance of $28.2 million, representing 1.2 percent of total General Fund expenditures of $2.41 billion. The General Fund's unreserved fund balance decreased by 63.4 percent from the prior year amount of $77.1 million. Factors contributing to this decline include a moderate decrease in total revenue, increase in demand for services and the City's related use of fund balances.

The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $454.9 million during this fiscal year. The City issued a total of $963.9 million in debt. Of this amount, $175.5 million was for general obligation bonds for improvement works for the San Francisco General Hospital, clean and safe neighborhood parks as well as Seismic Safety Loan Program. A total of $163.3 million in certificates of participation for the Laguna Honda Hospital were issued for the construction and improvement of the Laguna Honda Hospital. The City also issued a total of $118.1 million General Obligation Bonds to refund the variable rate General Obligation Bonds (Laguna Honda Hospital) and a total of $145.3 million in Lease Revenue Refunding bonds to refund the variable rates Lease Revenue Bonds (Moscone Center Expansion Project). In addition, the San Francisco International Airport issued a total of $314.9 million Revenue Refunding Notes to refund various variable rate demand bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



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

	Government-wide Statements	Fund Financial Statements		
		Governmental	**Proprietary**	**Fiduciary**
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses 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 assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate redevelopment agency, the San Francisco Redevelopment Agency, and a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for these component units 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 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.

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 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 non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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), Port of San Francisco (Port), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), Laguna Honda Hospital, San Francisco General Hospital Medical Center, and the San Francisco Wastewater Enterprise (Wastewater), 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 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, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees.

Combining Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets
June 30, 2009
(In thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008 *	2009	2008 *
Assets:						
Current and other assets	$ 1,982,121	$ 1,905,426	$ 2,106,943	$ 2,109,649	$ 4,089,064	$ 4,015,075
Capital assets	3,028,915	2,931,077	9,460,894	9,148,394	12,489,809	12,079,471
Total assets	5,011,036	4,836,503	11,567,837	11,258,043	16,578,873	16,094,546
Liabilities:						
Noncurrent liabilities outstanding	2,750,324	2,324,641	5,558,722	5,558,339	8,309,046	7,882,980
Other liabilities	955,509	926,806	1,248,969	851,355	2,204,478	1,778,161
Total liabilities	3,705,833	3,251,447	6,807,691	6,409,694	10,513,524	9,661,141
Net assets:						
Invested in capital assets, net of related debt **	1,725,203	1,436,842	4,017,577	3,935,008	5,443,483	5,371,850
Restricted	371,831	410,111	415,237	421,904	787,068	832,015
Unrestricted (deficit) **	(791,831)	(261,897)	327,332	491,437	(165,202)	229,540
Total net assets	$ 1,305,203	$ 1,585,056	$ 4,760,146	$ 4,848,349	$ 6,065,349	$ 6,433,405

* The 2008 ending balances in the table above have not been restated as discussed in Note 2(t) to the basic financial statements.

** In accordance with GASB implementation guidance, the City reclassified $299.3 million of total net assets from invested in capital assets, net of related debt to unrestricted to reflect the primary government as a whole perspective.

Analysis of Net Assets

Net assets may serve as a useful indicator of the government's financial position. At the end of fiscal year 2008-2009, the City's total net assets exceeded liabilities by $6.07 billion.

The largest portion of the net assets reflects the City's $5.4 billion investment in capital assets (e.g. land, buildings, and equipment) less any outstanding debt related to the acquisition of these assets. This is 89.8 percent of the City's total net assets, a 1.3 percent increase over the prior year, and is largely due to growth in net capital assets with the governmental activities as well as at the Laguna Honda Hospital, Hetch Hetchy, and Water, which are business-type activities of the City. Since the government uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the debt related to these assets must come from other sources since the capital assets themselves cannot be liquated to pay that liability.

Another portion of the City's net assets, $787.1 million (13.0 percent) represents restricted resources that are subject to external limitations regarding their use. The governmental activities have a $791.8 million deficit in the unrestricted net asset component, due to an overall increase in expenses over revenues as well as the continual recognition of other postemployment benefit expense, in conformance and compliance with GASB Statement No. 45 requirements. Also contributing to the governmental activities deficit unrestricted net assets is $299.3 million of long-term bonds used for the purpose of rebuilding and improving Laguna Honda Hospital (see Note 2 (k)). The business-type activities reported positive balances in all categories of net assets at the end of this fiscal year.

Changes in Net Assets
Year Ended June 30, 2009
(In thousands)

	Governmental activities		Business-type activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	$ 392,411	$ 461,625	$ 2,034,298	$ 1,973,961	$ 2,426,709	$ 2,435,586
Operating grants and contributions	909,695	926,089	186,776	181,725	1,096,471	1,107,814
Capital grants and contributions	44,048	36,079	87,253	152,511	131,301	188,590
General revenues:						
Property taxes	1,302,071	1,189,511	-	-	1,302,071	1,189,511
Business taxes	388,653	396,025	-	-	388,653	396,025
Sales and use tax	172,794	190,967	-	-	172,794	190,967
Hotel room tax	214,460	219,089	-	-	214,460	219,089
Utility users tax	89,801	86,964	-	-	89,801	86,964
Other local taxes	126,017	155,951	-	-	126,017	155,951
Interest and investment income	35,434	57,929	49,691	67,217	85,125	125,146
Other	44,086	25,939	201,624	233,244	245,710	259,183
Total revenues	3,719,470	3,746,168	2,559,642	2,608,658	6,279,112	6,354,826
Expenses						
Public protection	1,109,311	1,020,457	-	-	1,109,311	1,020,457
Public works, transportation and commerce	254,955	342,411	-	-	254,955	342,411
Human welfare and neighborhood development	908,449	848,195	-	-	908,449	848,195
Community health	608,733	567,410	-	-	608,733	567,410
Culture and recreation	319,994	347,433	-	-	319,994	347,433
General administration and finance	238,601	250,295	-	-	238,601	250,295
General City responsibilities	72,634	80,887	-	-	72,634	80,887
Unallocated Interest on long-term debt	93,387	97,694	-	-	93,387	97,694
Airport	-	-	683,335	651,581	683,335	651,581
Transportation	-	-	863,218	830,411	863,218	830,411
Port	-	-	71,778	67,495	71,778	67,495
Water	-	-	277,162	252,802	277,162	252,802
Power	-	-	96,228	109,436	96,228	109,436
Hospitals	-	-	820,236	812,399	820,236	812,399
Sewer	-	-	184,977	182,712	184,977	182,712
Market	-	-	1,144	1,052	1,144	1,052
Total expenses	3,606,064	3,554,782	2,998,078	2,907,888	6,604,142	6,462,670
Increase/(decrease) in net assets before special items and transfers	113,406	191,386	(438,436)	(299,230)	(325,030)	(107,844)
Special items	-	-	-	(41,026)	-	(41,026)
Transfers	(393,259)	(477,341)	393,259	477,341	-	-
Change in net assets	(279,853)	(285,955)	(45,177)	137,085	(325,030)	(148,870)
Net assets at beginning of year, as restated	1,585,056	1,871,011	4,805,323	4,711,264	6,390,379	6,582,275
Net assets at end of year	$ 1,305,203	$ 1,585,056	$ 4,760,146	$ 4,848,349	$ 6,065,349	$ 6,433,405

* The 2008 ending balances in the table above have not been restated as discussed in Note 2 to the basic financial statements.

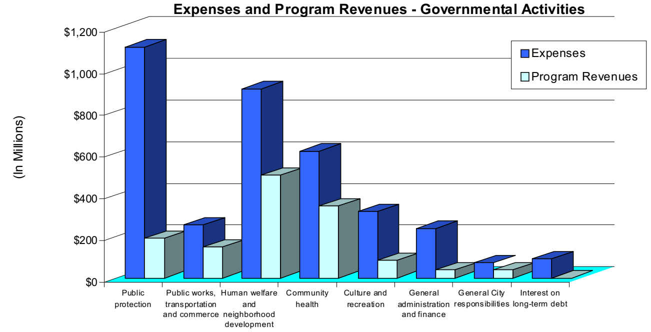
Analysis of Changes in Net Assets

The City's total net assets decreased by $325.0 million during fiscal year 2008-2009. Both the governmental and business-type activities realized net asset decreases of $279.9 million and $45.2 million, respectively. Within the business-type activities, Laguna Honda reported a major growth in net assets of $77.0 million mainly due to the capital asset transfers funded with governmental resources.

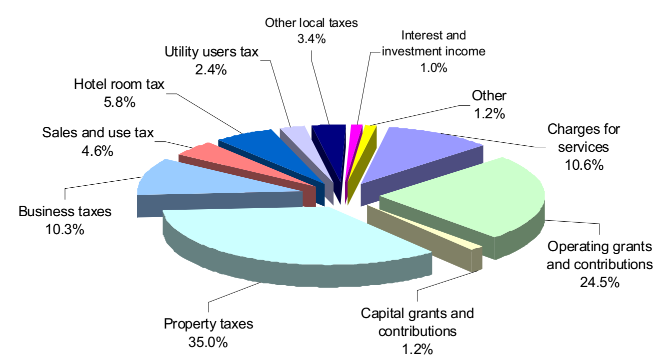
In addition, Water, Wastewater, Hetch Hetchy and Market Corporation also reported a combined growth of $51.4 million increase in net assets due to these funds managing their decreasing revenues against their expenses. These increases are offset by the combined decrease of net assets of $173.5 million from the remaining enterprises, including MTA, Airport, Port and General Hospital.

The City's governmental-type activities experienced a $26.7 million or 0.7 percent decline in total revenues. Despite the $112.6 million growth in property tax and $8.0 million in capital grants and contributions and a combined growth of $21.0 million in utility user taxes and other revenues, there was a general decline in remaining revenue sources that range from $7.4 million in business taxes to $69.2 million in charges for services. The City's governmental activities expenses also increased moderately by $51.3 million or 1.4 percent this fiscal year, which contributed to the gap between public expenses and revenues. A 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 decreased the City's total net assets by approximately $279.9 million. Key factors contributing to this year's change are discussed below.

Overall, total revenues from governmental activities were $3.72 billion, a $26.7 million or 0.7 percent decrease over the prior year. For the same period, expenses totaled $3.61 billion before transfers of $393.3 million, resulting in a total net asset decrease of $279.9 million by June 30, 2009.

Property tax revenue grew significantly by $112.6 million or 9.5 percent primarily due to a growth in assessed valuation in the current fiscal year over prior fiscal year. Business taxes decreased by $7.4 million or 1.9 percent. Revenues from hotel, sales, utility users and other local taxes totaled approximately $603.1 million, a $49.9 million decrease over the prior year. Of this, property transfer tax (part of other local taxes) decreased by $37.3 million or 43.2% that reflected the depressed number and value of transactions for the City for the fiscal year. Sales and use tax decreased by $18.2 million or 9.5%, hotel room tax by $4.6 million or 2.1% and parking tax (part of other local taxes) by $2.7 million or 4.1%. The Access Line Tax of $10 million approved by voters in November 2008 that replaced the Emergency Response Fee helped to improve the revenue shortfall in the other local taxes. In general, the decreases in other local taxes correlated with declined business and tourist activities as well as the increased unemployment rate caused by the global credit crunch and weak economy.

Total charges for services revenues dropped this year by $69.2 million, or 15.0 percent. Of this amount, $50.1 million was the decline of development impact fees due to a downturn in the economy that negatively affected development and construction activities and sale of housing units. The remaining decreases reflected a general decline in governmental fee-based services including building safety charges, building permits, ambulance billings and others.

Interest and investment income revenue was down by $22.5 million, 38.8 percent, due to declining interest rates on the City's pooled investments from the gross annual 4.3 percent to 2.6 percent and lower daily cash balances caused by delays in state grant and subvention payments during the fiscal year. In general, these returns reflect the City's concentration of investments in Treasury Bills and Notes and other government agencies short-term investments. As interest rates fell and stayed low for short term investments, the Portfolio included investments with longer maturities that had higher interest yields. As of June 30, 2009, 45.7% of the pooled investment will mature within 1 year compared to the 71.1% last fiscal year. Also, the portfolio now holds Temporary Liquidity Guarantee Program bonds, which are corporate bonds backed by the Federal Deposit Insurance Corporation and the U.S. government. At the end of the fiscal year, deposits and investments for governmental activities with the City Treasury were $984.3 million, a 15.3 percent decrease over the prior year.

Revenues from capital grants and contributions totaled $44.0 million this year compared to $36.1 million last year. This $7.9 million, or 22.1 percent increase was mainly for streets, roads and library improvement projects.

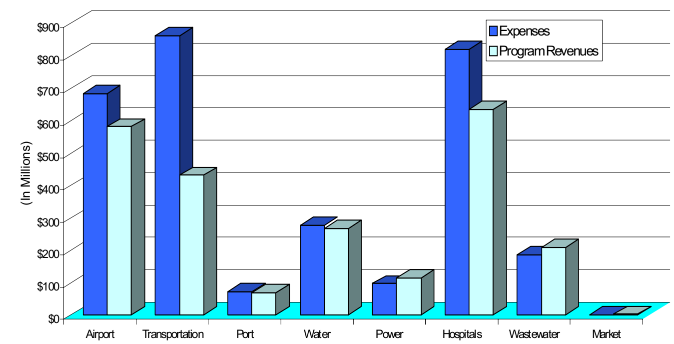
Net transfers to business-type activities were $393.3 million, a 17.6 percent or $84.1 million decrease over the prior fiscal year. The total General Fund transfers to MTA, General Hospital and Laguna Honda remains at about the same level of $402 million this fiscal year. Yet, both General Hospital and Laguna Honda reimbursed the General Fund for a total of approximately $50.9 million of capital expenditures related to the hospital rebuild projects paid in prior years. In addition, the transfers from the San Francisco County Transportation Authority to MTA were reduced by $24.8 million and the City Facilities Improvement Funds to Laguna Honda for the hospital rebuild were reduced by approximately $8.7 million.

The increase in total governmental expenses of $51.3 million or 1.4% was primarily due to increases in demand for the government's services, salaries related expenses, including other postemployment benefits, and claims against the City. Major components of the increase include approximately $60.3 million increases in the human welfare and neighborhood services functions due to growth in increased aid programs, social services contracts and various community based organization services. Community health expenses also grew by $41.3 million due to higher levels of health services that were provided. The majority of the growth in public protection services is offset by a similar amount in the

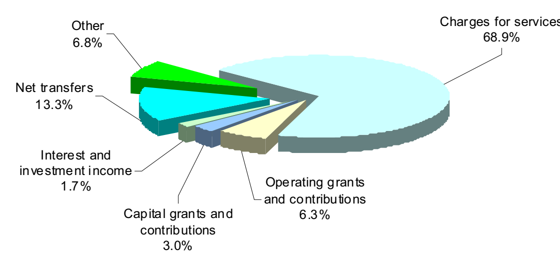
decline in public works, transportation and commerce since the Emergency Communications Department has been reclassified to the public protection function from the public works, transportation and commerce function in the last fiscal year. This reclassification is to better reflect the nature of services provided by the department. These overall increases in expenses are partially offset by decreases of $27.4 million, $11.7 million, and $8.3 million in the functions of culture and recreation, general administration and general city responsibilities expenses, respectively, due to a combination of decreases in administrative costs and decreased elections and related expenses as compared to last year.

The charts on the previous page illustrate expenses and program revenues by functional area, and all revenues by source. As shown, public protection is the largest function (30.8 percent), followed by human welfare and neighborhood development (25.2 percent) and community health (16.9 percent). General revenues are not shown by program or function because they are used to support activities citywide. The distribution of these revenues shows property tax (35.0 percent) as the single largest funding source, followed by operating grants and contributions (24.5 percent), charges for services (10.6 percent), and business taxes (10.4 percent). This relative ranking is equivalent to the prior fiscal year and the actual percentage distributions showed only small differences.

Expenses and Program Revenues - Business-type Activities



Revenues By Source and Net Transfers - Business-type Activities



Business-type activities. Business-type activities decreased the City's net assets by $45.2 million. Key factors contributing to this decline are:

- The Municipal Transportation Agency (MTA) had net assets of $1.83 billion at the end of this fiscal year, a $73.7 million decrease for the period. The City's municipal railway, MUNI, accounts for 97.6 percent or $1.79 billion of these net assets. The remainder represents the combined net assets of the Department of Parking and Traffic and the Parking Authority. MUNI's net assets decreased by $70.9 million this fiscal year compared to an increase of $14.3 million the prior fiscal year. This year's change was based on $668.0 million in total revenues and net transfers versus $738.7 million in total expenses. Net transfers increased by $23.2 million and operating and non-operating revenues grew by about $1.7 million. The latter reflects modest increases in passenger fare, advertising rental and other revenues. At the same time, the railway saw a $74.8 million decrease in federal and state capital contributions and a $35.2 million increase in total expenses. Within this, salary and fringe benefit expense, including the cost of other post-employment benefits, increased by $21.3 million and the cost of service from other City departments rose by $13.6 million. The remaining expense increase is due to a small net increase in depreciation, contractual services, and administrative expenses. This year, the City's General Fund total subsidy to MTA was $229.7 million. Of this, $180.8 million went to MUNI and $48.9 million went to the Department of Parking and Traffic. This was a $26.2 million increase and a $0.7 million decrease, respectively, for each entity over the prior year.

- Laguna Honda Hospital, the City's skilled nursing care hospital, increased net assets by $77.0 million or 20.1 percent this year, reflecting continued progress on construction of the new hospital complex. This increase is primarily related to $97.6 million of transfers from the non-major governmental funds for the hospital's capital activities, which are supported by general obligation bonds and certificates of participation. The increase is partially offset by a transfer of $25.9 from Laguna Honda Hospital to the General Fund to reimburse the General Fund for certain hospital capital asset expenditures. Laguna Honda Hospital also received a $55.5 million subsidy from the General Fund offset by $47.9 million in losses this year as compared to a $49.8 million in losses in the prior year.

- General Hospital, the City's acute care hospital had a decrease in net assets of $58.0 million, which resulted in a net deficit of $16.1 million at June 30, 2009. The decrease was partially the result of a smaller operating subsidy from the General Fund that was $19.1 million less than the prior year. General Hospital also transferred $25.0 million to the General Fund to reimburse capital activities related to the General Hospital rebuild project that were previously paid by the General Fund.

- Hetch Hetchy operates San Francisco's water storage and power generating facilities in the Sierra Nevada Mountains. Its total net assets were $444.4 million at the end of fiscal year 2009, a $23.2 million increase over the prior year when a $14.7 million decrease was reported. That decrease consisted of a $26.5 increase in nets assets from operating and non-operating revenue and expenses offset by a $41.2 million one-time write-off of a turbine project. This year, Hetch Hetchy's operating expenses fell by $13.2 million due to a $10.1 million decrease in the cost of purchased power from the Western System Power Pool and a $13.7 million decrease in claims liability expenses. These were offset by increases of $4.3 million in personnel costs, $4.1 million in contractual service costs, $2.2 million for San Francisco's new Go-Solar incentive program as well as increases in depreciation and other expenses equaling about $2.1 million. Total revenues for this year were $122.1 million, a decrease of $14.4 million since last year. This includes a $6.6 million decrease in revenues from electricity sales to Modesto and Turlock Irrigation Districts and other municipalities; a $2.6 million decrease in revenue from TIDA, a $2.6 million increase in sales to City departments, and a $2.1 million increase in water assessment fees to the San Francisco Water Enterprise and others. This year's total revenue decrease also included an approximately $12.1 million decline in non-operating revenue primarily due to $7.6 million one-time refunds and reimbursements in the prior year, and about a $2.3 million fall in investment and interest income in fiscal year 2009 due to lower interest rates.

- The City's Water Enterprise reported net assets of $462.3 million, a $1.0 million or 0.2 percent increase over the prior year. The enterprise is engaged in a massive, multi-billion dollar, ten-year project to rebuild the City's water system know as the Water System Improvement Program (WSIP). Directly related to this effort, the enterprise's total assets and total liabilities increased by $243.8 million and $242.8 million, respectively. Within this, net capital assets rose by $233.3 million and current assets increased by $11.1 million, including a $13.7 million total increase in receivables from suburban customers and approximately $4.7 million increase in receivables from mainly other City retail ratepayers, offset by a $7.8 million decrease in cash balances due to a decline in interest earnings and increases in operating expenses. Liabilities show an increase of $229.6 million in commercial paper associated with WSIP, a reduction of $25.3 million in bond principal repayment, approximately $20.0 million increase in accounts payable for capital projects, and the WSIP program; $15.9 increase in the liability for other postemployment benefit expenses, and $4.3 million in arbitrage payable expense, and a net reduction of about $1.3 million in claims and other current liabilities.

- The City's Wastewater Enterprise had net assets of $1.01 billion at the end of this fiscal year, a $26.7 million or 2.7 percent increase for the fiscal year. The enterprise reported total revenues of $211.7 million, a $4.2 million increase over the prior year. This included an $11.5 million increase in charges for service due to a 9.0% rate increase on July 1, 2008. That was partially offset by a decline of $5.4 million in capacity fee revenues related to a drop in building permits, and a decrease of $1.9 million in interest and other income, reflecting the drop in interest rates during the period. Total expenses were about $185.0 million, a $2.3 million increase over the prior year. This included an increase of $5.6 million for services of other departments, particularly the City's Department of Public Works for sewer repair, street cleaning and engineering work. Concurrently, contractual service expense increased $1.9 million, material and supplies declined by $3.8 million, interest and other expenses fell by a net of $1.7 million.

- The Port had an increase in net assets of $2.5 million from its current year activities, however the ending net assets decreased by a total of $40.6 million due to prior year restatements, which resulted from a prior year adjustment for fixed assets of $15.5 million and a restatement due to recognizing a pollution remediation cost of $27.5 million in accordance with GASB Statement No. 49.

- The Airport's net assets decreased by $44.0 million or 14.0 percent from the prior year. The decrease is primarily the result of increased operating expenses over last year of $27.3 million and a decrease in nonoperating revenues of $12.2 million and an increase in nonoperating expenses of $4.4 million and a decreased federal capital contribution of $11.3 million. The main reasons for the increase in operating expenses was higher personnel costs of $14.3 million due to base wage increases and other postemployment benefits, and increased depreciation expense of $7.1 million due to additional capital assets placed in service and additional contractual services of $3.3 million for marketing and other services. In addition, repairs and maintenance increased by $1.7 million. Although operating revenues grew by $15.5 million or 2.9% driven largely by increased aviation revenues, concession and parking and transportation revenue, it was not enough to offset the combined effect of the aforementioned increases in operating expenses and the decreases in nonoperating revenues mostly due to lower interest and other earnings, and the increase in interest expense. Finally, the transfer from the Airport to the City's General Fund was $26.8 million this year, a 3.5 percent growth over fiscal year 2007-2008.

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. The unreserved 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 the current fiscal year, the City reported combined ending governmental fund balances of $985.0 million, an increase of $13.3 million over the prior year. The City realized growth in total governmental funds revenues, including growth in property tax revenues, federal and state revenues for a total of $141.9 million. These increases were offset by a decline in the rest of other taxes, such as business, hotel room tax, other local taxes, as well as interest and investment income as discussed earlier, leaving a net increase of $8.2 million in revenues for the fiscal year.

The governmental funds have a combined deficit of $63.5 million in the unrestricted fund balance component. Of the $63.5 million deficit, $95.6 million was from Special Revenue and Capital Projects funds. The remainder of the fund balances in governmental funds is reserved, a measure of the fund resources already committed and not available for new spending. These commitments include support for (1) a General Fund "rainy day" reserve ($98.3 million), (2) encumbrances for existing contracts and purchase orders ($233.1 million), (3) funds continued for programs or projects in future fiscal years ($610.2 million), (4) funds reserved for future debt service payments ($75.9 million), and (5) assets not available for appropriation ($31.1 million).

The General Fund is the chief operating fund of the City and had an unreserved fund balance of $28.2 million and a total fund balance of $301.7 million at the end of the fiscal year. For the year, the General Fund's total revenues exceeded expenditures by $306.6 million, before transfers and other items of $410.6 million. In the aggregate, the resulting total fund balance decreased by $104.0 million for the fiscal year ended June 30, 2009. Overall, this was due to smaller than expected increase in revenues, particularly in real estate property transfer tax, grants and subventions, and an increased rate of expenditure growth due to growth in demand for services and personnel costs across City functions. These factors were partly offset by management controls on the General Fund expenditures put in place during the middle of this fiscal year.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. For this fiscal year, the unreserved fund balance of $28.2 million represents 1.17 percent of total General Fund expenditures of $2.4 billion, and the total fund balance of $301.7 million represents essentially 12.5 percent of that amount. At the end of the prior fiscal year, the General Fund's unreserved fund balance of $77.1 million was 3.2 percent of total expenditures of $2.39 billion, and the total fund balance represented approximately 17.0 percent of expenditure. This change also reflects the City's relatively higher use of budgetary use of balances and reserves in fiscal 2008-2009 due to the weak economy of the City.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-activities section of the government-wide financial statements, but in more details.

At the end of the current fiscal year, the unrestricted net assets for the Airport were $226.3 million, the Water Enterprise $83.9 million, the Hetch Hetchy Water and Power were $170.7 million, the Wastewater Enterprise Program were $26.3 million, and the Port were $31.7 million. In addition, the MTA, the San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net assets of $106.5 million, $67.5 million and $42.2 million, respectively.

The following table shows actual revenues, expenses and results of operations for the current fiscal year in the City's proprietary funds (in thousands). As seen here, the total net assets for these funds decreased by approximately $45.2 million due to current year operations. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers	Change In Net Assets
Airport	$ 551,283	$ 478,589	$ 72,694	$ (119,634)	$ 29,780	$ (26,849)	$ (44,009)
Water	265,781	248,315	17,466	(15,356)	-	(1,143)	967
Hetch Hetchy	115,274	96,228	19,046	4,477	-	(302)	23,221
Municipal Transportation Agency	257,083	860,471	(603,388)	235,572	55,915	237,882	(74,019)
General Hospital	448,881	628,387	(179,506)	66,365	-	55,155	(57,986)
Wastewater Enterprise	208,654	169,300	39,354	(12,663)	-	-	26,691
Port	66,467	71,234	(4,767)	2,037	1,558	3,644	2,472
Laguna Honda Hospital	119,329	191,266	(71,937)	24,034	-	124,872	76,969
Market Corporation	1,546	1,144	402	115	-	-	517
Total	$ 2,034,298	$ 2,744,934	$ (710,636)	$ 184,947	$ 87,253	$ 393,259	$ (45,177)

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employee's Retirement System and Health Service System, and manages the investment of monies held in trust to benefit public service employees. At the end of the current fiscal year, the net assets of the Retirement System and Health Services System combined totaled $11.9 billion, representing a $3.96 billion decrease over the prior year, a 24.9 percent change. This decrease is essentially due to a decrease in the fair value of the Retirement System's investments resulting from a decline in financial and real estate market conditions. The Investment Trust Fund's net assets were $565.4 million at year's end, compared to $538.4 million at the end of the previous fiscal year. This 5.0 percent increase represents the increase in additions over withdrawals or distributions to external participants in the current year.

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. In fiscal year 2008-2009, the City approved approximately $3.3 million in General Fund supplemental appropriations with additional state revenues associated with the November 2008 and May 2009 elections.

During the year, actual revenues and other resources were $162.2 million less than budgeted. The City realized $9.5 million more revenue than budgeted in property taxes and utility users taxes. There was a total of $171.7 million shortfall of actual revenue compared to budgeted revenue in other categories, namely, business taxes, other local taxes, licenses permits and franchises, fines forfeitures and penalties, rents and concessions, federal, state and other grants and subventions, charges for services, and other resources.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $128.9 million in expenditure savings. Major factors include:

- $31.4 million savings in the Human Services Agency, due largely to lower than budgeted client assistance and aid as well as other operating costs. These savings are partially offset by reductions in Human Service federal and state subvention revenues.
- $22.2 million savings in Fire, Police, Juvenile Probation and Sheriff departments achieved through delayed or freezing certain civilian and uniform positions.
- $28.0 million in savings due to close-out of unspent General Reserve not used for supplemental appropriation or other contingencies during fiscal year 2008-2009.
- $20.3 million in savings on general administration and finance and other general city responsibilities.
- $14.1 million in savings in salary and fringe benefit costs in the Department of Public Health. In addition, the General Services Agency – Department of Public Works and Business and Economic Development had a combined savings of $7.5 million primarily from capital projects and some City grant programs.

The net effect of revenue shortfall, savings in expenditures and reduction in appropriations and reserve balances was a positive unreserved budgetary fund balance available for subsequent year appropriation of $95.4 million at the end of fiscal year 2008-2009. The City's fiscal year 2009-2010 Adopted Original Budget assumed an available balance of $94.5 million, so an additional $0.9 million remains available. (See also Note 4 to the Basic Financial Statements for additional fund balance details.)

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2009, increased by $410.3 million, 3.4 percent, to $12.49 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, and bridges. Governmental activities contributed $97.8 million or 0.8 percent to this total while $312.5 million or 2.5 percent was from business-type activities. Details are shown in the table below.

Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008 *	2009	2008 *
Land	$ 155,512	$ 151,917	$ 180,919	$ 196,264	$ 336,431	$ 348,181
Facilities and Improvement	2,337,478	2,188,543	6,306,617	6,114,993	8,644,095	8,303,536
Machinery and equipment	58,648	60,701	785,888	780,793	844,536	841,494
Infrastructure	290,144	281,329	793,866	794,180	1,084,010	1,075,509
Property held under lease	-	-	2,218	2,464	2,218	2,464
Easements	-	-	62,694	65,448	62,694	65,448
Construction in progress	187,133	248,587	1,328,692	1,194,252	1,515,825	1,442,839
Total	$ 3,028,915	$ 2,931,077	$ 9,460,894	$ 9,148,394	$ 12,489,809	$ 12,079,471

* The 2008 ending balances in the table above have not been restated as discussed in Note 2 to the basic financial statements.

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

- Under governmental activities, net capital assets increased by $97.8 million mainly due to the increase in construction in progress and completed assets at various park and recreational sites, branch libraries, various street improvement and traffic signal upgrades. About $226.0 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, $119.9 million is for the California Academy of Science and approximately $56.8 million for various Recreation Centers such as Duboce Park, Larsen Sava Pool and J.P. Murphy Clubhouse and $46.6 million in various street and public work projects. Apart from the increase in various city-wide parks, libraries, public works and traffic signal projects, the City also funded the General Hospital Rebuild Project with general obligation bonds proceeds issued in the fiscal year. The rebuild project for the fiscal year totaled $39.6 million and was recorded under the governmental activities.
- The Water Enterprise's net capital assets increased by $233.3 million or 18.4 percent. Close to 53.3 percent, or $124.2 million, of the change reflects the net increase in construction-in-progress on the enterprise's ten-year capital plan, including the Water System Improvement Program. This change includes a $282.7 million increase in construction projects offset by $138.8 million in transfers to facilities and improvements, $14.5 million transfers to equipment, and $5.2 million expensed for projects not continued. Major additions to construction work included Tesla Treatment Facility, McLaren Park Pump Station Upgrade, New Crystal Springs Bypass Tunnel, Local Water Main Replacement Program and other Water System Improvement Program. The remaining net increase of $48.8 million reflects the increase to facilities, improvements and equipment less increase to depreciation. The Water Enterprise had $12.7 million in development costs and $9.9 million in site acquisition as of June 30, 2009 for an office building located at 525 Golden Gate Avenue. Demolition of existing site was completed in June 2009. Construction is expected to start in January 2010 with an expected completion date of February 2012, with an expected occupancy date of April 2012.
- MTA's net capital assets decreased by $36.3 million or 1.8 percent, compared to the previous year, which was attributed to a decline in construction work for new and existing projects and more depreciation expense for existing assets. Construction completion of the Muni Metro East Maintenance Facility occurred in the summer of 2008. The facility is a new, state-of-the-art storage yard, maintenance shop and operations/dispatch facility for a fleet of 80 light rail vehicles. The advanced preliminary engineering for Phase II of the Third Street Light Rail Project is near completion and is pending approval to enter into final design in fiscal year 2010.
- Laguna Honda Hospital's net capital assets increased by $112.8 million or 35.4 percent due almost entirely to construction-in-progress on the capital project to rebuild the hospital. This work is principally funded by the Laguna Honda General Obligation Bonds and the Certificates of Participation issued by the City.
- General Hospital's net capital assets decreased by $13.5 million or 20.0 percent, primarily due to handing over the hospital rebuild project to the governmental activities for managing and financing with the first series of $131.7 million general obligation bonds issued in the current fiscal year. The total amount approved by the voters for the rebuild project is $887.4 million.
- The Wastewater Enterprise reported a net increase of $34.1 million or 2.5 percent due to completion of the Southeast Water Pollution Control Program Digester Cover and Mixing Improvements, Oceanside Heating, Ventilation, Air conditioning assessment, North Point Facilities Wet Weather Improvements-Pumps, and other capital projects throughout the system.
- Hetch Hetchy net capital assets increased by $14.3 million or 5.5 percent during the year. Contributing to this net increase was the addition in construction work in progress and in land and rights-of-way over depreciation and deletion of assets.

- The Airport's net capital assets decreased $16.2 million or 0.5 percent largely due to depreciation and deletions of certain capital projects. Major capital additions this fiscal year included Terminal 2 Renovation, Secure Connector Terminal 3 to Boarding Area G, and Runway 28R-10L Overlay and Reconstruction.

- The Port's net capital assets decreased by $16.3 million or 5.9 percent from its previously reported capital asset balance of $275.1 million primarily due to a restatement of $15.5 million on certain land improvements that had not been depreciated but determined to be exhaustible assets and should have been depreciated in prior periods and $2.5 million of reclassification of other assets to capital assets.

At the end of the year, the City's business-type activities had approximately $520.0 million in commitments for various capital projects. Of this, Water Enterprise had an estimated $303.4 million, MTA had $68.4 million, Wastewater had $23.8 million, Airport had $39.0 million, Hetch Hetchy had $22.3 million, Port had $7.2 million, Laguna Honda had $53.7 million and the General Hospital had $2.2 million. In addition, there was approximately $58.2 million reserved for encumbrances in capital project funds for the general government.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

For governmental activities, no net infrastructure assets were recorded in fiscal year 2000-2001 (the first year of presentation in the GASB 34 format), because the historical costs did not meet the threshold established by GASB. Beginning in fiscal year 2001-2002, newly completed projects are capitalized and ongoing infrastructure projects are accounted for in construction in progress.

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

Debt Administration

At the end of the current fiscal year, the City had total long-term and commercial paper debt outstanding of $8.04 billion. Of this amount, $1.17 billion is general obligation bonds backed by the full faith and credit of the City and $6.87 billion is revenue bonds, loans, certificates of participation, capital leases, and other debt of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper and capital leases increased by $454.9 million during fiscal year 2008-2009, due to the issuance of new debt in the governmental and business-type activities. The net increase in obligations was $221.6 million in governmental activities and was primarily due to issuance of new debt. For the business-type activities, the net increase in obligations was $233.3 million primarily due to the issuance of commercial paper by the Airport, San Francisco Water Enterprise and San Francisco Wastewater Enterprise.

The City issued $578.4 million in refunding bonds, with $118.1 million in general obligation refunding bonds to take advantage of lower interest rates to reduce debt payments; $145.3 million in lease revenue refunding bonds and $314.9 million by the Airport in revenue refunding notes to stabilize variable interest expense set to reset to higher rates due to the downgrade of the bonds insurers caused by the turmoil in the financial markets. The Airport likewise converted the tax status of $266.7 million of variable rate refunding bonds, from Alternative Minimum Tax (AMT) to Non-AMT to lower interest payments. In addition, the City issued $131.7 million in general obligation bonds to finance the rebuilding and improve the earthquake safety of the San Francisco General Hospital and $42.5 million to finance the construction and improvement of parks and recreational facilities in the City and made the fourth borrowing in the amount of $1.3 million on the Seismic Safety Loan Program general obligation bonds under the Board of Supervisors Resolution No. 65-07 for loans to finance the seismic retrofitting of masonry buildings within the City. Lease revenue bonds for $34.3 million were issued, through the San Francisco Finance Corporation to finance the construction and renovation of public libraries and certificates of participation were issued for $163.3 million for the construction and equipping of Laguna Honda Hospital. The San Francisco International Airport, San Francisco Water Enterprise and San Francisco Wastewater Enterprise issued commercial paper in the total amount of $1.2 billion of which $845.3 million was repaid. The Hetch Hetchy Water and Power Enterprise issued $6.3 million in clean renewable energy bonds to finance the installation of solar energy equipment on selected City-owned facilities.

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 taxable assessed value of property in the City - approximately $150 billion in value as of the close of the fiscal year. As of June 30, 2009, the City had $1.17 billion in authorized, outstanding property tax–supported general obligation bonds, which is equal to approximately 0.75 percent of gross (0.78 percent of net) taxable assessed value of property. As of June 30, 2009, there were an additional $1.2 billion in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.52 percent of gross (1.58 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2009 were:

Moody's Investors Service, Inc.	Aa2
Standard and Poor's	AA
Fitch Ratings	AA-

During the fiscal year, Moody's Investors Service upgraded the City's rating to Aa2 from Aa3 and revised the City's rating outlook from positive to stable, and Standard and Poor's affirmed rating with a stable outlook. Fitch Ratings affirmed ratings with their stable rating outlook on all the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. The Airport's underlying bond ratings were affirmed by all rating agencies in conjunction with the issuance of their revenue refunding notes and the conversion of their variable rate refunding bonds to non-AMT. Moody's Investors Services, Standard & Poor's, and Fitch Ratings maintained their long-term rating of "A1", "A", and "A", respectively. The San Francisco Water Enterprise carried underlying ratings of "A1" and "AA-" from Moody's and Standard and Poor's, respectively. The San Francisco Waste Water Enterprise carried underlying ratings of "A2" and "A+" from Moody's and Standard & Poor's respectively.

Additional information in the City's long-term debt can be found in Note 8 to the Basic Financial Statements.

Economic factors and next year's budget and rates

The City, like the State, is faced with a set of financial challenges over the next few years. The following economic factors were considered in the City's fiscal year 2009-2010 budget.

- By the end of fiscal year 2008-2009, San Francisco's economy was weathering the State's recession relatively well compared to other Bay Area cities and regions throughout the State. The fundamental cause of the recession in California, as well as several other states in the United States, has been the downturn in the housing market. Housing prices across California have rapidly declined after more than a decade of double-digit annual appreciation.

- San Francisco's housing prices have fallen, although the rate of decline has been much lower than the state average. Between the second quarter of 2008 and the second quarter of 2009, housing prices in California have fallen by an average of 15.5 percent, whereas in the San Francisco metropolitan division they only fell by 8.1 percent during the same period[1].

[1] Source: Office of Federal Housing Enterprise Oversight Housing Price Index. The San Francisco Metropolitan Division includes San Francisco, San Mateo and Marin Counties.

- There is a fundamental difference in the City's housing market and those in the fast-growing suburban areas of the state. Consequently, San Francisco's economy has proven far more resilient than other parts of the state. While low mortgage rates certainly contributed to rising housing prices in San Francisco during the early years of the decade, the City has relatively few sub-prime mortgages, and its default rate on those mortgages has been far below the state average. During fiscal year 2008-2009, San Francisco recorded 1,424 Notices of Default, which was only 0.4 percent of the state total of 389,138[2]. By contrast, San Francisco has approximately 2.2 percent of the state's population, suggesting a per capita default rate that was only one-sixth of the state average.

- The wage and salary employment base of San Francisco lost 16,999 jobs between March 2008 and March 2009, the latest data available[3].

- Unemployment in San Francisco rose during fiscal year 2008-2009 to an annual average of 7.4 percent, up from 4.6 percent in 2007-2008. Nevertheless, this rate is significantly below the state average of 9.6 percent and further confirms the essential strength of the City's economy in the face of the state and national recession. San Francisco's June 2009 unemployment rate of 9.9 percent was the 8th lowest among California's 58 counties[4].

- The office market struggled in fiscal year 2008-2009, with the vacancy rate climbing from 10.5 percent in the third quarter of 2008 to 15.2 percent in the second quarter of 2009. During the same period, office rental rates fell 30.4 percent to $32.67 per square foot as of the second quarter of 2009[5]. In addition, the market experienced almost 1,325,000 square feet of negative net absorption during this time period. Despite falling commercial space under construction, fiscal year 2008-2009 saw the completion of a 33-story office tower at 555 Mission Street, the first high-rise office completed in San Francisco in five years.

- San Francisco's long-term economic fundamentals – the quality of its workforce, environment, technological base, and cultural amenities – are among the strongest of any city in the United States. These competitive advantages are likely to secure the City's continued prosperity during and after the economic recovery.

[2] Source: DataQuick.
[3] Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages.
[4] Source: State of California Employment Development Department (EDD).
[5] Source: Grubb & Ellis.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Below are the contacts for questions about this report or requests for additional financial information.

City and County of San Francisco
Office of the Controller
1 Dr. Carlton B. Goodlett Place, Room 316
San Francisco, CA 94102-4694

Individual Department Financial Statements

San Francisco International Airport
Office of the Airport Deputy Director
Business and Finance Division
PO Box 8097
San Francisco, CA 94128

Port of San Francisco
Fiscal Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Director of Accounting Financial Services
1155 Market Street, 4th Floor
San Francisco, CA 94103

Laguna Honda Hospital
Chief Financial Officer
375 Laguna Honda Blvd.
San Francisco, CA 94116

Municipal Transportation Agency
MTA Finance and Administration
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103

Health Service System
1145 Market Street, Suite 200
San Francisco, CA 94103

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Component Unit Financial Statement

San Francisco Redevelopment Agency
One South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
100 Van Ness Avenue, 26th Floor
San Francisco, CA 94102

San Francisco Finance Corporation
Mayor's Office of Public Finance
City Hall, Room 336
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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Basic Financial Statements

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets
June 30, 2009
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
ASSETS					
Current assets:					
Deposits and investments with City Treasury	$ 984,266	$ 970,347	$ 1,954,613	$ -	$ 2,821
Deposits and investments outside City Treasury	209,021	8,041	217,062	207,059	-
Receivables (net of allowance for uncollectible amounts of $92,621 for the primary government):					
Property taxes and penalties	73,715	-	73,715	6,432	-
Other local taxes	218,348	-	218,348	-	-
Federal and state grants and subventions	220,738	36,359	257,097	-	-
Charges for services	54,645	223,036	277,681	-	851
Interest and other	9,306	38,808	48,114	3,590	11
Capital lease receivable from primary government	-	-	-	15,825	-
Due from component unit	5,031	-	5,031	-	-
Inventories	-	63,768	63,768	-	-
Deferred charges and other assets	10,813	7,376	18,189	403	-
Restricted assets:					
Deposits and investments with City Treasury	-	111,256	111,256	-	-
Deposits and investments outside City Treasury	-	52,190	52,190	88,965	-
Grants and other receivables	-	1,257	1,257	1,109	-
Total current assets	1,785,883	1,512,438	3,298,321	323,383	3,683
Noncurrent assets:					
Loans receivable (net of allowance for uncollectible amounts of $510,133 and $258,482 for the primary government and component unit, respectively)	69,431	-	69,431	4,480	-
Advance to component units	6,707	4,427	11,134	-	-
Capital lease receivable from primary government	-	-	-	146,868	-
Deferred charges and other assets	24,050	51,526	75,576	12,279	-
Restricted assets:					
Deposits and investments with City Treasury	-	205,715	205,715	-	-
Deposits and investments outside City Treasury	96,050	306,427	402,477	19,703	-
Grants and other receivables	-	26,410	26,410	-	-
Property held for resale	-	-	-	2,962	-
Capital assets:					
Land and other assets not being depreciated	342,645	1,509,611	1,852,256	161,473	-
Facilities, infrastructure, and equipment, net of depreciation	2,686,270	7,951,283	10,637,553	137,131	-
Total capital assets	3,028,915	9,460,894	12,489,809	298,604	-
Total noncurrent assets	3,225,153	10,055,399	13,280,552	484,896	-
Total assets	$ 5,011,036	$ 11,567,837	$ 16,578,873	$ 808,279	$ 3,683

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets (continued)
June 30, 2009
(In Thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
LIABILITIES					
Current liabilities:					
Accounts payable	$ 207,282	$ 155,388	$ 362,670	$ 12,598	$ 623
Accrued payroll	91,110	68,576	159,686	89	76
Accrued vacation and sick leave pay	76,008	51,058	127,066	1,139	-
Accrued workers' compensation	39,799	26,899	66,698	-	-
Estimated claims payable	43,798	26,634	70,432	-	-
Bonds, loans, capital leases, and other payables	307,239	499,564	806,803	36,643	-
Capital lease payable to component unit	15,825	-	15,825	-	.
Accrued interest payable	12,468	12,881	25,349	28,249	-
Unearned grant and subvention revenues	15,695	-	15,695	-	-
Due to primary government	-	-	-	2,759	2,272
Internal balances	19,440	(19,440)	-	-	-
Deferred credits and other liabilities	126,845	200,520	327,365	1,472	564
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables	-	122,566	122,566	-	-
Accrued interest payable	-	29,296	29,296	-	-
Other	-	75,027	75,027	-	-
Total current liabilities	955,509	1,248,969	2,204,478	82,949	3,535
Noncurrent liabilities:					
Accrued vacation and sick leave pay	67,520	39,042	106,562	964	-
Accrued workers' compensation	173,082	119,112	292,194	-	-
Other postemployment benefits obligation	338,822	247,647	586,469	552	-
Estimated claims payable	101,208	52,109	153,317	-	-
Bonds, loans, capital leases, and other payables	1,921,048	5,024,864	6,945,912	790,050	-
Advance from primary government	-	-	-	6,707	4,427
Capital lease payable to component unit	146,868	-	146,868	-	-
Accrued interest payable	-	-	-	54,591	-
Deferred credits and other liabilities	1,776	75,948	77,724	3,284	-
Total noncurrent liabilities	2,750,324	5,558,722	8,309,046	856,148	4,427
Total liabilities	3,705,833	6,807,691	10,513,524	939,097	7,962
NET ASSETS					
Invested in capital assets, net of related debt, Note 2(k)	1,725,203	4,017,577	5,443,483	158,791	-
Restricted for:					
Reserve for rainy day	98,297	-	98,297	-	-
Debt service	30,724	277,034	307,758	50,318	-
Capital projects	-	107,843	107,843	-	-
Community development	64,031	-	64,031	-	-
Transportation Authority activities	2,515	-	2,515	-	-
Grants and other purposes	176,264	30,360	206,624	-	-
Unrestricted (deficit), Note 2(k)	(791,831)	327,332	(165,202)	(339,927)	(4,279)
Total net assets (deficit)	$ 1,305,203	$ 4,760,146	$ 6,065,349	$ (130,818)	$ (4,279)

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year Ended June 30, 2009
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	San Francisco Redevelopment Agency	Treasure Island Development Authority
Primary government:									
Governmental activities:									
Public protection	$1,109,311	$ 90,044	$ 100,971	$ -	$ (918,296)	$ -	$ (918,296)	$ -	$ -
Public works, transportation and commerce	254,955	72,287	40,325	36,276	(106,067)	-	(106,067)	-	-
Human welfare and neighborhood development	908,449	33,988	461,361	-	(413,100)	-	(413,100)	-	-
Community health	608,733	60,708	285,211	-	(262,814)	-	(262,814)	-	-
Culture and recreation	319,994	74,477	3,671	7,772	(234,074)	-	(234,074)	-	-
General administration and finance	238,601	33,530	5,138	-	(199,933)	-	(199,933)	-	-
General City responsibilities	72,634	27,377	13,018	-	(32,239)	-	(32,239)	-	-
Unallocated interest on long-term debt	93,387	-	-	-	(93,387)	-	(93,387)	-	-
Total governmental activities	3,606,064	392,411	909,695	44,048	(2,259,910)	-	(2,259,910)	-	-
Business-type activities:									
Airport	683,335	551,283	-	29,780	-	(102,272)	(102,272)	-	-
Transportation	863,218	257,083	117,767	55,915	-	(432,453)	(432,453)	-	-
Port	71,778	66,467	-	1,558	-	(3,753)	(3,753)	-	-
Water	277,162	265,781	1,784	-	-	(9,597)	(9,597)	-	-
Power	96,228	115,274	-	-	-	19,046	19,046	-	-
Hospitals	820,236	568,210	67,001	-	-	(185,025)	(185,025)	-	-
Sewer	184,977	208,654	224	-	-	23,901	23,901	-	-
Market	1,144	1,546	-	-	-	402	402	-	-
Total business-type activities	2,998,078	2,034,298	186,776	87,253	-	(689,751)	(689,751)	-	-
Total primary government	$6,604,142	$2,426,709	$ 1,096,471	$ 131,301	(2,259,910)	(689,751)	(2,949,661)	-	-
Component units:									
San Francisco Redevelopment Agency	$ 196,059	$ 26,141	$ 9,358	$ -				(160,560)	-
Treasure Island Development Authority	13,036	9,152	-	-				-	(3,884)
Total component units	$ 209,095	$ 35,293	$ 9,358	$ -				(160,560)	(3,884)
General Revenues:									
Taxes:									
Property taxes					1,302,071	-	1,302,071	86,702	-
Business taxes					388,653	-	388,653	-	-
Sales and use tax					172,794	-	172,794	-	-
Hotel room tax					214,460	-	214,460	5,316	-
Utility users tax					89,801	-	89,801	-	-
Other local taxes					126,017	-	126,017	-	-
Interest and investment income					35,434	49,691	85,125	6,097	105
Other					44,086	201,624	245,710	5,634	1,745
Transfers - internal activities of primary government					(393,259)	393,259	-	-	-
Total general revenues and transfers					1,980,057	644,574	2,624,631	103,749	1,850
Change in net assets					(279,853)	(45,177)	(325,030)	(56,811)	(2,034)
Net assets (deficit) - beginning, as restated					1,585,056	4,805,323	6,390,379	(74,007)	(2,245)
Net assets (deficit) - ending					$ 1,305,203	$ 4,760,146	$ 6,065,349	$ (130,818)	$ (4,279)

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet – Governmental Funds

June 30, 2009

(with comparative total financial information as of June 30, 2008)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2009	2008	2009	2008	2009	2008
ASSETS						
Deposits and investments with City Treasury	$ 264,893	$ 400,328	$ 703,064	$ 750,431	$ 967,957	$ 1,150,759
Deposits and investments outside City Treasury	337	242	208,684	48,834	209,021	49,076
Receivables (net of allowance for uncollectible amounts of $67,904 in 2009; $41,631 in 2008):						
Property taxes and penalties	62,351	47,312	11,364	9,863	73,715	57,175
Other local taxes	206,884	182,112	11,464	15,269	218,348	197,381
Federal and state grants and subventions	115,406	57,531	105,332	99,012	220,738	156,543
Charges for services	43,531	43,152	11,025	11,556	54,556	54,708
Interest and other	2,593	13,145	5,860	6,323	8,453	19,468
Due from other funds	24,387	16,890	4,174	11,578	28,561	28,468
Due from component unit	7,220	6,581	4,518	2,579	11,738	9,160
Loans receivable (net of allowance for uncollectible amounts of $510,133 in 2009; $453,577 in 2008)	18	10	69,413	67,325	69,431	67,335
Deferred charges and other assets	5,850	6,486	3,739	3,819	9,589	10,305
Total assets	$ 733,470	$ 773,789	$ 1,138,637	$ 1,026,589	$ 1,872,107	$ 1,800,378
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 112,475	$ 118,109	$ 85,844	$ 114,889	$ 198,319	$ 232,998
Accrued payroll	72,927	65,640	16,279	15,279	89,206	80,919
Deferred tax, grant and subvention revenues	106,811	83,973	41,179	59,457	147,990	143,430
Due to other funds	1,003	1,501	43,857	22,575	44,860	24,076
Deferred credits and other liabilities	138,579	98,931	118,141	98,355	256,720	197,286
Bonds, loans, capital leases, and other payables	-	-	150,000	150,000	150,000	150,000
Total liabilities	431,795	368,154	455,300	460,555	887,095	828,709
Fund balances:						
Reserved for rainy day	98,297	117,792	-	-	98,297	117,792
Reserved for assets not available for appropriation	11,307	11,358	19,781	19,814	31,088	31,172
Reserved for debt service	-	-	75,886	47,334	75,886	47,334
Reserved for encumbrances	65,902	63,068	167,169	193,461	233,071	256,529
Reserved for appropriation carryforward	91,075	99,959	501,006	314,051	592,081	414,010
Reserved for subsequent years' budgets	6,891	36,341	11,245	13,504	18,136	49,845
Unreserved (deficit), reported in:						
General fund	28,203	77,117	-	-	28,203	77,117
Special revenue funds	-	-	(69,468)	(27,758)	(69,468)	(27,758)
Capital project funds	-	-	(26,153)	2,126	(26,153)	2,126
Permanent fund	-	-	3,871	3,502	3,871	3,502
Total fund balances	301,675	405,635	683,337	566,034	985,012	971,669
Total liabilities and fund balances	$ 733,470	$ 773,789	$ 1,138,637	$ 1,026,589	$ 1,872,107	$ 1,800,378

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 Assets

June 30, 2009

(In Thousands)

Fund balances - total governmental funds	$ 985,012
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,022,552
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	18,406
Long-term liabilities, including bonds payable and certain other liabilities, are not due and payable in the current period and therefore are not reported in the funds.	(2,778,532)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(10,378)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	265,504
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	(197,361)
Net assets of governmental activities	$ 1,305,203

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, 2009
(with comparative total financial information as of June 30, 2008)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2009	2008	2009	2008	2009	2008
Revenues:						
Property taxes	$ 999,528	$ 939,812	$ 272,857	$ 239,876	$ 1,272,385	$ 1,179,688
Business taxes	387,313	394,267	1,340	1,758	388,653	396,025
Sales and use tax	101,662	111,411	71,132	79,556	172,794	190,967
Hotel room tax	161,714	165,541	52,746	53,548	214,460	219,089
Utility users tax	89,801	86,964	-	-	89,801	86,964
Other local taxes	126,017	155,951	-	-	126,017	155,951
Licenses, permits and franchises	24,750	23,212	7,403	7,731	32,153	30,943
Fines, forfeitures and penalties	5,618	8,398	4,076	4,819	9,694	13,217
Interest and investment income	9,193	15,779	24,354	38,477	33,547	54,256
Rents and concessions	19,096	19,490	54,129	50,670	73,225	70,160
Intergovernmental:						
Federal	172,162	173,059	185,450	155,256	357,612	328,315
State	473,187	476,864	107,860	84,231	581,047	561,095
Other	16	-	14,867	15,907	14,883	15,907
Charges for services	135,926	135,473	148,270	153,216	284,196	288,689
Other	11,199	17,948	19,119	63,373	30,318	81,321
Total revenues	2,717,182	2,724,169	963,603	948,418	3,680,785	3,672,587
Expenditures:						
Current:						
Public protection	889,594	881,009	109,924	137,203	999,518	1,018,212
Public works, transportation and commerce	61,812	69,944	186,349	166,625	248,161	236,569
Human welfare and neighborhood development	630,112	613,135	256,574	215,768	886,686	828,903
Community health	487,638	454,935	91,190	88,111	578,828	543,046
Culture and recreation	97,415	105,036	216,027	204,576	313,442	309,612
General administration and finance	170,109	196,430	20,571	18,624	190,680	215,054
General City responsibilities	72,893	70,874	254	331	73,147	71,205
Debt service:						
Principal retirement	938	864	125,563	105,716	126,501	106,580
Interest and fiscal charges	73	147	74,393	75,697	74,466	75,844
Bond issuance costs	-	-	4,746	1,090	4,746	1,090
Capital outlay	-	-	152,473	133,155	152,473	133,155
Total expenditures	2,410,584	2,392,374	1,238,064	1,146,896	3,648,648	3,539,270
Excess (deficiency) of revenues over expenditures	306,598	331,795	(274,461)	(198,478)	32,137	133,317
Other financing sources (uses):						
Transfers in	136,195	70,969	216,498	173,801	352,693	244,770
Transfers out	(550,910)	(543,640)	(195,268)	(180,532)	(746,178)	(724,172)
Issuance of bonds and loans						
Face value of bonds and refunding bonds issued	-	-	456,935	310,155	456,935	310,155
Face value of loans issued	-	-	-	1,829	-	1,829
Premium on issuance of bonds	-	-	12,875	13,071	12,875	13,071
Payment to refunded bond escrow agent	-	-	(120,000)	(283,494)	(120,000)	(283,494)
Other financing sources-capital leases	4,157	5,050	20,724	19,204	24,881	24,254
Total other financing sources (uses)	(410,558)	(467,621)	391,764	54,034	(18,794)	(413,587)
Net change in fund balances	(103,960)	(135,826)	117,303	(144,444)	13,343	(280,270)
Fund balances at beginning of year	405,635	541,461	566,034	710,478	971,669	1,251,939
Fund balances at end of year	$ 301,675	$ 405,635	$ 683,337	$ 566,034	$ 985,012	$ 971,669

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, 2009
(In Thousands)

Net change in fund balances - total governmental funds	$ 13,343
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 in the current period plus assets donated to the City and acquired by funding from other revenues.	96,460
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. This is the amount by which the increase in certain liabilities reported in the statement of net assets of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(215,629)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	29,686
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	7,442
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net assets and, therefore, the corresponding expense is not reported on the statement of activities.	312
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net assets. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	19,515
Bond issue costs are reported in the governmental funds when paid, and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	3,713
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net assets. This is the amount by which principal retirement exceeded bond and other debt proceeds in the current period.	(210,434)
Bond premiums and discounts are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net assets. This is the amount of bond premiums capitalized during the current period.	(12,875)
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 discounts, premiums and refunding losses; and change in the accrual of arbitrage liabilities.	(9,947)
The net revenues of certain activities of internal service funds are reported with governmental activities.	(1,439)
Change in net assets of governmental activities	$ (279,853)

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement – General Fund
Year Ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 111,204	$ 461,193	$ 461,193	$ -
Resources (Inflows):				
Property taxes	1,018,877	1,018,877	1,021,325	2,448
Business taxes	394,556	394,556	387,313	(7,243)
Other local taxes:				
Sales tax	119,326	119,326	101,662	(17,664)
Hotel room tax	188,717	188,717	161,714	(27,003)
Utility users tax	82,770	82,770	89,801	7,031
Parking tax	65,370	65,370	64,546	(824)
Real property transfer tax	96,794	96,794	61,471	(35,323)
Licenses, permits, and franchises:				
Licenses and permits	9,248	9,249	8,696	(553)
Franchise tax	15,792	15,792	16,054	262
Fines, forfeitures, and penalties	3,861	6,060	5,618	(442)
Interest and investment income	21,367	23,041	14,681	(8,360)
Rents and concessions:				
Garages - Recreation and Park	9,837	9,837	8,958	(879)
Rents and concessions - Recreation and Park	9,417	9,417	7,708	(1,709)
Other rents and concessions	1,853	1,853	1,840	(13)
Intergovernmental:				
Federal grants and subventions	206,370	214,340	182,935	(31,405)
State subventions:				
Social service subventions	101,309	101,570	102,385	815
Health / mental health subventions	121,931	120,773	116,830	(3,943)
Health and welfare realignment	170,166	170,166	147,501	(22,665)
Public safety sales tax	73,812	73,812	63,698	(10,114)
Motor vehicle in-lieu - county	4,960	4,960	2,673	(2,287)
Other grants and subventions	15,291	21,332	41,852	20,520
Other	-	-	16	16
Charges for services:				
General government service charges	48,724	48,804	42,723	(6,081)
Public safety service charges	26,820	26,821	23,945	(2,876)
Recreation charges - Recreation and Park	7,438	7,438	8,789	1,351
MediCal, MediCare and health service charges	64,767	67,776	60,403	(7,373)
Other financing sources:				
Transfers from other funds	118,218	133,771	132,342	(1,429)
Repayment of loan from Component Unit	1,783	2,579	796	(1,783)
Other resources (inflows)	11,414	11,641	6,930	(4,711)
Subtotal - Resources (Inflows)	3,010,788	3,047,442	2,885,205	(162,237)
Total amounts available for appropriation	3,121,992	3,508,635	3,346,398	(162,237)

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement – General Fund (continued)
Year Ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 11,839	$ 12,081	$ 11,890	$ 191
District Attorney	33,042	33,324	32,142	1,182
Emergency Communications	3,366	3,846	3,318	528
Fire Department	251,013	258,130	248,629	9,501
Juvenile Probation	37,702	36,244	33,609	2,635
Police Department	370,800	379,524	370,645	8,879
Public Defender	23,159	23,770	23,585	185
Sheriff	139,261	132,056	130,841	1,215
Superior Court	32,563	32,558	32,558	-
Subtotal - Public Protection	902,745	911,533	887,217	24,316
Public Works, Transportation and Commerce				
Board of Appeals	824	824	752	72
Business and Economic Development	9,519	9,866	8,434	1,432
General Services Agency - Public Works	36,401	57,853	51,749	6,104
Parking and Traffic Commission	-	244	243	1
Public Utilities Commission	-	52	45	7
Water Department	-	128	128	-
Subtotal - Public Works, Transportation and Commerce	46,744	68,967	61,351	7,616
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	28,065	30,111	29,107	1,004
Commission on the Status of Women	3,482	3,494	3,259	235
County Education Office	80	80	80	-
Environment	700	1,536	1,388	148
Human Rights Commission	933	1,031	959	72
Human Services	618,541	617,442	585,995	31,447
Subtotal - Human Welfare and Neighborhood Development	651,801	653,694	620,788	32,906
Community Health				
Public Health	513,858	501,700	487,638	14,062
Culture and Recreation				
Academy of Sciences	4,812	4,812	4,571	241
Art Commission	8,723	8,424	7,912	512
Asian Art Museum	6,685	6,741	6,514	227
Fine Arts Museum	10,880	11,231	10,742	489
Law Library	598	602	489	113
Recreation and Park Commission	72,533	64,966	64,966	-
Subtotal - Culture and Recreation	104,231	96,776	95,194	1,582

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Statement – General Fund (continued)
Year Ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 13,495	$ 14,412	$ 12,850	$ 1,562
Board of Supervisors	10,960	11,281	10,988	293
City Attorney	10,007	10,236	9,538	698
City Planning	23,191	22,133	19,928	2,205
Civil Service	524	559	559	-
Controller	13,543	14,211	13,444	767
Elections	10,341	15,136	14,813	323
Ethics Commission	4,031	3,230	3,123	107
General Services Agency - Administrative Services	54,721	55,696	49,306	6,390
General Services Agency - Telecomm. and Info. Services	3,033	3,134	2,021	1,113
Human Resources	11,947	6,541	5,858	683
Mayor	8,853	17,223	16,669	554
Retirement Services	573	583	583	-
Treasurer/Tax Collector	21,303	20,817	19,697	1,120
Subtotal - General Administration and Finance	186,522	195,192	179,377	15,815
General City Responsibilities				
General City Responsibilities	78,524	78,086	73,553	4,533
Other financing uses:				
Debt Service	1,011	1,011	1,011	-
Transfers to other funds	603,790	549,757	549,757	-
Budgetary reserves and designations	32,766	28,028	-	28,028
Total charges to appropriations	3,121,992	3,084,744	2,955,886	128,858
Total Sources less Current Year Uses	$ -	$ 423,891	$ 390,512	$ (33,379)

Budgetary fund balance, June 30 before reserves and designations	$ 390,512
Reserves and designations made from budgetary fund balance, June 30	295,065
Net Available Budgetary Fund Balance, June 30	$ 95,447

Explanation of differences between budgetary inflows and outflows, and GAAP revenues and expenditures:

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 3,346,398
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	(461,193)
Property tax revenue - Teeter Plan	(21,797)
Change in unrealized gain/(loss) on investment	1,481
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(6,969)
Interest earnings from other funds assigned to General Fund as other revenues	4,270
Grants, subventions and other receivables received after 120-day recognition period	(11,870)
Loan repayment from component unit	(796)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(132,342)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,717,182
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 2,955,886
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	4,157
Recognition of expenditures for advances and imprest cash	298
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(549,757)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,410,584

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets – Proprietary Funds
June 30, 2009
(with comparative total financial information as of June 30, 2008)
(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	Other Fund: San Francisco Market Corporation	Total 2009	Total 2008	Governmental Activities-Internal Service Funds 2009	Governmental Activities-Internal Service Funds 2008
ASSETS													
Current Assets:													
Deposits and investments with City Treasury	$ 307,696	$ 130,927	$ 170,111	$ 191,672	$ 47,879	$ 36,968	$ 85,094	$ -	$ -	$ 970,347	$ 991,537	$ 16,309	$ 11,632
Deposits and investments outside City Treasury	10	36	10	2,861	10	5	5	1	5,103	8,041	9,109	-	-
Receivables (net of allowance for uncollectible amounts of $24,717 and $30,750 in 2009 and 2008, respectively):													
Federal and state grants and subventions	-	337	-	34,732	-	106	1,184	-	-	36,359	36,623	-	-
Charges for services	33,674	65,869	9,347	3,335	43,969	34,699	4,176	27,956	11	223,036	206,507	89	146
Interest and other	960	1,109	6,336	3,416	26,558	169	260	-	-	38,808	43,107	853	1,348
Loans receivable	-	-	-	-	-	-	-	-	-	-	134	21,100	26,999
Due from other funds	-	197	14,658	2,705	-	31	-	22,497	-	40,088	16,283	-	-
Inventories	81	1,849	261	50,226	5,355	3,586	1,161	1,249	-	63,768	56,248	-	-
Deferred charges and other assets	3,219	-	3,478	647	-	3	-	-	29	7,376	6,918	-	-
Restricted assets:													
Deposits and investments with City Treasury	36,986	-	-	-	-	-	9,364	64,906	-	111,256	129,421	-	-
Deposits and investments outside City Treasury	44,955	-	-	-	-	-	7,058	-	177	52,190	47,388	-	-
Grants and other receivables	1,257	-	-	-	-	-	-	-	-	1,257	342	-	-
Total current assets	428,838	200,324	204,201	289,594	123,771	75,567	108,302	116,609	5,320	1,552,526	1,543,617	38,351	40,125
Noncurrent assets:													
Deferred charges and other assets	39,178	6,834	40	2,029	-	2,576	869	-	-	51,526	60,413	4,233	4,347
Loans receivable	-	-	-	-	-	-	-	-	-	-	188	272,191	257,699
Advance to component unit	-	-	4,427	-	-	-	-	-	-	4,427	2,599	-	-
Restricted assets:													
Deposits and investments with City Treasury	101,650	21,726	-	20,862	-	61,477	-	-	-	205,715	191,989	-	-
Deposits and investments outside City Treasury	243,874	40,974	6,091	14,420	18	-	-	932	118	306,427	301,500	96,050	95,727
Grants and other receivables	21,546	117	-	4,359	-	163	-	225	-	26,410	25,626	-	-
Capital assets:													
Land and other assets not being depreciated	112,687	565,679	43,641	136,808	13,651	99,117	111,739	425,415	874	1,509,611	1,390,516	-	-
Facilities, infrastructrure, and equipment, net of depreciation	3,471,738	935,581	229,998	1,820,852	40,224	1,295,806	147,015	5,989	4,080	7,951,283	7,757,878	6,363	4,985
Total capital assets	3,584,425	1,501,260	273,639	1,957,660	53,875	1,394,923	258,754	431,404	4,954	9,460,894	9,148,394	6,363	4,985
Total noncurrent assets	3,990,673	1,570,911	284,197	1,999,330	53,893	1,459,139	259,623	432,561	5,072	10,055,399	9,730,709	378,837	362,758
Total assets	4,419,511	1,771,235	488,398	2,288,924	177,664	1,534,706	367,925	549,170	10,392	11,607,925	11,274,326	417,188	402,883

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Assets – Proprietary Funds (continued)
June 30, 2009
(with comparative total financial information as of June 30, 2008)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Waste-water Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2009	Total 2008	Governmental Activities-Internal Service Funds 2009	Governmental Activities-Internal Service Funds 2008
LIABILITIES													
Current liabilities:													
Accounts payable	$ 33,698	$ 14,778	$ 14,853	$ 41,033	$ 19,333	$ 7,891	$ 4,797	$ 18,641	$ 364	$ 155,388	$ 155,329	$ 8,963	$ 7,587
Accrued payroll	8,512	6,846	1,544	23,870	16,199	3,498	1,369	6,738	-	68,576	62,271	1,904	1,951
Accrued vacation and sick leave pay	7,410	6,071	1,454	16,868	10,178	2,770	1,138	5,169	-	51,058	49,114	1,790	2,097
Accrued workers' compensation	1,015	1,551	405	17,003	3,693	774	365	2,093	-	26,899	26,573	161	166
Estimated claims payable	25	2,515	3,251	18,382	-	1,861	600	-	-	26,634	27,215	-	-
Due to other funds	-	23	-	1,315	1,645	556	736	16,373	-	20,648	9,481	3,141	11,194
Deferred credits and other liabilities	64,828	7,980	952	63,442	52,354	-	10,247	653	64	200,520	197,963	96,201	89,354
Accrued interest payable	-	7,420	-	154	-	5,108	199	-	-	12,881	13,426	2,090	2,704
Bonds, loans, capital leases, and other payables	81,429	256,205	422	4,539	1,142	151,329	4,416	82	-	499,564	207,029	19,128	23,775
Liabilities payable from restricted assets:													
Bonds, loans, capital leases, and other payables	122,566	-	-	-	-	-	-	-	-	122,566	37,119	-	-
Accrued interest payable	29,296	-	-	-	-	-	-	-	-	29,296	27,448	-	-
Other	19,871	40,603	-	6,667	-	6,998	-	888	-	75,027	54,670	-	-
Total current liabilities	368,650	343,992	22,881	193,273	104,544	180,785	23,867	50,637	428	1,289,057	867,638	133,378	138,828
Noncurrent liabilities:													
Accrued vacation and sick leave pay	6,472	5,383	1,086	11,774	7,339	2,308	864	3,816	-	39,042	37,499	1,593	1,912
Accrued workers' compensation	4,199	7,066	1,900	73,082	17,992	3,639	1,942	9,292	-	119,112	120,703	866	888
Other postemployment benefits obligation	32,226	30,967	5,799	73,785	62,522	11,413	5,816	25,119	-	247,647	120,383	7,885	4,147
Estimated claims payable	41	7,126	7,060	29,083	-	8,499	300	-	-	52,109	65,523	-	-
Deferred credits and other liabilities	-	4,500	-	28,327	-	919	42,084	-	118	75,948	44,655	-	-
Bonds, loans, capital leases, and other payables	3,738,537	909,901	5,295	50,262	1,380	316,539	2,919	31	-	5,024,864	5,169,576	274,910	259,949
Total noncurrent liabilities	3,781,475	964,943	21,140	266,313	89,233	343,317	53,925	38,258	118	5,558,722	5,558,339	285,254	266,896
Total liabilities	4,150,125	1,308,935	44,021	459,586	193,777	524,102	77,792	88,895	546	6,847,779	6,425,977	418,632	405,724
NET ASSETS													
Invested in capital assets, net of related debt	(222,948)	349,629	273,639	1,902,859	51,353	971,789	255,012	431,290	4,954	4,017,577	3,935,008	5,651	4,730
Restricted:													
Debt service	243,247	27,899	-	4,528	-	1,360	-	-	-	277,034	282,187	-	-
Capital projects	22,804	841	-	-	-	11,126	3,459	69,613	-	107,843	111,463	-	-
Other purposes	-	-	-	28,446	-	-	-	1,618	296	30,360	28,254	-	-
Unrestricted (deficit)	226,283	83,931	170,738	(106,495)	(67,466)	26,329	31,662	(42,246)	4,596	327,332	491,437	(7,095)	(7,571)
Total net assets (deficit)	$ 269,386	$ 462,300	$ 444,377	$ 1,829,338	$ (16,113)	$ 1,010,604	$ 290,133	$ 460,275	$ 9,846	$ 4,760,146	$ 4,848,349	$ (1,444)	$ (2,841)

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 Assets – Proprietary Funds
Year ended June 30, 2009
(with comparative total financial information as of June 30, 2008)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Waste-water Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2009	Total 2008	Governmental Activities-Internal Service Funds 2009	Governmental Activities-Internal Service Funds 2008
Operating revenues:													
Aviation	$ 315,777	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 315,777	$ 306,348	$ -	$ -
Water and power service	-	247,664	115,028	-	-	-	-	-	-	362,692	336,449	-	-
Passenger fees	-	-	-	150,437	-	-	-	-	-	150,437	149,886	-	-
Net patient service revenue	-	-	-	-	437,839	-	-	118,631	-	556,470	543,994	-	-
Sewer service	-	-	-	-	-	199,332	-	-	-	199,332	187,810	-	-
Rents and concessions	101,099	9,399	246	6,231	1,711	-	53,871	-	-	172,557	209,489	48	14
Parking and transportation	77,896	-	-	84,395	-	-	10,697	-	-	172,988	130,038	-	-
Other charges for services	-	-	-	2,701	-	-	-	-	1,546	4,247	3,895	111,318	111,809
Other revenues	56,511	8,718	-	13,319	9,331	9,322	1,899	698	-	99,798	106,052	-	-
Total operating revenues	551,283	265,781	115,274	257,083	448,881	208,654	66,467	119,329	1,546	2,034,298	1,973,961	111,366	111,823
Operating expenses:													
Personal services	199,519	106,869	36,469	560,012	381,392	69,141	29,238	164,004	225	1,546,869	1,497,198	46,873	52,241
Contractual services	55,258	13,619	8,098	53,487	141,169	13,828	5,773	6,202	645	298,079	284,315	37,612	37,987
Light, heat and power	19,306	-	18,466	-	-	-	1,929	-	-	39,701	50,510	-	-
Materials and supplies	11,435	12,671	2,243	47,726	63,284	5,754	1,618	12,272	5	157,008	160,913	14,795	16,783
Depreciation and amortization	158,216	49,100	11,869	104,486	6,913	38,815	13,348	1,164	261	384,172	367,245	1,704	2,384
General and administrative	1,198	2,982	7,347	36,242	345	2,302	4,359	-	7	54,782	74,097	300	514
Services provided by other departments	11,422	40,103	4,477	56,983	35,284	31,634	12,846	7,624	-	200,373	166,125	8,245	5,889
Other	22,235	22,971	7,259	1,535	-	7,826	2,123	-	1	63,950	55,254	933	642
Total operating expenses	478,589	248,315	96,228	860,471	628,387	169,300	71,234	191,266	1,144	2,744,934	2,655,657	110,462	116,440
Operating income (loss)	72,694	17,466	19,046	(603,388)	(179,506)	39,354	(4,767)	(71,937)	402	(710,636)	(681,696)	904	(4,617)
Nonoperating revenues (expenses):													
Operating grants:													
Federal	-	1,784	-	13,277	-	224	-	2,172	-	17,457	9,109	-	-
State / other	-	-	-	104,490	64,829	-	-	-	-	169,319	172,616	-	-
Interest and investment income	22,805	7,088	4,160	6,833	1,692	1,992	2,596	2,410	115	49,691	67,217	9,219	11,183
Interest expense	(204,746)	(28,847)	-	(2,747)	(156)	(15,677)	(544)	(427)	-	(253,144)	(252,231)	(8,975)	(11,218)
Other, net	62,307	4,619	317	113,719	-	798	(15)	19,879	-	201,624	233,244	23	25
Total nonoperating revenues (expenses)	(119,634)	(15,356)	4,477	235,572	66,365	(12,663)	2,037	24,034	115	184,947	229,955	267	(10)
Income (loss) before capital contributions, transfers and special item	(46,940)	2,110	23,523	(367,816)	(113,141)	26,691	(2,730)	(47,903)	517	(525,689)	(451,741)	1,171	(4,627)
Capital contributions	29,780	-	-	55,915	-	-	1,558	-	-	87,253	152,511	-	-
Transfers in	-	-	-	249,611	116,862	-	3,644	153,733	-	523,850	555,241	255	2,061
Transfers out	(26,849)	(1,143)	(302)	(11,729)	(61,707)	-	-	(28,861)	-	(130,591)	(77,900)	(29)	-
Income (loss) before special item	(44,009)	967	23,221	(74,019)	(57,986)	26,691	2,472	76,969	517	(45,177)	178,111	1,397	(2,566)
Special item	-	-	-	-	-	-	-	-	-	-	(41,026)	-	-
Change in net assets	(44,009)	967	23,221	(74,019)	(57,986)	26,691	2,472	76,969	517	(45,177)	137,085	1,397	(2,566)
Net asset at beginning of year,						-							
as previously reported	313,395	461,333	421,156	1,903,357	41,873	983,913	330,687	383,306	9,329	4,848,349	4,711,264	(2,841)	(275)
Restatements	-	-	-	-	-	-	(43,026)	-	-	(43,026)	-	-	-
Net assets (deficit) at beginning of year, as restated	313,395	461,333	421,156	1,903,357	41,873	983,913	287,661	383,306	9,329	4,805,323	4,711,264	(2,841)	(275)
Net assets (deficit) at end of year	$ 269,386	$ 462,300	$ 444,377	$ 1,829,338	$ (16,113)	$ 1,010,604	$ 290,133	$ 460,275	$ 9,846	$ 4,760,146	$ 4,848,349	$ (1,444)	$ (2,841)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds
Year ended June 30, 2009
(with comparative total financial information as of June 30, 2008)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco Interna-tional Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Waste-water Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2009	Total 2008	Governmental Activities-Internal Service Funds 2009	Governmental Activities-Internal Service Funds 2008
Cash flows from operating activities:													
Cash received from customers, including cash deposits	$ 574,731	$ 235,841	$ 111,439	$ 402,888	$ 447,636	$ 208,067	$ 7,009	$ 113,021	$ 1,546	$ 2,102,178	$ 2,104,475	$ 143,646	$ 142,620
Cash received from tenants for rent	-	9,069	246	-	1,711	-	56,398	-	-	67,424	71,041	-	-
Cash paid to employees for services	(180,574)	(88,027)	(32,322)	(519,784)	(347,135)	(62,702)	(26,106)	(152,183)	(256)	(1,409,089)	(1,363,222)	(43,837)	(47,444)
Cash paid to suppliers for goods and services	(135,268)	(78,888)	(49,595)	(208,451)	(245,890)	(59,424)	(27,245)	(12,612)	(594)	(817,967)	(810,148)	(94,955)	(82,303)
Cash paid for judgments and claims	-	(4,126)	(1,903)	(21,388)	-	(459)	-	-	-	(27,876)	(20,134)	-	-
Net cash provided by (used in) operating activities	258,889	73,869	27,865	(346,735)	(143,678)	85,482	10,056	(51,774)	696	(85,330)	(17,988)	4,854	12,873
Cash flows from noncapital financing activities:													
Operating grants	-	-	-	105,772	64,829	118	-	-	-	170,719	176,843	-	-
Transfers in	-	-	-	243,040	116,862	-	-	78,558	-	438,460	682,643	255	2,061
Transfers out	(26,849)	(1,143)	(302)	(15,574)	(36,733)	-	-	(28,861)	-	(109,462)	(220,265)	(29)	-
Transit Impact Development fees received	-	-	-	3,687	-	-	-	-	-	3,687	169	-	-
Other noncapital financing increases	3,942	-	2,699	6,558	-	798	-	11,346	-	25,343	21,611	-	-
Other noncapital financing decreases	-	-	(2,401)	(43)	(225)	-	-	-	-	(2,669)	(9,663)	-	-
Net cash provided by (used in) noncapital financing activities	(22,907)	(1,143)	(4)	343,440	144,733	916	-	61,043	-	526,078	651,338	226	2,061
Cash flows from capital and related financing activities:													
Capital grants and other taxes restricted for capital purposes	24,140	1,506	-	73,230	-	-	1,847	19,879	-	120,602	255,677	-	-
Transfers in	-	-	-	-	-	-	-	52,678	-	52,678	-	-	-
Transfers out	-	-	-	-	(24,973)	-	-	-	-	(24,973)	-	-	-
Bond sale proceeds and loans received	-	-	6,089	-	-	-	3,644	-	-	9,733	-	178,464	54,852
Proceeds from sale/transfer of capital assets	-	2,601	25	6	27,240	-	13	-	-	29,885	24,493	-	-
Proceeds from commercial paper borrowings	81,506	890,500	-	-	-	227,500	-	-	-	1,199,506	18,000	-	-
Proceeds from passenger facility charges	70,435	-	-	-	-	-	-	-	-	70,435	72,594	-	-
Acquisition of capital assets	(136,414)	(251,671)	(27,075)	(67,549)	(20,656)	(69,911)	(4,050)	(114,012)	(484)	(691,822)	(703,310)	(2,115)	(1,307)
Retirement of capital leases, bonds and loans	(88,205)	(660,900)	(704)	(7,201)	-	(49,427)	(4,277)	(536)	-	(811,250)	(166,585)	(167,948)	(21,567)
Retirement of commercial paper borrowings	-	(25,520)	-	-	-	(177,500)	-	-	-	(203,020)	-	-	-
Bond issue costs paid	-	-	-	-	-	-	-	-	-	-	-	(1,016)	(1,426)
Interest paid on debt	(188,808)	(46,169)	(7)	(2,487)	(156)	(17,959)	(371)	(427)	-	(256,384)	(262,203)	(9,456)	(9,939)
Other capital financing increases		-	-	-	-	-	-	-	-	-	50,559	-	-
Other capital financing decreases	(52)	-	-	(880)	(672)	-	(3,369)		-	(4,973)	(38,694)	-	-
Net cash provided by (used in) capital and related financing activities	(237,398)	(89,653)	(21,672)	(4,881)	(19,217)	(87,297)	(6,563)	(42,418)	(484)	(509,583)	(749,469)	(2,071)	20,613
Cash flows from investing activities:													
Purchases of investments with trustees	(3,360,413)	(70,311)	-	(4,557)	-	-	-	-	(258)	(3,435,539)	(2,873,839)	(23,716)	(159,000)
Proceeds from sale of investments with trustees	3,356,967	70,388	-	7,639	-	-	-	-	4,725	3,439,719	2,899,054	48,328	130,765
Interest and investment income	23,852	7,576	4,167	7,275	1,692	2,153	4,405	2,410	115	53,645	77,447	2,123	2,978
Other investing activities	-	1,533	-	-	1	-	-	(62)	-	1,472	2,735	(132)	(322)
Net cash provided by (used in) investing activities	20,406	9,186	4,167	10,357	1,693	2,153	4,405	2,348	4,582	59,297	105,397	26,603	(25,579)
Net increase (decrease) in cash and cash equivalents	18,990	(7,741)	10,356	2,181	(16,469)	1,254	7,898	(30,801)	4,794	(9,538)	(10,722)	29,612	9,968
Cash and cash equivalents-beginning of year, as restated	428,424	160,430	165,856	226,952	64,358	97,196	93,183	95,708	309	1,332,416	1,343,138	44,057	34,089
Cash and cash equivalents-end of year	$ 447,414	$ 152,689	$ 176,212	$ 229,133	$ 47,889	$ 98,450	$ 101,081	$ 64,907	$ 5,103	$ 1,322,878	$ 1,332,416	$ 73,669	$ 44,057

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (continued)
Year ended June 30, 2009
(with comparative total financial information as of June 30, 2008)
(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds								Other Fund				
	San Francisco Interna-tional Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Waste-water Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total 2009	Total 2008	Governmental Activities-Internal Service Funds 2009	Governmental Activities-Internal Service Funds 2008
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 72,694	$ 17,466	$ 19,046	$ (603,388)	$ (179,506)	$ 39,354	$ (4,767)	$ (71,937)	$ 402	$ (710,636)	$ (681,696)	$ 904	$ (4,617)
Adjustments for non-cash activities:													
Depreciation and amortization	158,216	49,100	11,869	104,486	6,913	38,815	13,348	1,164	261	384,172	367,245	1,704	2,384
Provision for uncollectibles	63	(252)	-	(1,015)	-	543	421	-	-	(240)	(4,147)	-	-
Write-off of capital assets	-	5,207	349	-	-	2,071	-	-	-	7,627	11,099	-	-
Other	3,434	-	10	113,804	-	-	-	-	-	117,248	111,701	23	26
Changes in assets/liabilities:													
Receivables, net	8,910	(18,723)	(1,500)	4,057	3,308	(952)	(1,209)	(6,109)	5	(12,213)	(5,377)	23,527	21,461
Due from other funds	-	-	(711)	-	-	(6)	-	-	-	(717)	1,150	(54)	(79)
Inventories	(8)	23	35	(3,530)	(278)	(3,586)	90	(51)	-	(7,305)	(5,100)	-	-
Deferred charges and other assets	29	-	(1,358)	5	-	(3)	157	-	-	(1,170)	(1,959)	6	(6)
Accounts payable	(2,668)	6,209	2,720	3,202	(5,531)	795	617	13,536	28	18,908	9,785	962	(2,012)
Accrued payroll	786	837	371	2,289	1,671	202	122	(198)	-	6,080	7,915	(49)	179
Accrued vacation and sick leave pay	969	598	169	1,618	360	80	61	(369)	-	3,486	1,714	(627)	171
Accrued workers' compensation	378	482	158	(2,031)	(231)	(262)	(236)	477	-	(1,265)	839	(27)	300
Other postemployment benefits obligation	16,813	15,919	3,076	38,347	32,457	5,729	3,011	11,912	-	127,264	120,383	3,738	4,147
Estimated claims payable	-	(1,613)	(4,990)	(8,515)	-	1,316	(221)	-	-	(14,023)	14,233	-	-
Due to other funds	-	76	-	1,000	(2,841)	556	653	(13)	-	(569)	14,820	225	(1)
Deferred credits and other liabilities	(727)	(1,460)	(1,379)	2,936	-	830	(1,991)	(186)	-	(1,977)	19,407	(25,478)	(9,080)
Total adjustments	186,195	56,403	8,819	256,653	35,828	46,128	14,823	20,163	294	625,306	663,708	3,950	17,490
Net cash provided by (used in) operating activities	$ 258,889	$ 73,869	$ 27,865	$ (346,735)	$ (143,678)	$ 85,482	$ 10,056	$ (51,774)	$ 696	$ (85,330)	$ (17,988)	$ 4,854	$ 12,873
Reconciliation of cash and cash equivalents to the statement of net assets:													
Deposits and investments with City Treasury:													
Unrestricted	$ 307,696	$ 130,927	$ 170,111	$ 191,672	$ 47,879	$ 36,968	$ 85,094	$ -	$ -	$ 970,347	$ 991,537	$ 16,309	$ 11,632
Restricted	138,636	21,726	-	20,862	-	61,477	9,364	65,838	-	317,903	321,410	-	-
Deposits outside of City Treasury:													
Unrestricted	10	36	10	2,861	10	5	5	1	5,103	8,041	9,109	-	-
Restricted	288,829	40,974	6,091	14,420	18	-	7,058	-	295	357,685	348,888	96,050	95,727
Total deposits and investments	735,171	193,663	176,212	229,815	47,907	98,450	101,521	65,839	5,398	1,653,976	1,670,944	112,359	107,359
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	(287,757)	(40,974)	-	(682)	(18)	-	(440)	(932)	(295)	(331,098)	(338,528)	(38,690)	(63,302)
Cash and cash equivalents at end of year on statement of cash flows	$ 447,414	$ 152,689	$ 176,212	$ 229,133	$ 47,889	$ 98,450	$ 101,081	$ 64,907	$ 5,103	$ 1,322,878	$ 1,332,416	$ 73,669	$ 44,057
Non-cash capital and related financing activities:													
Acquisition of capital assets on accounts payable and capital lease	$ 29,290	$ 40,603	$ 6,304	$ 437	$ 535	$ 6,998	$ 1,803	$ -	$ 179	$ 86,149	$ 57,278	$ 4,264	$ 11,326
Tenant improvements financed by rent credit	-	-	-	-	-	-	1,315	-	-	1,315	-	-	-
Land acquired through real property exchange	-	500	-	-	-	-	-	-	-	500	-	-	-
Loss on abandonment of property and equipment	-	-	-	-	-	-	-	-	-	-	44,957	-	-

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Assets – Fiduciary Funds
June 30, 2009
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund	Agency Funds
ASSETS			
Deposits and investments with City Treasury	$ 66,155	$ 569,851	$ 91,131
Deposits and investments outside City Treasury:			
Cash and deposits	27,575	105	223
Short term investments	504,096	-	-
Alternative investments	1,511,250	-	-
Debt securities	3,716,233	-	-
Equity securities	5,114,484	-	-
Real estate	1,181,932	-	-
Foreign currency contracts, net	2,094	-	-
Receivables:			
Employer and employee contributions	36,666	-	48,107
Brokers, general partners and others	185,725	-	-
Interest and other	58,020	2,283	192,486
Invested in securities lending collateral	837,074	-	-
Deferred charges and other assets	-	-	24,299
Total assets	13,241,304	572,239	$ 356,246
LIABILITIES			
Accounts payable	35,408	6,858	$ 66,282
Estimated claims payable	12,143	-	-
Agency obligations	-	-	289,964
Payable to brokers	366,728	-	-
Deferred Retirement Option Program liabilities	4,143	-	-
Payable to borrowers of securities	881,830	-	-
Deferred credits and other liabilities	40,923	-	-
Total liabilities	1,341,175	6,858	$ 356,246
NET ASSETS			
Held in trust for pension and other employee benefits and external pool participants	$ 11,900,129	$ 565,381	

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 Assets – Fiduciary Funds
Year ended June 30, 2009
(In Thousands)

	Pension and Other Employee Benefit Trust Funds	Investment Trust Fund
Additions:		
Employees' contributions	$ 291,488	$ -
Employer contributions	637,244	-
Transfers from CalPERS	6,350	-
Contributions to pooled investments	-	2,998,603
Total contributions	935,082	2,998,603
Investment income/loss:		
Interest	233,611	14,585
Dividends	144,815	-
Net depreciation in fair value of investments	(3,815,602)	-
Securities lending loss	(25,493)	-
Fixed coupon dollar repurchase agreement loss	(9,104)	-
Total investment income/(loss)	(3,471,773)	14,585
Less investment expenses:		
Securities lending borrower rebates and expenses	(1,568)	-
Fixed coupon dollar repurchase agreement finance charges and expenses	(1,650)	-
Other investment expenses	(37,110)	-
Total investment expenses	(40,328)	-
Total additions, net	(2,577,019)	3,013,188
Deductions:		
Benefit payments	1,359,265	-
Refunds of contributions	6,714	-
Distribution from pooled investments	-	2,986,166
Administrative expenses	12,951	-
Total deductions	1,378,930	2,986,166
Change in net assets	(3,955,949)	27,022
Net assets at beginning of year	15,856,078	538,359
Net assets at end of year	$ 11,900,129	$ 565,381

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 (The Authority) – The voters of the City created the Authority in 1989 to impose a 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 Authority. The Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Authority can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

San Francisco City and County Finance Corporation (The Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase $20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (The 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 (DPC). 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 (MTA) 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 MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Units

San Francisco Redevelopment Agency (The Agency) – The Agency is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern it. The Agency has adopted as its mission the creation of affordable housing and

economic development opportunities Citywide. Included in its financial data are the accounts of the San Francisco Redevelopment Financing Authority (SFRFA), a blended component unit of the Agency. The SFRFA is a separate joint-powers authority formed between the Agency and the City to facilitate the long-term financing of Agency activities. The Agency's governing commission serves as the Board of Directors of the SFRFA.

In May 2002, the Public Initiatives Development Corporation (PIDC) was formed to develop affordable housing on the Agency's behalf. The PIDC is reported as a blended component unit of the Agency, due to the Board of the PIDC being comprised of management of the Agency and other appointed individuals. Future funding will be dependent on the Agency.

The Agency's governing body is not substantively the same as that of the City, and the Agency does not provide services entirely or almost entirely to the City. The Agency is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the Agency through the appointment of the Agency's Board and the ability of the City to approve the Agency's budget. Disclosures related to the Agency, where significant, are identified separately throughout these notes. Complete financial statements can be obtained from the Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

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 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. 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 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

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, Private Industry Council of San Francisco, 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 assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior-year summarized comparative information. This information is presented only to facilitate financial analysis.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 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, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.

- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.

- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.

- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Department of Parking and Traffic (DPT), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. DPT is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. DPT is a separate department of the MTA. The parking garages fund accounted for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.

- The ***San Francisco General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.

- The ***San Francisco Wastewater Enterprise Fund*** (formerly known as the Clean Water Program) was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City 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, the City-owned skilled nursing facility which specializes in serving elderly and disabled residents.

Additionally, the City reports the following 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 and Other Employee Benefit Trust Funds*** reflect the activities of the Employees' Retirement System and the Health Service System. 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 ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California are accounted for within the Investment Trust Fund.

- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health, and transportation programs.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Budgetary Data

The City adopts annual budgets for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certain 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 are summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

(1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

(2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make

certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(d) 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 Employees' Retirement System and deposits and investments of the Redevelopment Agency are held by trustees (note 5).

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, 2009, involuntary participants accounted for approximately 95.4% of the pool. Voluntary participants accounted for 4.6% of the pool. Further, the School District, Community College District, trial courts of the State of California and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2009, $565.4 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these three external participants is 19%. Internal participants accounted for 81% of the pool.

For reports on the external investment pool, contact the Office of the Treasurer, Room 140, City Hall, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

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 deposits 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.

Employees' Retirement System (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. Investments that do not have an established market price 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 Retirement System's real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 50% and 60% respectively. The leverage limits for high return real estate investments depend on each specific offering. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a sales transaction.

Alternative investments represent the Retirement System's interest in limited partnerships. The fair values of alternative investments are based on net asset values provided by the general partners. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and changes in fair value. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the investments can only be determined by negotiation between independent third parties in a sales transaction.

The Charter and Retirement Board policies permit the Retirement System to use investments to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The collateral may consist of cash or non-cash; non-cash collateral is generally U.S. treasuries or other U.S. government obligations. The Retirement System's securities custodian is the agent in lending the Retirement System's domestic securities for cash collateral of 102% and international securities for cash collateral of 105%. Contracts with the lending agent require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2009 was 85 days. In lending domestic securities, cash collateral is invested in the lending agent's short-term investment pool, which had a weighted average maturity as of June 30, 2009 of 38 days. In lending international securities, cash collateral is invested in a separate short-term investment pool, which had a weighted average maturity as of June 30, 2009 of 17 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

Cash collateral invested in the lending agent's short-term investment pools is reported at fair value. The lending agent's short-term investment pools have not been rated by a nationally recognized statistical rating organization. Payable to borrowers of securities in the statements of plan net assets represents the cash collateral received from borrowers. Additionally, the costs of securities lending transactions, such as borrower rebates and fees, are recorded as expenses in the statements of plan net assets.

(Dollars in Thousands)

The Charter and Retirement Board policies permit the Retirement System to use investments to enter into fixed coupon dollar repurchase agreements, that is, a sale of securities with a simultaneous agreement to repurchase similar securities in the future at a lower price that reflects a financing rate. The fair value of the securities underlying fixed coupon dollar repurchase agreements equals the cash received. If the dealers default on their obligations to resell these securities to the Retirement System at the agreed-upon buy back price, the Retirement System could suffer an economic loss if the securities have to be purchased at a higher price (than the agreed-upon buy back price) in the open market. The Retirement System opted out of this program in September 2008 and transferred remaining funds to the Investment Cash Account or segregated account for cash management activities. This credit exposure at June 30, 2009 was $0.

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, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity at the time of purchase of one year or less and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost, which approximates fair value. 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.

Component Unit – San Francisco Redevelopment Agency (The Agency) – The Agency pools deposits and investments, except for certain investments restricted for developers' deposits and pledged assets relating to specific projects. The Agency's investments are stated at fair value. Fair value has been obtained by using market quotes as of June 30, 2009. Money market investments (such as short-term, highly liquid debt instruments including commercial paper, bankers' acceptances, and U.S. Treasury and agency obligations) that have a remaining maturity of less than one year at the date of purchase and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are valued at the amortized cost, which approximates fair value as of June 30, 2009.

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 funds, Internal Service, Investment Trust and Agency 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, MTA, Laguna Honda Hospital, General Hospital Medical Center, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

(e) 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 issues loans to qualified

applicants. 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, 2009, it was determined that $510.1 million of the $579.6 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 credit account. For purposes of the government-wide financial statements, long-term loans are not offset by deferred credit accounts.

(f) Inventory

Inventory recorded in the proprietary funds primarily consists of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types also use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(g) Redevelopment Agency Property Held for Resale

Property held for resale are both residential and commercial and are recorded as an asset at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of a property based on current intended use. Property held for sale may, during the period it is held by the Agency, generate rental income, which is recognized as it becomes due and is considered collectible.

(h) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than $5 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, and easements 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
Easements	20

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.

(i) 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, except for Local 21 members, who are all entitled to accumulate all unused sick leave. 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. Effective July 1, 2002, the City established a pilot "Wellness Incentive Program" (the Program) to promote workforce attendance. The Program was initially negotiated as part of the July 1, 2001 to June 30, 2004 labor contract between the City and forty-one labor organizations, representing about 48% of the City's workforce. It is described in several Memorandums of Understanding (MOUs) dated since July 1, 2001, between the City and the affected labor organizations. Under the terms of these MOUs and the labor contracts, the Program is in effect from July 1, 2002 and begins to sunset by June 30, 2010.

This Program provides:

> Effective July 1, 2002, any full-time employee leaving the employment of the City upon service or disability retirement may receive payment for a portion of sick leave earned but unused at the time of separation. The amount of this payment shall be equal to 2.5% of sick leave balances earned but unused at the time of separation times the number of whole years of continuous employment times an employee's salary rate, exclusive of premiums or supplements, at the time of separation. Vested sick leave hours as described by Civil Service Commission rules, shall not be included in this computation.

The City accrues for all salary-related items, including the Program, 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.

(j) Bond Issuance Costs, Premiums, Discounts and Interest Accretion

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance 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 and proprietary fund financial statements.

(k) Fund Equity

Reservations of Fund Equity

Reservations of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally segregated for a specific future use. Following is a brief description of the nature of certain reserves.

Reserve for rainy day – The City's Charter requires that the City set aside funds into a reserve account in years in which revenue growth exceeds five percent compared to the year before. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent.

Reserve for assets not available for appropriation – Certain assets, primarily cash and investments outside the City Treasury and deferred charges, do not represent expendable available financial resources. Therefore, a portion of fund equity is reserved to offset the balance of these assets.

Reserve for debt service – The fund balance of the debt service funds is reserved for the payment of debt service in the subsequent year.

Reserve for encumbrances – Encumbrances are recorded as reservations of fund balances because they do not constitute expenditures or liabilities. In certain other governmental funds, this accounting treatment results in a deficit unreserved fund balance. This deficiency is carried forward to the next fiscal year where it is applied against estimated revenues in the year the commitments are expended.

Reserve for appropriation carryforward **–** At the end of the fiscal year, certain budgeted expenditures are authorized to be carried over and expended in the ensuing year. A reserve of fund balance is established in the amount of these budget authorizations.

Reserve for subsequent years' budgets – A portion of fund balance is reserved for subsequent years' budgets. This balance includes the reserve required by the City's Administrative Code for the budget incentive program for the purpose of making additional funds available for items and services that will improve the efficient operations of departments.

Restricted Net Assets

The government-wide and proprietary fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

- *Invested in Capital Assets, Net of Related Debt* – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Assets* – This category represents net assets that have 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. At June 30, 2009, the government-wide statement of net assets reported restricted assets of $371.8 million in governmental activities and $415.2 million in business-type activities. For governmental activities, $2.5 million is restricted by enabling legislation.
- *Unrestricted Net Assets* – This category represents net assets of the City, not restricted for any project or other purpose.

The City issued general obligation bonds for the purpose of rebuilding and improving Laguna Honda Hospital. 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 the general obligation bonds are reported with unrestricted net assets in the City's governmental activities. In accordance with GASB implementation guidance, the City reclassified $299.3 million of total net assets to unrestricted net assets from net assets invested in capital assets, net of related debt to reflect the primary government as a whole perspective.

Designations of Fund Equity

Designations of fund balances (note 4) indicate that portion of fund balance that is not available for appropriation based on management's plans for future use of the funds. Following is a brief description of the nature of the designation as of June 30, 2009.

Designation for litigation and contingencies – This designation represents management's estimate of anticipated legal settlements or contingencies to be paid in the subsequent fiscal year. At June 30, 2009, $32.9 million was designated for litigation and contingencies which is included in the unreserved General Fund balance.

Deficit Net Assets/Fund Balances

The Environmental Protection Fund and Senior Citizens' Program Fund had deficits of $0.2 million and $0.9 million, respectively, as of June 30, 2009. The deficits relate to increases of deferred tax, grant and subvention revenues on various programs which are expected to be collected beyond 120 days of the end of fiscal year 2009.

The San Francisco County Transportation Authority Fund had a $23.3 million deficit as of June 30, 2009. The deficit relates to the Authority's capital projects which are scheduled to be implemented over the course of several fiscal periods and are funded with non-current revenues.

The Moscone Convention Center Fund had a $3.6 million deficit as of June 30, 2009. The deficit will be covered as hotel tax revenues are realized.

The Central Shops Fund and Telecommunications and Information Internal Service Fund had deficits in total net assets of $1.7 million and $0.3 million, respectively as of June 30, 2009 mainly due to the other postemployment benefits liability accrued as per GASB Statement 45. The deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

(l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities, they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

(n) 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.

(o) 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. The City determined that certain cash equivalents reported in its Airport, MTA and Market Corporation enterprise funds totaling $22 million for 2008 should have been classified as investments. As a result of this determination, the Statement of Cash Flows reflects a decrease of $22 million in cash equivalents from $1.35 billion to $1.33 billion for 2008.

(p) 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.

(q) Reclassifications

Certain amounts presented as 2007-2008 Summarized Comparative Financial Information in the basic financial statements have been reclassified for comparative purposes to conform to the presentation in the 2008-2009 basic financial statements.

(r) Effects of New Pronouncements

During fiscal year 2009, the City implemented the following accounting standards:

On July 1, 2008, the City adopted GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies the circumstances under which a government is required to report a liability related to pollution remediation. Pursuant to Paragraph 11 of GASB Statement No. 49, a government should estimate its expected pollution remediation outlays using the Expected Cash Flow Measurement technique as described in GASB Statement No. 49 for pollution remediation if it knows a site is polluted and any of the following obligating events occurs:

- The government is compelled to take remediation action because pollution creates an imminent endangerment to public health or welfare or the environment, leaving it little or no discretion to avoid remediation action.
- The government is in violation of a pollution prevention-related permit or license, such as a Resource Conservation and Recovery Act permit or similar permits under state law.
- The government is named, or evidence indicates that it will be named, by a regulator as a responsible party or potentially responsible party for remediation, or as a government responsible for sharing costs.
- The government is named, or evidence indicates that it will be named, in a lawsuit to compel the government to participate in remediation.
- The government commences, or legally obligates itself to commence, cleanup activities or monitoring or operation and maintenance of the remediation effort. If these activities are

voluntarily commenced and none of the other obligating events have occurred relative to the entire site, the amount recognized should be based on the portion of the remediation project that the government has initiated and is legally required to complete.

GASB Statement No. 49 also requires governments to disclose information about their pollution obligations associated with clean up efforts in the notes to the financial statements. For the year ended June 30, 2009, the City recorded $1.8 million for soil remediation efforts and $31.7 million in other pollution remediation costs as other liabilities in its governmental activities and business-type activities, respectively. The disclosures required by GASB Statement No. 49 for the City's business-type activities are provided in Note 11.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets.* This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Application of this statement is effective for the City's fiscal year ending June 30, 2010.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* The Statement specifically requires governments to measure and report most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirement of reporting the derivative instruments at fair value on the face of financial statements gives the users of financial statements a clearer look into the risks their governments are sometimes exposed to when they enter into these transactions and how those risks are managed. The Statement also addresses hedge accounting requirements and improves disclosures, providing a summary of the government's derivative instrument activity, its objectives for entering into derivative instruments, and their significant terms and risks. Application of this Statement is effective for the City's fiscal year ending June 30, 2010.

In March 2009, GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective to this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Application of this Statement is effective for the City's fiscal year ending June 30, 2011.

(s) Restricted Assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets 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.

(t) Restatement of Net Assets

Net assets of the business-type activities and the Port Enterprise fund have been reduced by $43.0 million. As allowed by GASB Statement No. 49, existing pollution remediation liabilities associated with the Pier 70 project area (see Note 11) from prior periods in the amount of $27.5 million is being recognized as a reduction of beginning net assets. In addition, Port

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements
June 30, 2009
(Dollars in Thousands)

management determined in 2009 that certain land improvements that had not been depreciated were exhaustible assets and should have been depreciated in prior periods. Beginning net assets at June 30, 2008 have been restated by $15.5 million for the required accumulated deprecation and related adjustments of such land improvements.

(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 assets

Total fund balances of the City's governmental funds, $985,012, differs from net assets of governmental activities, $1,305,203, reported in the statement of net assets. The difference primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental funds balance sheets.

Balance Sheet/Statement of Net Assets

	Governmental Funds Total	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi-fications and Eliminations	Statement of Net Assets Totals
Assets					
Deposits and investments with City Treasury	$ 967,957	$ -	$ 16,309	$ -	$ 984,266
Deposits and investments outside City Treasury	209,021	-	96,050	-	305,071
Receivables, net:					
Property taxes and penalties	73,715	-	-	-	73,715
Other local taxes	218,348	-	-	-	218,348
Federal and state grants and subventions	220,738	-	-	-	220,738
Charges for services	54,556	-	89	-	54,645
Interest and other	8,453	-	853	-	9,306
Due from other funds	28,561	-	-	(28,561)	-
Due from/advances to component unit	11,738	-	-	-	11,738
Loans receivable, net	69,431	-	-	-	69,431
Capital assets, net	-	3,022,552	6,363	-	3,028,915
Deferred charges and other assets	9,589	18,406	6,868	-	34,863
Total assets	$ 1,872,107	$ 3,040,958	$ 126,532	$ (28,561)	$ 5,011,036
Liabilities					
Accounts payable	$ 198,319	$ -	$ 8,963	$ -	$ 207,282
Accrued payroll	89,206	-	1,904	-	91,110
Accrued vacation and sick leave pay	-	140,145	3,383	-	143,528
Accrued workers' compensation	-	211,854	1,027	-	212,881
Other postemployment benefits obligation	-	330,937	7,885	-	338,822
Estimated claims payable	-	145,006	-	-	145,006
Accrued interest payable	-	10,378	2,090	-	12,468
Deferred tax, grant and subvention revenues	147,990	(132,295)	-	-	15,695
Due to other funds/internal balances	44,860	-	3,141	(28,561)	19,440
Deferred credits and other liabilities	256,720	(129,562)	1,463	-	128,621
Bonds, loans, capital leases, and other payables	150,000	1,946,943	294,037	-	2,390,980
Total liabilities	887,095	2,523,406	323,893	(28,561)	3,705,833
Fund balances/net assets					
Total fund balances/net assets	985,012	517,552	(197,361)	-	1,305,203
Total liabilities and fund balances/net assets	$ 1,872,107	$ 3,040,958	$ 126,532	$ (28,561)	$ 5,011,036

(1) When capital assets (land, infrastructure, buildings, and equipment) 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 assets includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 3,911,495
Accumulated depreciation	(888,943)
	$ 3,022,552

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net assets. .... $ 18,406

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 assets

Accrued vacation and sick leave pay	$ (140,145)
Accrued workers' compensation	(211,854)
Other postemployment benefits obligation	(330,937)
Estimated claims payable	(145,006)
Bonds, loans, capital leases, and other payables	(1,946,943)
Deferred credits and other liabilities	(3,647)
	$(2,778,532)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as expenditure when paid. $ (10,378)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenues	$ 132,295
Deferred credits and other liabilities	133,209
	$ 265,504

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net assets.

Net deficit before adjustments	$ (1,444)
Adjustments for internal balances with San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(293,291)
Deferred charges and other assets	2,635
Deferred credits and other liabilities	94,739
	$ (197,361)

In addition, intrafund receivables and payables among various internal service funds of $0.3 million are eliminated.

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(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, $13,343, differs from the change in net assets for governmental activities, ($279,853), 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.

Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities

	Governmental Funds Totals	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	$ 1,272,385	$ 29,686	$ -	$ -	$ -	$ 1,302,071
Business taxes	388,653	-	-	-	-	388,653
Sales and use tax	172,794	-	-	-	-	172,794
Hotel room tax	214,460	-	-	-	-	214,460
Utility users tax	89,801	-	-	-	-	89,801
Other local taxes	126,017	-	-	-	-	126,017
Licenses, permits and franchises	32,153	244	-	-	-	32,397
Fines, forfeitures and penalties	9,694	-	-	-	-	9,694
Interest and investment income	33,547	330	-	1,557	-	35,434
Rents and concessions	73,225	1,042	-	-	-	74,267
Intergovernmental:						
Federal	357,612	(2,150)	-	-	-	355,462
State	581,047	7,677	-	-	-	588,724
Other	14,883	(44)	-	-	-	14,839
Charges for services	284,196	450	-	-	-	284,646
Other revenues	30,318	(107)	-	-	-	30,211
Total revenues	3,680,785	37,128	-	1,557	-	3,719,470
Expenditures/Expenses						
Expenditures:						
Public protection	999,518	99,898	13,913	(4,018)	-	1,109,311
Public works, transportation and commerce	248,161	20,997	(2,425)	(11,778)	-	254,955
Human welfare and neighborhood development	886,686	21,242	521	-	-	908,449
Community health	578,828	28,939	966	-	-	608,733
Culture and recreation	313,442	15,445	25,603	(14,981)	(19,515)	319,994
General administration and finance	190,680	28,719	17,435	1,767	-	238,601
General City responsibilities	73,147	77	-	(1,623)	1,033	72,634
Debt service:						
Principal retirement	126,501	-	-	-	(126,501)	-
Interest and fiscal charges	74,466	-	-	8,974	9,947	93,387
Bond issuance costs	4,746	-	-	-	(4,746)	-
Capital outlay	152,473	-	(152,473)	-	-	-
Total expenditures/expenses	3,648,648	215,317	(96,460)	(21,659)	(139,782)	3,606,064
Other financing sources (uses)/changes in net assets						
Net transfers (to) from other funds	(393,485)	-	-	226	-	(393,259)
Issuance of bonds:						
Face value of bonds issued	456,935	-	-	-	(456,935)	-
Premium on issuance of bonds	12,875	-	-	-	(12,875)	-
Payment to escrow for refunded debt	(120,000)	-	-	-	120,000	-
Other financing sources - capital leases	24,881	-	-	(24,881)	-	-
Total other financing sources (uses)/changes in net assets	(18,794)	-	-	(24,655)	(349,810)	(393,259)
Net change for the year	$ 13,343	$ (178,189)	$ 96,460	$ (1,439)	$ (210,028)	$ (279,853)

(Dollars in Thousands)

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds.	$ 29,686
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	7,442
	$ 37,128
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 assets 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.	$ (215,629)
Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net assets and, therefore, the related expenditures are not reported in the statement of activities.	312
	$ (215,317)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year, the loss on disposal of capital assets and capital asset acquired or funded by donation and other revenues.

Capital expenditures	$ 179,419
Depreciation expense	(81,589)
Loss on disposal of capital assets	(1,370)
Difference	$ 96,460

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, 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.	$ (1,439)

(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the 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 liability in the statement of net assets and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.

Total property rent payments	$ 19,515

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs	$ 4,746
Amortization of bond issuance costs	(1,033)
Difference	$ 3,713

Bond premiums and discounts are expended in the governmental funds when the bonds are issued, and are capitalized in the statement of net assets. This is the amount of premiums capitalized during the current period.	$ (12,875)

Repayment of bond principal and the payment to escrow for refunding of debt 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 and payment to escrow for refunded debt reduce the liabilities in the statement of net assets 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 and payments were made to escrow for refunded debt.

Principal payments made	$ 126,501
Payments to escrow for refunded debt	120,000
	246,501

Bond and loan proceeds and capital leases 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 assets and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(185,540)
Refunding general obligation bonds	(271,395)
	(456,935)
	$ (210,434)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, (2) amortization of bond discounts, premiums and refunding losses are not expended within the fund statements, and (3) additional interest expense was recognized on the accrual of an arbitrage rebate liability which will not be recognized in the governmental funds until the liability is due and payable.

Increase in accrued interest	$ (1,513)
Loss on refunding	(1,779)
Interest payment on capital lease obligations on the Moscone Convention Center	(10,232)
Amortization of bond premiums, discounts and refunding losses	2,756
Increase in arbitrage rebate liability	821
	$ (9,947)

(Dollars in Thousands)

(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

Budgetary Results Reconciliation

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement 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 120 day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2009 on a budget basis is reconciled to the fund balance on a GAAP basis as follows:

	General Fund
Fund Balance – Budget Basis	$ 390,512
Unrealized Losses on Investments	(1,148)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(56,426)
Cumulative Excess Health, Human Service, Franchise Tax and Other Revenues Recognized on a Budget Basis	(37,940)
Deferred amounts on loan receivables	(4,630)
Reserved for Assets Not Available for Appropriation	11,307
Fund Balance - GAAP Basis	$ 301,675

General Fund Budget basis fund balance at June 30, 2009 is composed of the following:

Reserved for Rainy Day - Economic Stabilization Reserve	$ 98,297	
Reserved for Encumbrances	65,902	
Reserved for Appropriation Carryforward	91,075	
Reserved for Subsequent Years' Budgets:		
Budget Savings Incentive Program - Recreation and Park	6,575	
Salaries and benefits costs (MOU)	316	
Total Reserved Fund Balance		$ 262,165
Designated for Litigation and Contingencies	32,900	
Unreserved, Undesignated Fund Balance – Available for Appropriation	95,447	
Total Unreserved Amounts		128,347
Fund Balance, June 30, 2009 – Budget basis.		$ 390,512

Of the $95.4 million unreserved, undesignated fund balance – available for appropriation, $94.5 million has been subsequently appropriated as part of the General Fund budget for use in fiscal year 2009-2010.

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government				Component Units
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with City Treasury	$ 984,266	$ 970,347	$ 727,137	$ 2,681,750	$ 2,821
Deposits and investments outside City Treasury	209,021	8,041	12,057,992	12,275,054	207,059
Restricted assets:					
Deposits and investments with City Treasury	-	316,971	-	316,971	-
Deposits and investments outside City Treasury	96,050	358,617	-	454,667	108,668
Invested securities lending collateral	-	-	837,074	837,074	-
Total deposits and investments	$ 1,289,337	$ 1,653,976	$ 13,622,203	$ 16,565,516	$ 318,548
Cash and deposits				$ 26,757	$ 29,555
Investments				16,538,759	288,993
Total deposits and investments				$ 16,565,516	$ 318,548

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits. In addition, the City's investment policy states that mortgage-backed collateral will not be accepted. As of June 30, 2009, $0.2 million and $5.7 million of the business-type activities and the Retirement System's bank balances, respectively, were exposed to custodial credit risk by not being insured or collateralized.

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the soundness of financial institutions in which the City will deposit funds, types of investment instruments as permitted by the California Government Code, 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 yield. 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 and representatives of agencies with large cash balances, 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 a comprehensive investment report to the 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 California Government Code does not limit the amount of City funds that may be invested in federal agency instruments. However, the City's investment policy requires that investments in federal agencies should not exceed 60 percent of the total portfolio at the time of purchase. The investment policy also limits the maximum maturity of each type of agency instrument and does not permit the investments in medium term corporate notes.

The City's investment policy also limits the purchase of negotiable certificates of deposit to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. In addition, the investment policy requires that public time deposits be made only at approved financial institutions with at least one full service branch within the geographical boundaries of the City, and that they yield a minimum of 0.125% higher than equal maturity U.S. Treasury instruments except in special circumstances specifically authorized by the Treasurer. The investment policy restricts exposure to the amount fully guaranteed by the Federal Deposit Insurance Corporation for each savings institution. The current guarantee limit is $250. The investment policy also requires that commercial bank deposits be made on a competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

The table below identifies the investment types that are authorized by the City, along with the related interest rate and concentration of credit limits.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury bills, notes, and bonds	5 years	None	None
U.S. Agency Securities (all):	5 years	60% *	n/a
Federal National Mortgage Association	5 years	n/a	30% *
Federal Home Loan Mortgage Corporation	5 years	n/a	30% *
Federal Home Loan Bank	270 days *	n/a	30% *
Federal Farm Credit Bank	270 days *	n/a	30% *
Federal Agricultural Mortgage Association	270 days *	n/a	10% *
Resolution Trust Funding Corporation	270 days *	n/a	5% *
Tennessee Valley Authority	270 days *	n/a	10% *
Commercial Paper	270 days	25%	10% *
Bankers Acceptances	180 days	40%	30% *
Temporary Liquidity Guarantee Program	5 years	30%	None
State and local government agencies indebtedness	5 years	20%	None
Repurchase Agreements	30 days *	None	$75 million
Reverse Repurchase Agreements	45 days *	20%	$75 million
State of California Local Agency Investment Fund	n/a	None	None
Bank and Thrift:			
Public Time Deposits	5 years	None	None
Public Demand Accounts	5 years	None	None
Negotiable Certificates of Deposit	5 years	30%	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

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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.

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; and alternative investments, which include investments in a variety of commingled partnership vehicles.

San Francisco Redevelopment Agency

The investment policy of the Redevelopment Agency is governed by Article 2 of the California Government Code. Investments are restricted to certain types of instruments and certain of these instruments are only allowed within limits. The California Government Code permits reverse repurchase agreements, but reverse repurchase agreements require the prior approval of the Agency Commission. The Agency does not participate in reverse repurchase agreements or other high-risk investments as defined by the Agency's investment policy. It is the Agency's intention to hold investments until maturity, unless earlier liquidation would result in an investment gain.

Certain investments of the Agency are in the Local Agency Investment Fund (LAIF). LAIF is sponsored by the State Treasurer and prepares its market value report detailing the carrying cost and the estimated fair value for the entire pool. The Agency has used a multiplier provided by LAIF to determine estimated fair values. In addition, the Agency has investments with trustees. These investments are restricted by various bond covenants and are pledged for payment of principal, interest and specified capital improvements.

(c) Investment Risks

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 is to changes in market interest rates. The following schedule indicates the interest rate risk of the City's investments as of June 30, 2009. The Employees' Retirement System's interest rate risk information is discussed in section (e) of this note.

(Dollars in Thousands)

	Fair Value	Investment Maturities: 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 Bills	$ 294,190	$ 294,190	$ -	$ -	$ -
U.S. Treasury Notes	362,845	181,283	181,562	-	-
U.S. Agencies - Coupon	1,175,399	279,653	895,746	-	-
U.S. Agencies - Discount	194,544	194,544	-	-	-
Temporary Liquidity Guarantee Program	554,562	-	554,562	-	-
Negotiable certificates of deposits	425,000	425,000	-	-	-
Public time deposits	15,300	5,300	10,000	-	-
Less: Treasure Island Development Authority					
Investments with City Treasury	(2,821)	(2,821)	-	-	-
Subtotal investments in City Treasury	3,019,019	$ 1,377,149	$ 1,641,870	$ -	$ -
Investments Outside City Treasury:					
(Governmental and Business-Type)					
U.S. Treasury Notes	6,142	$ 6,142	$ -	$ -	$ -
U.S. Treasury Bills	2,499	2,499	-	-	-
U.S. Agencies - Coupon	32,250	18,375	13,875	-	-
U.S. Agencies - Discount	312,315	312,315	-	-	-
Money market mutual funds	281,758	281,758	-	-	-
Guaranteed investment contract	15,958	-	15,958	-	-
Commercial paper	732	732	-	-	-
Certificate of deposits	923	923	-	-	-
Subtotal investments outside City Treasury	652,577	$ 622,744	$ 29,833	$ -	$ -
Employees' Retirement System investments	12,867,163				
Total Primary Government	16,538,759				
Component Units:					
Redevelopment Agency:					
U.S. Treasury Bills	61,995	$ 61,995	$ -	$ -	$ -
U.S. Agencies - Coupon	2,009	2,009	-	-	-
U.S. Agencies - Discount	29,999	29,999	-	-	-
Commercial paper	19,987	19,987	-	-	-
State Local Agency Investment Fund	16,718	16,718	-	-	-
Money market mutual funds	149,161	149,161	-	-	-
Guaranteed investment contracts	6,303	987	-	-	5,316
Subtotal Redevelopment Agency	286,172	$ 280,856	$ -	$ -	$ 5,316
Treasure Island Development Authority:					
Investments with City Treasury	2,821	$ 2,821	$ -	$ -	$ -
Subtotal Treasure Island Development Authority	2,821	$ 2,821	$ -	$ -	$ -
Total Component Units	288,993				
Total Investments	$ 16,827,752				

One of the ways that the Treasurer manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. All security transactions including collateral for repurchase agreements, entered into by the Treasurer are conducted on a deliver-versus-payment basis pursuant to approved custodial safekeeping agreements. Securities are held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits investments to securities with short maturities, such as the following:

- The maximum maturity of commercial paper is 180 days. Investment in commercial paper will comprise not more than 25% of the Agency's portfolio.
- The maximum maturity of bankers' acceptance is 180 days.
- The maximum maturity of corporate notes is five years. Investment in corporate notes may not exceed 15% of the Agency's portfolio.

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

Presented below is the minimum rating required by the California Government Code and the City's investment policy and the actual rating as of June 30, 2009 for each investment type in the City's Treasury.

Investment Type	Minimum Legal Rating	Standard & Poor's Rating	Total Investment Portfolio
U.S. Treasury Bills	N/A	A-1	9.7%
U.S. Treasury Notes	N/A	AAA/A-1	12.0%
U.S. Agencies	N/A	AAA/A-1	45.3%
Temporary Liquidity Guarantee Program	N/A	AAA	18.4%
Negotiable Certificates of Deposits	N/A	N/A	14.1%
Public Time Deposits	N/A	N/A	0.5%

As a means of limiting its exposure to credit risk, the Agency's investment policy limits investments to high-quality securities with an investment grade of A-1/P-1 or better for commercial paper and AAA for money market mutual funds, as well as maintaining a portfolio diversified by type and issuer.

Investment Type	Credit Ratings	Total Investment Portfolio
Treasury Bills	Exempt	21.7%
U.S. Agencies – Coupon	AAA	0.7%
U.S. Agencies – Discount	A-1/P-1	10.5%
Commercial paper	A -1/P-1	7.0%
State Local Agency Investment Fund	Not rated	5.8%
Money market mutual funds	AAAm	52.1%
Guaranteed investment contracts	Not Rated	2.2%

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.

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. U.S. Treasury and Agency securities are not subject to single issuer limitation. As of June 30, 2009, the City Treasurer has investments in U.S. Agencies that represent 5 percent or more of the total Pool in the following: Federal Home Loan Mortgage Corporation, Federal National Mortgage Association Notes, and Federal Home Loan Bank. These investments represent 13.4 percent, 14.9 percent, 11.7 percent, respectively.

In addition, 84 percent of Airport's investments with its trustees are held in Federal National Mortgage Association and 16 percent in Federal Home Loan Bank securities. The Finance Corporation's investments with its trustee are held in securities of Federal Home Loan Bank for 29 percent and Federal Farm Credit Bank for 6.4 percent. The Redevelopment Agency held investments with Federal Home Loan Bank and GE Capital Temporary Liquidity Guarantee Program for 17.8 percent and 11.1 percent, respectively.

(d) Treasurer's Pool

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2009:

Statement of Net Assets	
Net assets held in trust for all pool participants	$ 3,001,542
Equity of internal pool participants	2,436,161
Equity of external pool participants	565,381
Total equity	$ 3,001,542
Statement of Changes in Net Assets	
Net assets at July 1, 2008	$ 3,157,781
Net change in investments by pool participants	(156,239)
Net assets at June 30, 2009	$ 3,001,542

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2009 (in thousands):

Type of Investment	Rates	Maturities	Par Value	Carrying Value
U.S. government securities	0.13% - 3.86%	07/23/09 - 05/31/11	$ 650,100	$ 657,035
Federal agencies	0.11% - 3.60%	07/07/09 - 04/21/14	1,369,550	1,369,943
Negotiable certificates of deposits	1.20% - 2.52%	09/02/09 - 04/14/10	425,000	425,000
Temporary Liquidity Guarantee Program	0.77% - 2.13%	01/07/11 - 12/26/12	551,000	554,562
Public time deposits	1.00% - 3.90%	07/16/09 - 12/20/10	15,300	15,300
			$ 3,010,950	3,021,840
Carrying amount of deposits in Tresaurer's Pool				(20,298)
Total cash and investments in Tresaurer's Pool				$ 3,001,542

(e) Retirement System Investments

The Retirement System's investments as of June 30, 2009 are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 504,096
Debt securities:	
U.S. Government and agencies	1,053,552
Other debt securities	2,662,681
Subtotal debt securities	3,716,233
Total fixed income investments	4,220,329
Equity securities:	
Domestic	2,835,168
International	2,279,316
Total equity securities	5,114,484
Real estate holdings	1,181,932
Alternative investments	1,511,250
Foreign currency contracts, net	2,094
Investment in lending agent's short-term investment pool	837,074
Total Retirement System Investments	$ 12,867,163

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk, but requires investment managers to diversify by issue, maturity, sector, coupon and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board.

(Dollars in Thousands)

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2009:

Investment Type	Fair Value	Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	$ 155,664	$ 2	$ 72,070	$ 14,549	$ 69,043
Bank Loans	31,848	774	8,767	21,104	1,203
Collateralized Bonds	3,017	-	-	470	2,547
Commercial Mortgage-Backed	482,725	892	64,534	130,896	286,403
Corporate Bonds	1,380,439	83,990	768,418	387,346	140,685
Corporate Convertible Bonds	159,112	3,599	74,444	11,743	69,326
Government Agencies	14,401	-	9,174	3,836	1,391
Government Bonds	409,885	-	320,627	52,709	36,549
Government Mortgage-Backed Securities	655,933	-	152,746	34,030	469,157
Index Linked Government Bonds	9,320	-	-	1,909	7,411
Mortgages	132	-	-	132	-
Municipal/Provincial Bonds	26,743	-	901	12,316	13,526
Non-Government Backed Collateralized Mortgage Obligations	157,258	900	-	3,188	153,170
Options and swaps	(8,201)	(2,535)	(1,964)	(2,851)	(851)
Other Fixed Income	484,658	390,657	62,688	24,293	7,020
Short-term Bills and Notes	17,877	17,877	-	-	-
Short-term Investment Funds	233,870	233,870	-	-	-
Total	$ 4,214,681	$ 730,026	$ 1,532,405	$ 695,670	$ 1,256,580

As of June 30, 2009, two Argentina government bonds and four other fixed income funds amounting to $0.2 and $5.5 million, respectively, are in default. The latter amount is awaiting the outcome of the Lehman bankruptcy proceedings. These securities are excluded from the table above.

Credit Risk

Fixed income investment 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 agencies. The following table illustrates the Retirement System's exposure to credit risk excluding obligations of the U.S. government and those explicitly guaranteed by the U.S. government of $598.3 million as of June 30, 2009:

Credit Rating	**Fair Value**	**Fair Value as a Percentage of Total**
AAA	$ 754,702	20.8%
AA	143,653	4.0%
A	320,312	8.8%
BBB	428,870	11.8%
BB	186,482	5.1%
B	185,971	5.1%
CCC	107,140	3.0%
CC	13,104	0.4%
C	1,785	0.0%
D	8,167	0.2%
Not rated	1,471,872	40.8%
Total	$ 3,622,058	100.0%

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

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. Guidelines for investment managers typically restrict a position to become no more than 5% (at market) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2009, the Retirement System had no investments of a single issuer that equal or exceed 5% of total Retirement System net assets.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but it is the practice of the Retirement System that all investments are insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2009, $12.0 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name. Cash received as securities lending collateral is invested in a securities lending collateral investment pool and is not exposed to custodial credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of investments. As of June 30, 2009, the Retirement System was subjected to foreign currency risk. To mitigate this risk, the Retirement System's investment policy allows international managers to enter into foreign currency exchange contracts limited to hedging currency exposure existing in the portfolio. The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash equity, fixed income, alternative investments, real estate, and swap investments.

(Dollars in Thousands)

The Retirement System's net exposure to foreign currency risk as of June 30, 2009 is as follows:

Currency	Cash	Equity	Fixed Income	Alternative Investments	Real Estate	Total
Australian dollar	$ 501	$ 91,955	$ 8,491	$ -	$ -	$ 100,947
Brazilian real	-	27,807	2,684	-	-	30,491
British pound sterling	345	301,598	-	836	-	302,779
Canadian dollar	211	65,378	1,991	-	-	67,580
Colombian peso	-	-	658	-	-	658
Czech koruna	468	10,918	-	-	-	11,386
Danish krone	99	17,717	-	-	-	17,816
Egyptian pound	-	7,389	-	-	-	7,389
Euro	11,965	553,951	11,631	180,119	-	757,666
Hong Kong dollar	750	147,121	-	-	-	147,871
Hungarian forint	-	6,132	-	-	-	6,132
Indonesian rupiah	12	3,719	-	-	-	3,731
Japanese yen	3,214	416,627	-	-	63,994	483,835
Malaysian ringgit	-	1,776	-	-	-	1,776
Mexican peso	-	4,582	896	-	-	5,478
New Israeli shekel	-	2,833	-	-	-	2,833
New Taiwan dollar	-	29,445	-	-	-	29,445
New Zealand dollar	28	1,621	-	-	-	1,649
Nigerian naira	-	-	2,801	-	-	2,801
Norwegian krone	131	17,611	-	-	-	17,742
Polish zloty	-	3,330	-	-	-	3,330
Russian ruble (new)	27	-	1,670	-	-	1,697
Singapore dollar	280	39,228	-	-	-	39,508
South African rand	24	27,151	-	-	-	27,175
South Korean won	1,150	61,383	-	-	-	62,533
Swedish krona	(27)	37,695	-	-	-	37,668
Swiss franc	351	138,954	1,238	-	-	140,543
Thai baht	-	8,926	-	-	-	8,926
Turkish lira	-	14,169	3,699	-	-	17,868
United Arab dirham	-	-	5,164	-	-	5,164
TOTAL	$ 19,529	$ 2,039,016	$ 40,923	$ 180,955	$ 63,994	$ 2,344,417

Investments in forward currency contract investments are commitments to purchase or sell stated amounts of foreign currency. Changes in fair value of open contracts are immediately recognized as gains or losses. The fair values of forward currency contracts are determined by quoted currency prices from national exchanges. As of June 30, 2009, the fair value of open contracts is summarized as follows:

Purchase contracts	$ 1,752,959
Sales contracts	(1,750,865)
Net fair value	$ 2,094

The Retirement System utilized these contracts to hedge (or decrease) the currency risk of foreign investments, to increase investment exposure in foreign currencies beyond the amounts reported as international investment securities, or to settle trades. Additionally, contracts may be used to effectively cancel previous contracts. The impact on market risk of these contracts can be summarized as follows:

Contracts used to hedge or to settle trades, net	$ (429,284)
Contracts used to increase investment exposure in a foreign currency or to settle trades, net	431,378
Net fair value	$ 2,094

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. Collateral cash is pledged at 102% and securities at 105% of the fair value of domestic securities and international securities lent. There are no restrictions on the amount 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 said collateral.

The Retirement System lent $1.0 billion in securities and received collateral of $0.88 billion and $0.17 billion in cash and securities, respectively, from borrowers. Due to the decline in the fair value of assets held by the short-term investment pool, the Retirement System's invested cash collateral was valued at $0.84 billion. The unrealized loss of $44.8 million is presented as part of the net depreciation in fair value of investments in the statement of changes in fiduciary net assets. The Retirement System is exposed to investment risk including the possible loss of principal value in the short-term investment pool due to the fluctuation in the fair value of the assets held by the short-term investment pool.

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 assets. As of June 30, 2009, 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. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

The Retirement System's securities lending transactions as of June 30, 2009, are summarized in the following table:

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Securities Collateral
Securities Loaned for Cash Collateral:			
International Equities	$ 136,365	$ 144,864	$ -
International Corporate Fixed Income	1,242	1,284	-
International Government Fixed Income	11,478	12,001	-
U.S. Government Agencies	1,860	1,906	-
U.S. Corporate Fixed Income	97,479	100,108	-
U.S. Equities	312,137	320,923	-
U.S. Government Fixed Income	294,014	300,744	-
Securities Loaned with Non-Cash Collateral:			
International Equities	167,406	-	167,586
International Government Fixed Income	75	-	67
U.S. Equities	393	-	386
Total	$ 1,022,449	$ 881,830	$ 168,039

(Dollars in Thousands)

(6) PROPERTY TAXES

The City is responsible for assessing, collecting and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property or on 1% of the sales price of the property on sales transactions or construction value added after the 1975-1976 valuation. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or inflation.

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% 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% for school facilities-related bonds. These "override" taxes for debt service amounted to approximately $158 million for the year ended June 30, 2009.

Taxable valuation for the year ended June 30, 2009 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Redevelopment Agency) was approximately $140 billion, an increase of 13.0%. The secured tax rate was $1.163 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: $0.65 for general government, $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.163 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 3.11% and 3.80%, respectively, of the current year tax levy, for an average delinquency rate of 3.16% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required, transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2009 was $16.2 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2009 was as follows:

Governmental Activities:

	Balance July 1, 2008	Increases*	Decreases*	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 151,917	$ 3,595	$ -	$ 155,512
Construction in progress	248,587	164,572	(226,026)	187,133
Total capital assets, not being depreciated	400,504	168,167	(226,026)	342,645
Capital assets, being depreciated:				
Facilities and improvements	2,759,693	205,873	(5,598)	2,959,968
Machinery and equipment	315,598	16,899	(8,599)	323,898
Infrastructure	310,556	17,242	-	327,798
Total capital assets, being depreciated	3,385,847	240,014	(14,197)	3,611,664
Less accumulated depreciation for:				
Facilities and improvements	571,150	55,610	(4,270)	622,490
Machinery and equipment	254,897	18,910	(8,557)	265,250
Infrastructure	29,227	8,427	-	37,654
Total accumulated depreciation	855,274	82,947	(12,827)	925,394
Total capital assets, being depreciated, net	2,530,573	157,067	(1,370)	2,686,270
Governmental activities capital assets, net	$ 2,931,077	$ 325,234	$ (227,396)	$ 3,028,915

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

(Dollars in Thousands)

Business-type Activities:

Capital asset activity of the business enterprises for the year ended June 30, 2009, was as follows:

San Francisco International Airport

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 2,787	$ -	$ -	$ 2,787
Construction in progress	55,150	146,639	(91,889)	109,900
Total capital assets, not being depreciated	57,937	146,639	(91,889)	112,687
Capital assets, being depreciated:				
Facilities and improvements	5,037,915	72,677	(22,528)	5,088,064
Machinery and equipment	66,835	16,620	(4,294)	79,161
Easements	139,367	250	-	139,617
Total capital assets, being depreciated	5,244,117	89,547	(26,822)	5,306,842
Less accumulated depreciation for:				
Facilities and improvements	1,572,935	148,770	(20,260)	1,701,445
Machinery and equipment	54,568	2,492	(4,274)	52,786
Easements	73,919	6,954	-	80,873
Total accumulated depreciation	1,701,422	158,216	(24,534)	1,835,104
Total capital assets, being depreciated, net	3,542,695	(68,669)	(2,288)	3,471,738
Capital assets, net	$ 3,600,632	$ 77,970	$ (94,177)	$ 3,584,425

San Francisco Water Enterprise

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 17,886	$ 500	$ -	$ 18,386
Construction in progress	423,063	282,705	(158,475)	547,293
Total capital assets, not being depreciated	440,949	283,205	(158,475)	565,679
Capital assets, being depreciated:				
Facilities and improvements	1,287,404	138,776	-	1,426,180
Machinery and equipment	128,758	18,821	(791)	146,788
Total capital assets, being depreciated	1,416,162	157,597	(791)	1,572,968
Less accumulated depreciation for:				
Facilities and improvements	496,886	41,085	(51)	537,920
Machinery and equipment	92,231	8,015	(779)	99,467
Total accumulated depreciation	589,117	49,100	(830)	637,387
Total capital assets, being depreciated, net	827,045	108,497	39	935,581
Capital assets, net	$ 1,267,994	$ 391,702	$ (158,436)	$ 1,501,260

Hetch Hetchy Water and Power

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 4,594	$ 82	$ -	$ 4,676
Construction in progress	24,517	23,642	(9,194)	38,965
Total capital assets, not being depreciated	29,111	23,724	(9,194)	43,641
Capital assets, being depreciated:				
Facilities and improvements	484,567	4,775	-	489,342
Machinery and equipment	48,501	6,830	(169)	55,162
Total capital assets, being depreciated	533,068	11,605	(169)	544,504
Less accumulated depreciation for:				
Facilities and improvements	270,951	9,915	-	280,866
Machinery and equipment	31,852	1,954	(166)	33,640
Total accumulated depreciation	302,803	11,869	(166)	314,506
Total capital assets, being depreciated, net	230,265	(264)	(3)	229,998
Capital assets, net	$ 259,376	$ 23,460	$ (9,197)	$ 273,639

Municipal Transportation Agency

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 26,245	$ -	$ -	$ 26,245
Construction in progress	263,631	68,168	(221,236)	110,563
Total capital assets, not being depreciated	289,876	68,168	(221,236)	136,808
Capital assets, being depreciated:				
Facilities and improvements	415,834	178,176	-	594,010
Machinery and equipment	1,140,301	37,176	(759)	1,176,718
Infrastructure	1,101,857	5,898	-	1,107,755
Total capital assets, being depreciated	2,657,992	221,250	(759)	2,878,483
Less accumulated depreciation for:				
Facilities and improvements	179,847	7,660	-	187,507
Machinery and equipment	466,352	64,518	(731)	530,139
Infrastructure	307,677	32,308	-	339,985
Total accumulated depreciation	953,876	104,486	(731)	1,057,631
Total capital assets, being depreciated, net	1,704,116	116,764	(28)	1,820,852
Capital assets, net	$ 1,993,992	$ 184,932	$ (221,264)	$ 1,957,660

(Dollars in Thousands)

San Francisco General Hospital Medical Center

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 542	$ -	$ -	$ 542
Construction in progress	21,670	18,680	(27,241)	13,109
Total capital assets, not being depreciated	22,212	18,680	(27,241)	13,651
Capital assets, being depreciated:				
Facilities and improvements	135,231	853	-	136,084
Machinery and equipment	56,830	1,123	-	57,953
Total capital assets, being depreciated	192,061	1,976	-	194,037
Less accumulated depreciation for:				
Facilities and improvements	98,953	4,787	-	103,740
Machinery and equipment	47,947	2,126	-	50,073
Total accumulated depreciation	146,900	6,913	-	153,813
Total capital assets, being depreciated, net	45,161	(4,937)	-	40,224
Capital assets, net	$ 67,373	$ 13,743	$ (27,241)	$ 53,875

San Francisco Wastewater Enterprise

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 21,787	$ -	$ -	$ 21,787
Construction in progress	62,975	73,538	(59,183)	77,330
Total capital assets, not being depreciated	84,762	73,538	(59,183)	99,117
Capital assets, being depreciated:				
Facilities and improvements	2,057,625	51,757	-	2,109,382
Machinery and equipment	51,583	6,765	(335)	58,013
Total capital assets, being depreciated	2,109,208	58,522	(335)	2,167,395
Less accumulated depreciation for:				
Facilities and improvements	807,038	36,368	-	843,406
Machinery and equipment	26,071	2,447	(335)	28,183
Total accumulated depreciation	833,109	38,815	(335)	871,589
Total capital assets, being depreciated, net	1,276,099	19,707	-	1,295,806
Capital assets, net	$ 1,360,861	$ 93,245	$ (59,183)	$ 1,394,923

Port of San Francisco

	Balance July 1, 2008 (as restated)	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 104,345	$ 1,237	$ -	$ 105,582
Construction in progress	32,730	6,911	(33,484)	6,157
Total capital assets, not being depreciated	137,075	8,148	(33,484)	111,739
Capital assets, being depreciated:				
Facilities and improvements	320,632	4,304	-	324,936
Machinery and equipment	16,527	861	(887)	16,501
Infrastructure	1,069	26,843	(1,928)	25,984
Easements and other intangible assets	5,480	3,369	-	8,849
Total capital assets, being depreciated	343,708	35,377	(2,815)	376,270
Less accumulated depreciation for:				
Facilities and improvements	204,173	8,906	-	213,079
Machinery and equipment	11,027	1,249	(887)	11,389
Infrastructure	571	1,245	(1,928)	(112)
Easements and other intangible assets	2,951	1,948	-	4,899
Total accumulated depreciation	218,722	13,348	(2,815)	229,255
Total capital assets, being depreciated, net	124,986	22,029	-	147,015
Capital assets, net	$ 262,061	$ 30,177	$ (33,484)	$ 258,754

Laguna Honda Hospital

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 914	$ -	$ -	$ 914
Construction in progress	310,534	113,967	-	424,501
Total capital assets, not being depreciated	311,448	113,967	-	425,415
Capital assets, being depreciated:				
Facilities and improvements	28,128	-	(6,168)	21,960
Machinery and equipment	14,204	101	(481)	13,824
Property held under lease	2,931	-	(41)	2,890
Total capital assets, being depreciated	45,263	101	(6,690)	38,674
Less accumulated depreciation for:				
Facilities and improvements	24,945	616	(6,154)	19,407
Machinery and equipment	12,744	343	(481)	12,606
Property held under lease	467	205	-	672
Total accumulated depreciation	38,156	1,164	(6,635)	32,685
Total capital assets, being depreciated, net	7,107	(1,063)	(55)	5,989
Capital assets, net	$ 318,555	$ 112,904	$ (55)	$ 431,404

(Dollars in Thousands)

Other Fund – San Francisco Market Corporation

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Construction in progress	$ 3	$ 871	$ -	$ 874
Total capital assets, not being depreciated	3	871	-	874
Capital assets, being depreciated:				
Facilities and improvements	9,872	85	(327)	9,630
Machinery and equipment	56	33	-	89
Total capital assets, being depreciated	9,928	118	(327)	9,719
Less accumulated depreciation for:				
Facilities and improvements	5,347	254	-	5,601
Machinery and equipment	31	7	-	38
Total accumulated depreciation	5,378	261	-	5,639
Total capital assets, being depreciated, net	4,550	(143)	(327)	4,080
Capital assets, net	$ 4,553	$ 728	$ (327)	$ 4,954

Total Business-type Activities

	Balance July 1, 2008 (as restated)	Increases*	Decreases*	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 179,100	$ 1,819	$ -	$ 180,919
Construction in progress	1,194,273	735,121	(600,702)	1,328,692
Total capital assets, not being depreciated	1,373,373	736,940	(600,702)	1,509,611
Capital assets, being depreciated:				
Facilities and improvements	9,777,208	451,403	(29,023)	10,199,588
Machinery and equipment	1,523,595	88,330	(7,716)	1,604,209
Infrastructure	1,102,926	32,741	(1,928)	1,133,739
Property held under lease	2,931	-	(41)	2,890
Easements and other intangible assets	144,847	3,619	-	148,466
Total capital assets, being depreciated	12,551,507	576,093	(38,708)	13,088,892
Less accumulated depreciation for:				
Facilities and improvements	3,661,075	258,361	(26,465)	3,892,971
Machinery and equipment	742,823	83,151	(7,653)	818,321
Infrastructure	308,248	33,553	(1,928)	339,873
Property held under lease	467	205	-	672
Easements and other intangible assets	76,870	8,902	-	85,772
Total accumulated depreciation	4,789,483	384,172	(36,046)	5,137,609
Total capital assets, being depreciated, net	7,762,024	191,921	(2,662)	7,951,283
Capital assets, net	$ 9,135,397	$ 928,861	$ (603,364)	$ 9,460,894

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

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

Governmental activities:	
Public Protection	$ 14,551
Public works transportation and commerce	12,127
Human welfare and neighborhood development	541
Community Health	1,174
Culture and recreation	34,574
General administration and finance	18,623
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,357
Total depreciation expense – governmental activities	$ 82,947
Business-type activities:	
Airport	$ 158,216
Water	49,100
Power	11,869
Transportation	104,486
Hospitals	8,077
Sewer	38,815
Port	13,348
Market	261
Total depreciation expense – business-type activities	$ 384,172

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 Water and Power (Hetch Hetchy), the Wastewater Enterprise, the Municipal Transportation Agency (MTA), and the Port of San Francisco (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 MTA, and pier substructures of the Port, which totaled $1.7 billion as of June 30, 2009. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $4.5 million as of June 30, 2009.

During the fiscal year ended June 30, 2009, the City's enterprise funds incurred total interest expense and interest income of approximately $281.1 million and $49.7 million, respectively. Of these amounts, interest expense of approximately $28.0 million was capitalized, while no interest income was received as part of the cost of constructing proprietary capital assets.

The Water Enterprise and the Wastewater Enterprise expensed $5.2 million and $2.1 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued. The amounts of the write-off were recognized as other operating expenses in the accompanying financial statements.

The General Hospital transferred approximately $27.0 million in construction in progress to governmental activities and reimbursed the General Fund for the subsidies provided in prior years, which were used to fund the initial phases of the new hospital rebuild project. During the fiscal year, the City issued the first in a series of general obligation bonds of $131.7 million 2008 San Francisco General Hospital Improvement Bonds (see Note 8.) The general obligation bonds will be funded by governmental activities. The governmental activities will report the construction of the new hospital and the related general obligation bonds during the construction phase.

(Dollars in Thousands)

Port management determined in fiscal year 2009 that certain land improvements that had not been depreciated were exhaustible assets and should have been depreciated in prior periods. In connection with the restatement adjustment discussed in Note 2(t), accumulated depreciation as of July 1, 2008 has been increased by $12.3 million and improvements of $3.2 million have been written off.

Component Unit –Redevelopment Agency

Capital asset activity of the Redevelopment Agency for the year ended June 30, 2009 was as follows:

	Balance July 1, 2008	Increases	Decreases	Balance June 30, 2009
Capital assets, not being depreciated:				
Land	$ 117,325	$ 20,644	$ -	$ 137,969
Construction in progress	14,924	8,580	-	23,504
Total capital assets, not being depreciated	132,249	29,224	-	161,473
Capital assets, being depreciated:				
Facilities and improvements	176,655	848	-	177,503
Machinery and equipment	8,103	17	-	8,120
Leasehold improvements	22,202	-	-	22,202
Total capital assets, being depreciated	206,960	865	-	207,825
Less accumulated depreciation for:				
Facilities and improvements	48,809	4,427	-	53,236
Machinery and equipment	7,852	56	-	7,908
Leasehold improvements	9,106	444	-	9,550
Total accumulated depreciation	65,767	4,927	-	70,694
Total capital assets, being depreciated, net	141,193	(4,062)	-	137,131
Capital assets, net	$ 273,442	$ 25,162	$ -	$ 298,604

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and enterprise activities for the year ended June 30, 2009, are as follows:

Type of Obligation	July 1, 2008	Additional Obligation	Current Maturities	June 30, 2009
Governmental activities:				
Commercial paper	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Government activities short-term obligations	$ 150,000	$ 150,000	$ (150,000)	$ 150,000
Business-type activities:				
Commercial paper				
San Francisco International Airport	$ 18,000	$ 95,165	$ (6,885)	$ 106,280
San Francisco Water Enterprise	-	890,500	(660,900)	229,600
San Francisco Wastewater Enterprise	50,000	227,500	(177,500)	100,000
Business-type activities short-term obligations	$ 68,000	$ 1,213,165	$ (845,285)	$ 435,880

San Francisco County Transportation Authority

In March 2004, the San Francisco County Transportation Authority (the Authority) issued an initial tranche of $50 million and in September 2004 the Authority issued the second tranche of $100 million of a programmed $200 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide a source of financing for the Authority's voter approved Proposition K Expenditure Plan. Under this program, the Authority is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable line of credit (LOC) issued by Landesbank Baden-Württemberg, New York Branch in the amount up to $217.8 million. On July 12, 2005, the expiration date of the irrevocable LOC was extended from April 14, 2007 to December 29, 2015 through Authority Board Resolution 06-01. The commercial paper notes are secured by a first lien gross pledge of the Authority's Sales Tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2009, $150 million in commercial paper notes was outstanding and maturing within 1 to 120 days after year-end with interest rates ranging from 0.30% to 0.55%.

San Francisco International Airport

On May 20, 1997, the Airport authorized the issuance of its subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of $400 million or the stated amount of the letter of credit. On May 9, 2006, the Airport obtained a letter of credit issued by State Street Bank and Trust Company, with a maximum principal amount of $200 million.

As of June 30, 2009, the outstanding principal amount of CP was $106.3 million. The proceeds of the notes will be used by the Airport to pay capital costs, costs of CP issuance and other incidental costs, certain extraordinary expenditures for which Airport funds are not otherwise available and principal and interest on maturing CP. For the fiscal year ended June 30, 2009, interest rates on the taxable CP was 0.90%; interest rate on tax exempt, private activity (AMT), CP ranged from 0.35% to 0.55% and the interest rates on the tax-exempt governmental purpose CP (non-AMT) ranged from 0.25% to 0.40%.

San Francisco Water Enterprise

The Commission and Board of Supervisors have authorized the issuance of up to $500 million in commercial paper. Pursuant to the voter-approved 2002 Proposition A, the Water Enterprise is authorized to issue up to $1,628 million of indebtedness, of which, $507.8 million in long-term bonds were previously issued in fiscal year 2006 and $890.5 million in short-term commercial paper were issued during fiscal year 2009 and $660.9 million was repaid. Short-term commercial paper had an average yield of 1.4% and maximum yield at 2.9% during fiscal year 2009.

San Francisco Wastewater Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $150 million in commercial paper under the voter-approved 2002 Proposition E for the purpose of reconstructing, expanding, repairing or improving the Wastewater Enterprise's facilities. The commercial paper program is supported by a letter of credit issued by BNP Paribas and is dated as of February 2007 with the U.S. Bank Trust N.A., as agent bank. As of June 30, 2009, the Wastewater Enterprise had $100 million in commercial paper notes outstanding with interest rates ranging from 0.30% to 2.2%. The letter of credit will expire on February 13, 2012.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2009:

GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rate	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Affordable housing	2014	4.10% - 6.75%	$ 6,280
California Academy of Sciences	2025	3.125% - 5.25%	74,700
Laguna Honda Hospital	2030	3.25% - 5.00%	162,685
Branch libraries	2028	3.00% - 5.00%	76,900
Parks and playgrounds	2028	3.00% - 5.25%	116,845
Schools	2023	3.00% - 5.00%	22,535
San Francisco General Hospital	2029	4.00% - 5.25%	131,650
Seismic safety loan program	2028	4.35% - 5.83%	10,296
Steinhart Aquarium	2025	3.125% - 5.00%	25,075
Zoo facilities	2025	3.00% - 5.00%	10,935
Refunding	2030	2.85% - 5.00%	527,240
General Obligation Bonds - governmental activities			1,165,141
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2034	2.75% - 5.875% *	294,310
Lease Revenue Bonds - governmental activities			294,310
OTHER LONG-TERM OBLIGATIONS:			
Certificates of participation [(c) & (d)]	2041	1.95% - 5.30%	565,205
Loans [(c), (d) & (f)]	2025	2.00% - 7.498%	11,329
Capital leases payable [(c) & (f)]	2025	2.90% - 7.05%	164,383
Settlement Obligation Bonds [(d)]	2011	2.75% - 3.05%	13,890
Accrued vacation and sick leave [(d) & (f)]			143,528
Accrued workers' compensation [(d) & (f)]			212,881
Estimated claims payable [(d) & (f)]			145,006
Other postemployment benefits obligation			338,822
Other long-term obligations - governmental activities			1,595,044
DEFERRED AMOUNTS:			
Bond issuance premiums			47,587
Bond issuance discounts			(4,034)
Bond refunding			(16,831)
Deferred amounts			26,722
Governmental activities total long-term obligations			$ 3,081,217

Debt service payments are made from the following sources:
(a) Property tax recorded in the Debt Service Fund.
(b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
(c) Revenues recorded in the Special Revenue Funds.
(d) Revenues recorded in the General Fund.
(e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
(f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008-1 & 2, which refunded Moscone Center West Expansion Project Series 2000-1, 2 & 3, both of which were financed with variable rate bonds that reset weekly. The average interest rate from refunding date of September 11, 2008 through June 30, 2009 was 0.95% for Series 2008-1 and 0.98% for Series 2008-2. The rate at June 30, 2009 for both series was 0.25%.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
San Francisco International Airport:			
Revenue bonds	2032	3.00% - 6.50% *	$ 3,563,705
Revenue notes	2029	3.00% - 6.75%	314,925
San Francisco Water Enterprise:			
Revenue bonds	2036	2.50% - 5.00%	921,390
Capital appreciation bonds	2019	7.00%	3,620
Hetch Hetchy Water and Power:			
Energy bonds **	2023		5,903
Municipal Transportation Agency:			
Parking and Traffic			
Revenue bonds	2020	4.35% - 5.00%	15,880
Lease revenue bonds	2022	4.70% - 5.50%	6,165
Notes, loans and other payables ***	2010	3.00% - 5.25%	2,482
Downtown Parking - parking revenue refunding bonds	2018	3.00% - 5.75%	8,570
Ellis-O'Farrell - parking revenue refunding bonds	2017	3.50% - 4.70%	3,820
Uptown Parking - revenue bonds	2031	4.50% - 6.00%	17,090
San Francisco General Hospital Medical Center:			
Capital leases	2013	2.75% - 4.00%	2,522
San Francisco Wastewater Enterprise:			
Revenue bonds	2025	3.00% - 5.25%	292,660
State of California - revolving funds loans	2021	2.80% - 3.50%	75,339
Port of San Francisco:			
Revenue bonds	2010	2.80% - 4.00%	4,320
Notes, loans and other payables	2029	4.50%	3,015
Laguna Honda Hospital:			
Capital leases	2012	2.75% - 4.00%	113
Accrued vacation and sick leave			90,100
Accrued workers' compensation			146,011
Estimated claims payable			78,743
Other postemployment benefits obligation			247,647
Deferred Amounts:			
Bond issuance premiums			97,483
Bond issuance discounts			(8,257)
Bond refunding			(119,631)
Business-type activities total long-term obligations			$ 5,773,615

* Includes Second Series Revenue Bonds Issue 34 A / B, 36 A / B, 36 C / D, and 37 C / D, which were initially issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2009, the average interest rate on the Issue 34 A and B was 1.86% and 2.04 % respectively; for Issue 36 A and B was 1.29% and 1.34% respectively; for Issue 36 C and D was 2.80% and 2.39% respectively; and for Issue 37 C and D was 2.94% and 2.36% respectively.

** The Clean Renewable Energy Bonds issued to fund solar photovoltaic projects carry no interest cost since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

*** Includes an unamortized loan premium of $0.1 million for Parking and Traffic.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

(Dollars in Thousands)

COMPONENT UNIT

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
San Francisco Redevelopment Agency			
and Financing Authority:			
Lease Revenue Bonds:			
Moscone Convention Center [(a)]	2025	2.90% - 7.05%	$ 116,605
Hotel tax revenue bonds [(b)]	2026	4.50% - 6.75%	57,080
Financing Authority Bonds:			
Tax allocation revenue bonds [(c)]	2038	2.50% - 8.30%	634,714
South Beach Harbor Variable Rate			
Refunding bonds [(d)]	2017	Variable (0.35% at 6/30/09)	6,300
Less deferred amounts:			
Bond issuance premiums			9,612
Bond issuance discounts			(2,610)
Refunding loss			(4,504)
Subtotal			817,197
California Department of Boating and			
Waterways Loan [(e)]	2037	4.50%	7,985
Loans payable			1,511
Accreted interest payable			66,640
Accrued vacation and sick leave			2,103
Other postemployment benefits obligation			552
Component unit total long-term obligations			$ 895,988

Debt service payments are made from the following sources:
- (a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
- (b) Hotel taxes from hotels located in the Redevelopment Project Areas.
- (c) Property taxes allocated to the Redevelopment Agency based on increased assessed valuations in project areas (note 12) and existing debt service/escrow trust funds.
- (d) South Beach Harbor Project cash reserves, property tax increments and project revenues.
- (e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2009, the City's debt limit (3% of valuation subject to taxation) was $4.5 billion. The total amount of debt applicable to the debt limit was $1.2 billion. The resulting legal debt margin was $3.3 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 earnings from the investment of tax exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issue. The City has evaluated each general obligation bond and certificates of participation

and has recognized an arbitrage liability of $1.9 million as of June 30, 2009. This arbitrage liability is reported in deferred credits and other liabilities in the governmental activities of the statement of net assets. The Finance Corporation has evaluated its lease revenue bonds and a liability of $0.2 million was reported in the deferred credits and other liabilities in the Internal Service Fund as of June 30, 2009. Each enterprise fund has performed a similar analysis of its debt, which is 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. In addition, the Redevelopment Agency records any arbitrage liability in deferred credits and other liabilities.

Assessment District

During June 1996, the City issued $1 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels.

Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2009, the aggregate outstanding obligation of such bonds was $149.7 million.

Changes in Long-Term Obligations

The changes in long-term obligations for governmental activities for the year ended June 30, 2009, are as follows:

	July 1, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 1,098,913	$ 293,600	$ (227,372)	$ 1,165,141	$ 117,686
Lease revenue bonds	282,490	179,605	(167,785)	294,310	18,890
Certificates of participation	412,200	163,335	(10,330)	565,205	11,275
Settlement obligation bonds	20,585	-	(6,695)	13,890	6,850
Less deferred amounts:					
For issuance premiums	37,977	12,875	(3,265)	47,587	-
For issuance discounts	(3,967)	(209)	142	(4,034)	-
On refunding	(15,444)	(3,491)	2,104	(16,831)	-
Total bonds payable	1,832,754	645,715	(413,201)	2,065,268	154,701
Loans	12,495	-	(1,166)	11,329	1,321
Capital leases	174,149	5,306	(15,072)	164,383	17,042
Accrued vacation and sick leave pay	138,203	99,298	(93,973)	143,528	76,008
Accrued workers' compensation	204,330	47,005	(38,454)	212,881	39,799
Estimated claims payable	114,204	48,902	(18,100)	145,006	43,798
Other postemployment benefits obligation	164,786	174,036	-	338,822	-
Governmental activities long-term obligations	$ 2,640,921	$ 1,020,262	$ (579,966)	$ 3,081,217	$ 332,669

(Dollars in Thousands)

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. At the year ended June 30, 2009, $293.3 million of lease revenue bonds, $0.7 million of capital leases, $3.4 million of accrued vacation and sick leave pay, $1.0 million of accrued workers' compensation, and $7.9 million of other postemployment benefits obligation are included in the above amounts. Also, for the governmental activities, claims and judgments, compensated absences, and other postemployment benefits obligations are generally liquidated by the General Fund.

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2009, are as follows:

	July 1, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 3,943,470	$ -	$ (379,765)	$ 3,563,705	$ 97,715
Revenue notes	-	314,925	-	314,925	-
Less deferred amounts:					
For issuance premiums	56,680	2,867	(4,147)	55,400	-
For issuance discounts	(8,428)	(347)	704	(8,071)	-
On refunding	(101,915)	(16,047)	28,255	(89,707)	-
Total Bonds payable	3,889,807	301,398	(354,953)	3,836,252	97,715
Accrued vacation and sick leave pay	12,913	10,761	(9,792)	13,882	7,410
Accrued workers' compensation	4,836	2,382	(2,004)	5,214	1,015
Estimated claims payable	37	271	(242)	66	25
Other postemployment benefits obligation	15,413	16,813	-	32,226	-
Long-term obligations	$ 3,923,006	$ 331,625	$ (366,991)	$ 3,887,640	$ 106,165
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 946,910	$ -	$ (25,520)	$ 921,390	$ 26,605
Less deferred amounts:					
For issuance premiums	25,952	-	(1,023)	24,929	-
For issuance discounts	-	-	-	-	-
On refunding	(14,452)	-	1,019	(13,433)	-
Total bonds payable	958,410	-	(25,524)	932,886	26,605
Accreted interest payable	3,380	240	-	3,620	-
Accrued vacation and sick leave pay	10,856	8,715	(8,117)	11,454	6,071
Accrued workers' compensation	8,135	2,195	(1,713)	8,617	1,551
Estimated claims payable	11,254	7,946	(9,559)	9,641	2,515
Other postemployment benefits obligation	15,048	15,919	-	30,967	-
Long-term obligations	$ 1,007,083	$ 35,015	$ (44,913)	$ 997,185	$ 36,742
Hetch Hetchy Water and Power					
Clean renewable energy bonds	$ -	$ 6,325	$ (422)	$ 5,903	$ 422
Less deferred amounts:					
For issuance discounts	-	(194)	8	(186)	-
Notes, loans, and other payables	282	-	(282)	-	-
Total bonds payable	282	6,131	(696)	5,717	422
Accrued vacation and sick leave pay	2,371	1,476	(1,307)	2,540	1,454
Accrued workers' compensation	2,147	533	(375)	2,305	405
Estimated claims payable	15,301	-	(4,990)	10,311	3,251
Other postemployment benefits obligation	2,723	3,076	-	5,799	-
Long-term obligations	$ 22,824	$ 11,216	$ (7,368)	$ 26,672	$ 5,532

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2009, are as follows (continued):

	July 1, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 46,875	$ -	$ (1,515)	$ 45,360	$ 1,825
Lease revenue bonds	7,310	-	(1,145)	6,165	345
Less deferred amounts:					
For issuance premiums	837	-	(43)	794	-
Total bonds payable	55,022	-	(2,703)	52,319	2,170
Notes, loans, and other payables	6,980	-	(4,498)	2,482 *	2,369
Accrued vacation and sick leave pay	27,023	20,696	(19,077)	28,642	16,868
Accrued workers' compensation	92,116	14,510	(16,541)	90,085	17,003
Estimated claims payable	55,981	12,872	(21,388)	47,465	18,382
Other postemployment benefits obligation	35,438	38,347	-	73,785	-
Long-term obligations	$ 272,560	$ 86,425	$ (64,207)	$ 294,778	$ 56,792

* Includes an unamortized loan premium of $0.1 million for Parking and Traffic.

	July 1, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
San Francisco General Hospital Medical Center					
Capital leases	$ 3,194	$ 535	$ (1,207)	$ 2,522	$ 1,142
Accrued vacation and sick leave pay	17,157	13,886	(13,526)	17,517	10,178
Accrued workers' compensation	21,916	4,651	(4,882)	21,685	3,693
Other postemployment benefits obligation	30,065	32,457	-	62,522	-
Long-term obligations	$ 72,332	$ 51,529	$ (19,615)	$ 104,246	$ 15,013
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 328,325	$ -	$ (35,665)	$ 292,660	$ 37,130
Less deferred amounts:					
For issuance premiums	17,366	-	(1,006)	16,360	-
On refunding	(18,218)	-	1,727	(16,491)	-
Total bonds payable	327,473	-	(34,944)	292,529	37,130
State of California - Revolving fund loans	89,101	-	(13,762)	75,339	14,199
Accrued vacation and sick leave pay	4,998	2,904	(2,824)	5,078	2,770
Accrued workers' compensation	4,675	428	(690)	4,413	774
Estimated claims payable	9,044	1,460	(144)	10,360	1,861
Other postemployment benefits obligation	5,684	5,729	-	11,413	-
Long-term obligations	$ 440,975	$ 10,521	$ (52,364)	$ 399,132	$ 56,734
Port of San Francisco					
Bonds payable:					
Revenue bonds	$ 8,505	$ -	$ (4,185)	$ 4,320	$ 4,320
Less deferred amounts:					
For issuance premiums	76	-	(76)	-	-
On refunding	(262)	262	-	-	-
Total bonds payable	8,319	262	(4,261)	4,320	4,320
Notes, loans, and other payables	3,107	-	(92)	3,015	96
Accrued vacation and sick leave pay	1,941	196	(135)	2,002	1,138
Accrued workers' compensation	2,543	274	(510)	2,307	365
Estimated claims payable	1,121	301	(522)	900	600
Other postemployment benefits obligation	2,805	3,011	-	5,816	-
Long-term obligations	$ 19,836	$ 4,044	$ (5,520)	$ 18,360	$ 6,519

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2009, are as follows (continued):

	July 1, 2008	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Laguna Honda Hospital					
Capital leases	$ 649	$ -	$ (536)	$ 113	$ 82
Accrued vacation and sick leave pay	9,354	7,324	(7,693)	8,985	5,169
Accrued workers' compensation	10,908	3,191	(2,714)	11,385	2,093
Other postemployment benefits obligation	13,207	11,912	-	25,119	-
Long-term obligations	$ 34,118	$ 22,427	$ (10,943)	$ 45,602	$ 7,344
Total Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 5,274,085	$ -	$ (446,650)	$ 4,827,435	$ 167,595
Revenue notes	-	314,925	-	314,925	-
Clean renewable energy bonds	-	6,325	(422)	5,903	422
Lease revenue bonds	7,310	-	(1,145)	6,165	345
Less deferred amounts:					
For issuance premiums	100,911	2,867	(6,295)	97,483	-
For issuance discounts	(8,428)	(541)	712	(8,257)	-
On refunding	(134,847)	(15,785)	31,001	(119,631)	-
Total Bonds payable	5,239,031	307,791	(422,799)	5,124,023	168,362
Accreted interest payable	3,380	240	-	3,620	-
State of California - Revolving fund loans	89,101	-	(13,762)	75,339	14,199
Notes, loans, and other payables	10,369	-	(4,872)	5,497	2,465
Capital leases	3,843	535	(1,743)	2,635	1,224
Accrued vacation and sick leave pay	86,613	65,958	(62,471)	90,100	51,058
Accrued workers' compensation	147,276	28,164	(29,429)	146,011	26,899
Estimated claims payable	92,738	22,850	(36,845)	78,743	26,634
Other postemployment benefits obligation	120,383	127,264	-	247,647	-
Long-term obligations	$ 5,792,734	$ 552,802	$ (571,921)	$ 5,773,615	$ 290,841

The changes in long term obligations for the component unit for the year ended June 30, 2009, are as follows:

	July 1, 2008 (as restated)	Additional Obligations, Interest Accretion and Net Increases	Current Maturities Retirements, and Net Decreases	June 30, 2009	Amounts Due Within One Year
Component Unit -					
San Francisco Redevelopment Agency					
Bonds payable:					
Revenue bonds	$ 845,076	$ -	$ (36,677)	$ 808,399	$ 36,468
Revenue notes	6,300	-	-	6,300	-
Less deferred amounts:					
For issuance premiums	10,527	-	(915)	9,612	-
For issuance discounts	(2,721)	-	111	(2,610)	-
On refunding	(4,927)	-	423	(4,504)	-
Total Bonds payable	854,255	-	(37,058)	817,197	36,468
Accreted interest payable	69,746	8,942	(12,048)	66,640	12,162 (1)
Notes, loans, and other payables	8,599 (2)	904	(7)	9,496	175
Accrued vacation and sick leave pay	2,077	26	-	2,103	1,146
Other postemployment benefits obligation	493	59	-	552	-
Long-term obligations	$ 935,170	$ 9,931	$ (49,113)	$ 895,988	$ 49,951

(1) This amount is included in accrued interest payable in the statement of net assets.
(2) During the current fiscal year, the Agency evaluated the nature of some liabilities owed to other agencies and restated its June 30, 2008 net assets and related other liabilities balance in the amount of $0.6 million to reflect the long-term nature of those liabilities owed to other agencies.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements
June 30, 2009
(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2009, for governmental activities are as follows:

Governmental Activities (1) (2)

Fiscal Year Ending June 30	General Obligation Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 117,686	$ 55,034	$ 18,890	$ 8,150	$ 19,446	$ 26,343	$ 156,022	$ 89,527
2011	98,315	48,068	17,330	7,538	24,971	26,842	140,616	82,448
2012	86,975	43,605	13,985	7,014	18,626	25,937	119,586	76,556
2013	77,172	40,185	12,545	6,598	18,458	25,137	108,175	71,920
2014	72,004	36,559	10,595	6,213	19,152	24,290	101,751	67,062
2015-2019	302,354	137,559	56,785	26,522	99,225	107,576	458,364	271,657
2020-2024	226,040	77,205	66,740	18,258	103,702	83,450	396,482	178,913
2025-2029	164,104	28,123	73,435	9,031	123,718	55,720	361,257	92,874
2030-2034	20,491	965	24,005	2,009	110,396	24,517	154,892	27,491
2035-2039	-	-	-	-	35,970	7,960	35,970	7,960
2040-2044	-	-	-	-	16,760	763	16,760	763
Total	$ 1,165,141	$ 467,303	$ 294,310	$ 91,333	$ 590,424	$ 408,535	$ 2,049,875	$ 967,171

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
(2) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bears interest at a weekly rate. The rate as of June 30, 2009 was 0.25%, and together with liquidity fee of 0.750% and remarketing fee of 0.0725%, was used to project the interest payment in this table.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2009 for each enterprise fund is as follows:

San Francisco International Airport (1)

Fiscal Year Ending June 30	Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 97,715	$ 171,360	$ -	$ 18,118	$ 97,715	$ 189,478
2011	125,855	166,839	8,620	17,134	134,475	183,973
2012	134,220	161,050	12,160	16,583	146,380	177,633
2013	127,215	154,583	20,015	15,806	147,230	170,389
2014	138,695	148,627	26,600	14,527	165,295	163,154
2015-2019	815,415	633,720	166,605	44,989	982,020	678,709
2020-2024	1,119,060	400,310	25,330	10,970	1,144,390	411,280
2025-2029	860,975	150,715	55,595	5,277	916,570	155,992
2030-2034	144,555	10,799	-	-	144,555	10,799
Total	$ 3,563,705	$ 1,998,003	$ 314,925	$ 143,404	$ 3,878,630	$ 2,141,407

San Francisco Water Enterprise (1)

Fiscal Year Ending June 30	Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 26,605	$ 42,991	$ -	$ -	$ 26,605	$ 42,991
2011	27,795	41,784	-	-	27,795	41,784
2012	29,190	40,401	-	-	29,190	40,401
2013	30,610	38,984	-	-	30,610	38,984
2014	32,090	37,510	-	-	32,090	37,510
2015-2019	153,470	164,233	-	-	153,470	164,233
2020-2024	159,705	128,192	-	-	159,705	128,192
2025-2029	184,395	86,839	-	-	184,395	86,839
2030-2034	188,280	41,066	-	-	188,280	41,066
2035-2039	89,250	6,493	-	-	89,250	6,493
Total	$ 921,390	$ 628,493	$ -	$ -	$ 921,390	$ 628,493

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.

(Dollars in Thousands)

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2009 for each enterprise fund is as follows (continued):

Hetch Hetchy Water and Power (1)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 422	$ -	$ -	$ -	$ 422	$ -
2011	422	-	-	-	422	-
2012	422	-	-	-	422	-
2013	422	-	-	-	422	-
2014	422	-	-	-	422	-
2015-2019	2,110	-	-	-	2,110	-
2020-2024	1,683	-	-	-	1,683	-
Total	$ 5,903	$ -	$ -	$ -	$ 5,903	$ -

Municipal Transportation Agency (1) (2)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 2,170	$ 1,854	$ 2,369	$ 61	$ 4,539	$ 1,915
2011	3,260	2,410	-	-	3,260	2,410
2012	3,405	2,282	-	-	3,405	2,282
2013	3,575	2,135	-	-	3,575	2,135
2014	3,750	1,977	-	-	3,750	1,977
2015-2019	19,360	6,767	-	-	19,360	6,767
2020-2024	7,410	3,377	-	-	7,410	3,377
2025-2029	4,895	1,754	-	-	4,895	1,754
2030-2034	3,700	111	-	-	3,700	111
Total	$ 51,525	$ 22,667	$ 2,369	$ 61	$ 53,894	$ 22,728

San Francisco Wastewater Enterprise (1)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 37,130	$ 13,183	$ 14,199	$ 2,307	$ 51,329	$ 15,490
2011	26,320	11,827	14,648	1,855	40,968	13,682
2012	22,010	10,959	9,594	1,389	31,604	12,348
2013	23,095	9,941	8,322	1,099	31,417	11,040
2014	24,395	8,754	8,192	848	32,587	9,602
2015-2019	90,925	27,001	17,028	1,649	107,953	28,650
2020-2024	62,530	8,197	3,356	147	65,886	8,344
2025-2029	6,255	315	-	-	6,255	315
Total	$ 292,660	$ 90,177	$ 75,339	$ 9,294	$ 367,999	$ 99,471

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
(2) Unamortized loan premiums of $0.1 million (MTA) are not included in principal payments.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2009 for each enterprise fund is as follows (continued):

Port of San Francisco (1)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 4,320	$ 75	$ 96	$ 136	$ 4,416	$ 211
2011	-	-	100	131	100	131
2012	-	-	105	127	105	127
2013	-	-	110	122	110	122
2014	-	-	115	117	115	117
2015-2019	-	-	655	504	655	504
2020-2024	-	-	817	342	817	342
2025-2029	-	-	1,017	141	1,017	141
Total	$ 4,320	$ 75	$ 3,015	$ 1,620	$ 7,335	$ 1,695

Total Business-Type Activities (1) (2)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 168,362	$ 229,463	$ 16,664	$ 20,622	$ 185,026	$ 250,085
2011	183,652	222,860	23,368	19,120	207,020	241,980
2012	189,247	214,692	21,859	18,099	211,106	232,791
2013	184,917	205,643	28,447	17,027	213,364	222,670
2014	199,352	196,868	34,907	15,492	234,259	212,360
2015-2019	1,081,280	831,721	184,288	47,142	1,265,568	878,863
2020-2024	1,350,388	540,076	29,503	11,459	1,379,891	551,535
2025-2029	1,056,520	239,623	56,612	5,418	1,113,132	245,041
2030-2034	336,535	51,976	-	-	336,535	51,976
2035-2039	89,250	6,493	-	-	89,250	6,493
Total	$ 4,839,503	$ 2,739,415	$ 395,648	$ 154,379	$ 5,235,151	$ 2,893,794

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
(2) Unamortized loan premiums of $0.1 million (MTA) are not included in principal payments.

The annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2009, for the component unit are as follows:

Component Unit - San Francisco Redevelopment Agency (3)

Fiscal Year Ending June 30	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2010	$ 5,152	$ 13,565	$ 28,586	$ 31,148	$ 2,905	$ 3,345	$ 36,643	$ 48,058
2011	5,019	13,776	30,664	30,099	3,019	3,177	38,702	47,052
2012	4,881	13,992	32,312	28,256	2,996	3,007	40,189	45,255
2013	4,791	14,155	34,383	26,112	4,899	2,813	44,073	43,080
2014	4,731	14,296	36,151	24,584	4,414	2,659	45,296	41,539
2015-2019	75,116	19,819	213,125	84,721	21,144	10,807	309,385	115,347
2020-2024	14,035	2,709	90,699	86,458	20,215	6,112	124,949	95,279
2025-2029	2,880	76	55,585	66,208	10,329	1,464	68,794	67,748
2030-2034	-	-	61,277	43,945	2,204	475	63,481	44,420
2035-2039	-	-	51,932	19,654	751	46	52,683	19,700
Total	$ 116,605	$ 92,388	$ 634,714	$ 441,185	$ 72,876	$ 33,905	$ 824,195	$ 567,478

(3) The specific year for payment of estimated accreted interest payable and accrued vacation and sick leave is not practicable to determine.

(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 fiscal year ended June 30, 2009, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2008	$ 490,305
Increases in authorization this fiscal year	
2008 San Francisco General Hospital Improvement Bonds	887,400
Bonds issued:	
2008 San Francisco General Hospital Improvement Bonds S2009A	(131,650)
2008 Clean and Safe Neighborhood Parks S2008B	(42,520)
Seismic Safety Loan Program (4th draw)	(1,300)
Net authorized and unissued as of June 30, 2009	$ 1,202,235

The increase in authorized amount of $887.4 million of General Obligation Bonds 2008 San Francisco General Hospital Improvement Bonds was approved by at least two-third votes voting on Proposition A at an election held on November 4, 2008, to provide funds to finance the building and/or rebuilding San Francisco General Hospital (SFGH) to improve earthquake safety. The bond proceeds will primarily fund the construction of a new building on the current SFGH site. The building as described in the City's environmental impact report, will meet the state's new higher standards for earthquake safety for acute care hospitals. It will provide 284 beds for acute care treatments and will house the SFGH emergency department, operating rooms, obstetrics, pediatrics, intensive care and nursing units.

In March 2009, the City issued General Obligation Bonds, San Francisco General Hospital Improvement Bonds, Series 2009A in the amount of $131.7 million. Interest rates range from 4.0% to 5.25%. The bonds mature from December 2009 through June 2029. The proceeds of the bonds will be used to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center and to pay certain cost related to the issuance of the Bonds.

In August 2008, the City issued the General Obligation Bonds (Clean and Safe Neighborhood Parks Bonds 2008) Series 2008B ("the Bonds") in the amount of $42.5 million to finance the construction, reconstruction, purchase and/or improvement of park and recreation facilities under the jurisdiction of the Recreation and Park Commission and the Port Commission, and all other structures, improvements and related costs necessary or convenient for those purposes. The Bonds constitute the first series of bonds to be issued from an aggregate authorized amount of $185 million, duly approved by at least two-thirds of the voters voting on Proposition A at an election held on February 5, 2008. Interest rates range from 3% to 5% and mature from June 2009 through 2028. The general obligation bonds are payable by pledged revenues from ad valorem property taxes payable by the City. Future pledged revenues equal the total debt service requirement remaining on the general obligation bonds of $1.6 billion payable through June 15, 2030. For the fiscal year ended June 30, 2009, the property taxes recognized for debt service was $158.2 million, and principal and interest payments made by the City totaled $107.4 million and $52.1 million, respectively. The rest of the debt service payment was supplemented with interest earnings on unused debt service funds.

Seismic Safety Loan Program Government Obligation Bonds

The Seismic Safety Loan Program was approved by the voters of the City and County of San Francisco by Proposition A in November 1992 which authorized the issuance of up to a total of $350 million aggregate principal amount of government obligation bonds to provide funds for loans for the seismic strengthening of privately-owned unreinforced masonry buildings within the City for affordable housing and market-rate residential, commercial and institutional purposes and for related administrative costs. Approximately 2,200 privately-owned unreinforced masonry buildings were identified by the City. These buildings are located throughout San Francisco, but are concentrated in Chinatown, the Tenderloin and south of Market Street. In July 1992, the Board of Supervisors passed legislation mandating that these buildings be seismically strengthened within specified periods of time. Most of the buildings have now been seismically retrofitted. The owners of the existing unreinforced masonry buildings are eligible to apply for loans under the Loan Program to finance the required seismic strengthening work and certain other legally-required work.

In February 2007 the Board of Supervisors approved Resolution No. 65-07 which authorized the issuance of indebtedness under Proposition A in the amount not to exceed $35 million. Such issuance was achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. In March 2007, the City made the first draw under the Credit Agreement (Seismic Safety Loan Program, 1992) Series 2007A in the amount of $2 million. The first borrowing bears an interest rate of 5.69% with principal amortizing from June 2007 through June 2026. Within the first loan account are two loan sub-accounts, the market rate loan account and the below market rate loan account.

In October 2007 and January 2008, the City made the second and third draws in the amount of $3.8 million and $3.9 million respectively. The second borrowing bears an interest rate of 5.83% with principal amortizing from June 2008 through June 2027. The third borrowing bears interest rate of 5.09% with principal amortizing from June 2008 through June 2027. Both borrowings are for below market rate loan accounts.

In November 2008, the City made the fourth borrowing in the amount of $1.3 million. This draw bears an interest rate of 4.35% with principal amortizing from June 2009 through June 2028 and for below market rate loan account.

Debt service payments of the Seismic Safety Loan Program Government Obligation Bonds are funded through ad valorem taxes on property and principal repayments from borrowers of the loan program.

Current Refundings

In July 2008, the City issued the General Obligation Refunding Bonds (Laguna Honda Hospital), Series 2008-R3 (Series 2008-R3 Bonds) in the amount of $118.1 million with interest rates ranging from 4.625% to 5.0% (maturing from June 2022 through June 2030). The Series 2008-R3 Bonds were issued to refund a certain outstanding general obligation bonds of the City originally issued as variable rate obligations to finance improvements to Laguna Honda Hospital (the "Prior Bonds") and to pay certain costs associated with the issuance of the Series 2008-R3 Bonds. The Prior Bonds were approved by the voters of the City by the passage of Proposition A at the election held in November 1999 and issued in 3 series in 2005 as "City and County of San Francisco General Obligation Bonds (Laguna Honda Hospital, 1999,)" Series 2005B, 2005C and 2005D. The issuance of the Series 2008-R3 and the "Declaration of Trust" under which they were issued were authorized and approved by Ordinance No. 100-08 (the "Ordinance"), adopted by the Board of Supervisors on June 3, 2008 and approved by the Mayor on June 11, 2008. Under Section 9.109 of the Charter, no voter approval is required for the authorization, issuance and sale of refunding bonds which are expected to result in net debt service savings to the City on a present value basis. The Ordinance finds that refunding the Prior Bonds to a fixed rate of interest will result in net debt service savings to the City on a present value basis, considering that the Prior Bonds could under their terms, bear interest at rates of up to 12.0% per year to maturity.

(Dollars in Thousands)

The refunding resulted in the recognition of accounting loss of $1.8 million for the year ended June 30, 2009. However, the City in effect, reduced its aggregate estimated debt service payments by $15.5 million and obtained a net present value savings of $11.3 million.

General Obligation Refunding Bonds, Series R-3

Description of Bonds	Amount Refunded	Interest Rate	Call Price	Call Date
Laguna Honda Hospital S2005B, C & D	$120,000	Variable	100.0%	7/30/2008

Certificates of Participation

In May 2009, the City issued $163.3 million Certificates of Participation, Capital Improvement Projects, Series 2009A. The Certificates were issued to 1) finance a portion of the costs of acquisition, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of the Laguna Honda Hospital and related property owned by the City located at 375 Laguna Honda Boulevard; 2) fund capitalized interest payable with respect to the Certificates on each due date through April 1, 2010; 3) fund the 2009A Reserve Account of the Reserve Fund for the Certificates established under the Trust Agreement for the Certificates and 4) pay costs of execution and the delivery of the Certificates.

The Certificates were issued in pursuant to a Trust Agreement between the City and U.S. Bank National Association as Trustee. The City conveyed the real property to the Trustee under a property lease in exchange for the proceeds of the sale of the Certificates. The Trustee has leased the property back to the City and the City is obligated under the Project Lease to pay the Base Rental in consideration of the use and occupancy of the land and facilities subject to the Project Lease.

The Series 2009A were issued with interest rates ranging from 1.95% to 5.25% and matures from April 2011 through April 2031. The certificates of participation are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Project Lease between the City and the Trustee. Total debt service payments remaining on the certificates of participation are $969.1 million payable through September 1, 2040. For the fiscal year ended June 30, 2009, principal and interest paid by the City totaled $10.3 million and $19.1 million, respectively.

Lease Revenue Bonds

The changes in governmental activities – lease revenue bonds for the year ended June 30, 2009 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2008	$ 127,740
Increases in authorization this fiscal year	
Current year annual increase in Finance Corporation's equipment program	2,292
Current year maturities in Finance Corporation's equipment program	10,860
Net authorized and unissued as of June 30, 2009	$ 140,892

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

amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits until such time as they are used for their intended purposes.

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 San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $385.6 million payable through June 15, 2034. For the fiscal year ended June 30, 2009, principal and interest paid by the Corporation and the total lease payments made by the City totaled $23.5 million and $9.5 million, respectively.

(a) 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 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2009, the total authorized amount is $48.1 million. The total accumulated annual authorization since 1990 is $28.1 million of which $2.3 million is new annual authorization for the fiscal year ended June 30, 2009.

The equipment lease program functions as a revolving bond authorization fund. That is, for each dollar in bond principal that is repaid, a new dollar can be issued. The Finance Corporation has issued $147.3 million in equipment lease revenue bonds since 1991. As of June 30, 2009, $125.9 million has been repaid leaving $21.4 million in equipment lease revenue bonds outstanding and $26.7 million available for new issuance.

(b) City-wide Communication System

In 1993, the voters approved the issuance of up to $50 million in lease revenue bonds to finance the acquisition and construction of a city-wide emergency radio communication system (800 MHz). The Finance Corporation issued two series in January 1998 and February 1999 for $31.3 million and $18.7 million, respectively. As of June 30, 2009, the amount authorized and unissued for the city-wide emergency radio communication system was $0.1 million. Further, in 1994, the voters approved the issuance of up to $60 million in lease revenue bonds to finance the acquisition and construction of a combined emergency communication center to house the City's 911-emergency communication system. The Finance Corporation issued two series in June 1997 and in July 1998 for $22.6 million and $23.3 million, respectively. As of June 30, 2009, the amount authorized and unissued was $14.1 million.

(c) Moscone Center West Expansion Project

In 1996, the voters approved the issuance of up to $157.5 million in lease revenue bonds for the purpose of financing a portion of the costs of acquiring, constructing, and improving a free-standing expansion to the City's Moscone Convention Center located on the northwest corner of Howard and Fourth Street in the City. On November 2, 2000, Series 2000-1, 2000-2 and 2000-3 totaling $157.5 million (the "2000 Bonds") were issued. Each series of the bonds bear interest at a weekly rate and may bear interest at a different rate and in a different rate mode from other series of bonds.

In September 2008, the San Francisco Finance Corporation issued Lease Revenue Refunding Bonds (Moscone Center Expansion Project) Series 2008-1 and Series 2008-2 for a total of $145.3 million (the "Refunding Moscone Bonds") to provide funds, together with other available monies to the refund the 2000 Bonds with outstanding amount of $144.3 million to address the concerns regarding the credit provided by the bond insurer. A portion of the proceeds of the Refunding Bonds were also used to pay the cost of issuing the Bonds.

The Bonds are limited obligations of the Corporation payable from revenues which consist of base rental payments to be made by the City, and other amounts held in certain funds and accounts, established under an indenture of trust. The payment of the principal of and interest on each series of the Bonds and the purchase price of each series of the Bonds upon the optional or mandatory tender thereof will initially be supported by separate irrevocable direct-pay letters of credit issued by Bank of America, N.A. for Series 2008-1 and by State Street Bank and Trust Company for Series 2008-2. The Bonds were issued pursuant to Ordinance No. 203-08 adopted by the Board of Supervisors on August 12, 2008. The proceeds of the Bonds were used to provide funds, together with other City monies, to fully refinance a portion of the costs of acquiring, constructing and improving an expansion to the City's George R. Moscone Convention Center.

Owners of the 2000 Bonds may elect to have their 2000 Bonds, or portions of their 2000 Bonds, purchased at a purchase price equal to the principal amount of such Bonds (or portions thereof), plus accrued interest, if any, payable in immediately available funds, upon not less than seven (7) calendar days' irrevocable written notice. E.J. De La Rosa & Co., Inc. is the exclusive remarketing agent for the 2008-1 Bonds. Banc of America Securities LLC is the exclusive remarketing agent for the 2008-2 Bonds. The remarketing agents have agreed to use their best efforts to remarket the Bonds and have agreed to purchase for their own accounts Bonds tendered but not remarketed under certain conditions specified in remarketing agreements, at a price equal to 100 percent of the principal amount thereof plus accrued interest to the Tender Date.

Under irrevocable direct pay letters of credit issued by Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2, the trustee is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. The letters of credit are effective through September 9, 2011 or such later date or dates as may be extended, and to the extent there is a unreimbursed draw of the letter(s) of credit, carries a fluctuating rate per annum: (A) for any day prior to the date that is 31 days from and including the date of the draw the higher of (i) the Federal Funds Rate plus 2% and (ii) the Prime Rate plus 1% (the "Base Rate"), (B) on any day on or after the date that is 31 days from and including the date of the draw and prior to the date that is 61 from and including the date of the draw, a fluctuating rate of interest equal to the Base Rate plus 1%, (C) on any day on or after the date that is 61 days from and including the date of the draw, a fluctuating rate of interest equal to the Base Rate plus 2%, and (D) on any day after the maturity date for the draw, a fluctuating rate of interest equal to the Base Rate in effect on such date plus 3%.

If the remarketing agent is unable to resell any Bonds that are "tendered" within the six month anniversary of the "tender" date, the City has a reimbursement agreement with Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2 to convert the bonds to an installment loan payable in six (6) equal semiannual installments, commencing on the six month anniversary of the date of the "tender" date and bearing a fluctuating interest rate equal to the Draw Rate. The reimbursement agreement expires September 9, 2011 or such later date or dates as extended by mutual agreement. If the reimbursement agreement were to be exercised because the entire outstanding balance of $141.6 million of demand bonds were "tendered" and not resold, the City would be required to pay an amount not to exceed the fair rental value per annum of the leased asset per year for three (3) years under the reimbursement agreement at a rate per annum equal to the Draw Rate.

The City is required to pay to Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2 an annual commitment fee for the letter of credit of 0.75 percent per annum of the outstanding principal amount of the Bonds, payable quarterly in arrears. For fiscal year 2009-10, the City will pay a commitment fee of $0.5 million each to Bank of America, N.A. for Series 2008-1 and State Street Bank and Trust Company for Series 2008-2. In addition, the remarketing agent receives an annual fee of 0.0725 percent of the outstanding principal amount of the Bonds,

payable quarterly in arrears. For fiscal year 2009-10, the City will pay a remarketing fee of $0.05 million each to E.J. De La Rosa & Co., Inc. for Series 2008-1 and Banc of America Securities LLC for Series 2008-2.

The Refunding Moscone Bonds mature from April 2009 to April 2030. As of end of June 30, 2009, the bonds bear interest at a weekly rate. Interest rate as of June 30, 2009 for both series was 0.25%.

The refunding resulted in an accounting loss of $1.7 million for the year ended June 30, 2009. The City however, in effect reduced its aggregate debt service payments by $43 million or a net present value savings of $32.7 million.

(d) Open Space Fund

In 2000, the voters of the City adopted Proposition C amending the Charter by repealing the then existing Park and Office Space Fund, authorizing the creation of a new Park, Recreation and Open Space Fund to purchase open space, acquire property for recreation facilities and develop, and maintain these facilities and authorizing the issuance of revenue bonds for such purpose. A set aside of 2.5% of the City's general 1% property tax is required by the Charter to be deposited in the Open Space Fund.

The Corporation issued Lease Revenue Bonds (Open Space Fund-Various Fund Projects) Series S2006 for $27 million in November 2006 and Series S2007 for $42.4 million in October 2007 to finance the design, construction, renovation and the installation of various park improvements located within the City. Interest rates for the Series 2006 bonds range from 3.75% to 5.5% and the bonds mature from July 2007 through July 2027. Interest rates for the Series 2007 bonds range from 3.75% to 5.875% with principal amortizing from July 2008 through July 2029.

(e) Library Preservation Fund

At an election held in November 2007, the voters of the City adopted Proposition D, amending the Charter by repealing the then existing Library Preservation Fund, renewing the Library Preservation Fund for 15 years to provide library services and to construct, maintain and operate library facilities and authorizing the issuance of debt for such purpose. The Library Preservation Fund is administered by the Library Department as directed by the Library Commission. A set-aside from the City's share of the city-wide 1% property tax levy in an amount equal to two and one-half cents ($0.025) for each $100 assessed valuation is required by the Charter to be deposited in the Library Preservation Fund. The authorization to set aside these taxes in the Library Preservation Fund commences in fiscal year 2009 and extends through July 2024.

In April 2009, the Corporation issued Lease Revenue Bonds Series 2009A (Branch Library Improvement Program) in the amount of $34.3 million (the "Series 2009A Bonds"). The Series 2009A Bonds were issued to finance the acquisition, construction, reconstruction, rehabilitation and /or improvement of real property and/or facilities that will be operated by the San Francisco Public Library for Library purposes and for the purchase of equipment relating to such real property and /or facilities, to fund the Reserve Fund and to pay costs associated with the issuance of the Series 2009A bonds. Interest rates range from 3.0% to 5.75% and the bonds mature from December 2009 to June 2034.

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.

<u>San Francisco International Airport</u>

During fiscal year 2009, turmoil in the global financial markets continued to affect the Airport's financing considerations. Moody's, Standard and Poor's and Fitch (collectively, the Rating Agencies) each downgraded the claims paying ability and financial strength ratings of most of the nation's monoline municipal bond insurance companies and many other financial institutions, including several that provided credit enhancement, liquidity support and other financial products relating to the Airport's Bonds. While the Airport had relatively limited exposure to Lehman Brothers Holdings Inc. (LBH), LBH's filing for Chapter 11 bankruptcy on September 15, 2008, in tandem with other market developments, collectively resulted in significant disruption to the floating interest rate on the Airport's second series variable rate revenue refunding bonds. Furthermore, LBH's subsidiary, Lehman Brothers Special Financing Inc. (LBSF), was the counterparty on $173.6 million of interest rate swaps hedging the Airport's Issue 37A bonds. The bankruptcy of LBH constituted an event of default with LBSF and created an optional termination right for the Airport. Accordingly, to help stabilize its variable interest expense, and reduce exposure to LBSF, the Airport issued $314.9 million of second series revenue notes Series 2008A and 2008B (2008A/B Notes) on October 30, 2008 and December 3, 2008, respectively. The 2008A/B Notes refunded Issues 37A/B and paid for the termination payments of three swaps (including two with LBH) that had hedged Issue 37A.

(Dollars in Thousands)

The Airport converted the tax status of $266.7 million of Issue 36A/B/C and 37C second series variable rate revenue refunding bonds, from Alternative Minimum Tax (AMT) to Non-AMT on June 2, 2009. The conversions were permitted under tax provisions within the American Recovery and Reinvestment Act of 2009 (ARRA), the economic stimulus package enacted by Congress and signed into law by President Obama on February 17, 2009. The conversions required existing bondholders to surrender the bonds to remarketing agents, who remarketed the converted bonds to new investors. Due to the more favorable tax implications for investors, Non-AMT bonds typically have lower interest rates than AMT bonds and appeal to a wider investor base.

A series of refunding bonds (the Issue 35 Bonds) may be issued on or about February 1, 2010, for debt service savings. While the Airport has not issued long-term new money bonds since 2002, the Airport expects to finance approximately $648 million in infrastructure projects during fiscal years 2010 and 2011 with long-term bonds.

In October 2008, the Airport Commission issued its Second Series Revenue Refunding Notes Series 2008A in the amount of $226.7 million to refund the Issue 37A variable rate demand bonds. The Series 2008A Notes are subject to mandatory tender on May 1, 2010 (2008A-1 and 2008A-2), May 1, 2011 (2008A-3) and May 1, 2012 (2008A-4.). The fixed interest rates on the Notes vary by tender date, ranging between 5.50% and 6.75%. The final maturity of the Series 2008A Notes is May 1, 2019.

The net proceeds of the 2008A Notes in the amount of $212.4 million (after payment of $24.6 million in reserve fund contributions, underwriting fees, and other costs of issuance), plus $10.2 million (in prior debt service fund, premium and available debt service funds) were deposited in irrevocable escrows with the bond trustee to provide debt service payments on the refunded bonds described below until such bonds were redeemed. The swap termination payments totaled $6.9 million and have been included in interest expense in the Airport's statement of revenues, expenses, and changes in net assets.

	Amount Refunded	Interest Rate	Call Price
Second Series Revenue Bond Issue:			
Issue 37A	$205,100	Variable	100.0%

In December 2008, the Airport Commission issued its Second Series Revenue Refunding Notes Series 2008B in the amount of $88.2 million to refund the Issue 37B variable rate demand bonds. The Series 2008B Notes are subject to mandatory tender on December 1, 2009. The interest rate on the 2008B Notes is 3%. The final maturity of the Series 2008B Notes is May 1, 2029.

The net proceeds of the Series 2008B Notes in the amount of $80 million (after payment of $9.7 million in reserve fund contributions, underwriting fees and other costs of issuance), plus $1.5

million (in premium and available debt service funds) were deposited in an irrevocable escrow with the bond trustee to provide debt service payments on the refunded bonds described below until the bonds were redeemed.

	Amount Refunded	Interest Rate	Call Price
Second Series Revenue Bond Issue:			
Issue 37B	$79,720	Variable	100.0%

In December 2004, the Airport entered into seven forward-starting interest rate swaps (the 2004 swaps) in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E on February 10, 2005, and a portion of its Variable Rate Revenue Refunding Bonds, Issue 33 on February 15, 2006. On July 26, 2007, the Airport entered into four additional forward-starting interest rate swaps (the 2007 swaps), in connection with the anticipated issuance of its San Francisco International Airport Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, on May 15, 2008, and its Variable Rate Revenue Refunding Bonds, Issue 35, on February 1, 2010. Pursuant to these interest rate swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.5% of USD-LIBOR-BBA, plus 0.29%, for the 2004 swaps and 61.85% of USD-LIBOR-BBA, plus 0.34% for the 2007 swaps, times the notional amount of the swap, which is intended to approximate the variable interest rates on the underlying bonds hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds.

Following the refunding of Issue 37A on October 30, 2008, the three interest rate swaps in the aggregate notional amount of $205.1 million hedging these bonds were terminated in the aggregate notional amount of $205.1 million. The Airport paid a settlement amount in connection with the termination of the interest rate swaps in the aggregating amount of $6.7 million from proceeds of the 2008A Notes. The settlement agreements were paid to Lehman Brothers Special Financing and to J.P. Morgan Chase & Co. (as successor to Bear Stearns Capital Markets Inc.) the parent company of J.P. Morgan Securities.

For the fiscal year ended June 30, 2009, the Airport paid a total of $15.8 million in fixed rate payments to the swap counterparties and received $6.3 million in floating rate payments in return, resulting in total net swap payments of $9.5 million to the counterparties. During the same period, the Airport made variable interest rate payments on the related bonds of $10.6 million, resulting in the Airport paying $4.3 million more in interest on the related variable rate bonds than swap receipts from the counterparties. The effective synthetic fixed rate on the related bonds was 4.59% for the year ended June 30, 2009.

The four 2004 swaps now hedging the Issue 36 Bonds went into effect on February 10, 2005, the date of issuance of the refunded Issue 32 Bonds, and the first payments commenced on March 1, 2005. The three 2004 swaps now hedging the Issue 37A Bonds went into effect on February 15, 2006, the date of issuance of the refunded Issue 33 Bonds, and the first payments commenced on March 1, 2006. The two 2007 swaps hedging the Issue 37B/C Bonds went into effect on May 15, 2008, the date of issuance of Issue 37B/C Bonds, and the first payments commenced on June 2, 2008. The two 2007 swaps relating to the Issue 35 Bonds are expected to go into effect on February 1, 2010, the anticipated date of issuance of the Issue 35 Bonds, and the first payments will commence on March 1, 2010. All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The swaps with counterparty Bear Stearns have been acquired, transferred to and assumed by JP Morgan as part of the JP Morgan/Bear Stearns merger in 2008. The Bear Stearns swaps terms and conditions on the swap remain the same under JP Morgan.

(Dollars in Thousands)

The swaps relating to the Issue 35 Bonds terminate by their terms on May 1, 2030, the anticipated final maturity date for the Issue 35 Bonds. The following is additional information regarding each swap and the counterparty as of June 30, 2009:

Counterparty/guarantor	Initial notional amount	Counterparty credit rating (S&P/Moody's)	Fixed rate payable by Airport	Fair Value to Airport
Depfa Bank PLC, New York	$ 71,793	BBB/A3	3.925%	$ 8,495
Goldman Sachs Capital Markets	143,947	A/Aa3	3.925%	16,989
Aggregate notional amount	$ 215,740			$ 25,484

The swaps hedging the Issue 36 Bonds terminate by their terms on May 1, 2026, the final maturity date for the Issue 36 Bonds. The following is additional information regarding each swap and the counterparty as of June 30, 2009:

Counterparty/guarantor	Initial notional amount	Counterparty credit rating (S&P/Moody's)	Fixed rate payable by Airport	Fair Value to Airport
J.P. Morgan Chase Bank, N.A.	$ 70,000	AA-/Aa1	3.444%	$ 5,106
Bear Sterns Capital Markets, Inc.	30,000	A+/Aa3	3.444%	2,189
J.P. Morgan Chase Bank, N.A.	69,930	AA-/Aa1	3.445%	5,108
Bear Sterns Capital Markets, Inc.	29,970	A+/Aa3	3.445%	2,189
Aggregate notional amount	$ 199,900			$ 14,592

The swaps hedging the Series 2008B Notes/Issue 37C Bonds terminate by their terms on May 1, 2029, the final maturity date of the Issue 37C Bonds. The following is additional information regarding each swap and the counterparty as of June 30, 2009:

Counterparty/guarantor	Initial notional amount	Counterparty credit rating (S&P/Moody's)	Fixed rate payable by Airport	Fair Value to Airport
Merrill Lynch Capital Services	$ 79,684	A/A2	3.898%	$ 10,593
Bear Sterns Capital Markets, Inc.	89,856	A+/Aa3	3.898%	11,945
Aggregate notional amount	$ 169,540			$ 22,538

Risks Disclosure

The aggregate market value to the Airport from time to time, if any, of the interest rate swaps with any single counterparty is the maximum amount of credit exposure the Airport will have to that counterparty. The Airport has attempted to limit counterparty credit risk by limiting its exposure to any single counterparty. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities for the market value of a swap that exceeds specified thresholds which are linked to the counterparty's credit ratings. Any such collateral will be held by the Airport's custodial bank. Although the Airport attempted to limit basis risk with respect to the interest rate swaps by choosing a variable rate indexes designed to closely approximate the variable rates payable on the related bonds, the chosen variable rate indexes and the actual variable rates on the related bonds diverged substantially for a period of time in fiscal year 2009 due to the turmoil in the financial markets. The Airport has attempted to limit termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related

events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for its regular payments and some termination payments due under the interest rate swaps from the following insurers:

Related Swap	Swap Insurer	Insurer Credit Ratings (S&P/Moody's)
Issue 36C	FSA	AAA/Aa3
Issue 36AB	FGIC/MBIA IL	A/Baa1
Issue 36D	FSA	AAA/Aa3
Issue 37C	FSA	AAA/Aa3
Series 2009AB	FSA	AAA/Aa3
Issue 35	Ambac	BBB/Ba3

Additional Termination Events under the swap documents in respect of the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer ratings downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade.

Additional Termination Events under the swap documents in respect of a counterparty include a ratings downgrade below investment grade followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

Hetch Hetchy Water and Power

Hetch Hetchy issued $6.3 million in Clean Renewable Energy Bonds (CREBs) on November 7, 2008 to finance the installation of solar energy equipment on selected City-owned facilities. CREBs provide the San Francisco Public Utilities Commission with low-cost access to capital to further its green power objectives.

Hetch Hetchy began making principal payments in the amount of $0.4 million on December 15, 2008 and will continue annual payments for fifteen years until December 15, 2022. Funding for these payments will be guaranteed by Hetch Hetchy net revenues. Interest payments are not required, since the effective equivalent of interest on the bonds is paid in the form of federal tax credits in lieu of interest paid by the issuer.

Component Unit Debt – San Francisco Redevelopment Agency

The current year debt activities of the Redevelopment Agency are discussed in note 12.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plan

The City maintains a single-employer, defined benefit pension plan (the Plan) which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges, which are not significant to the Plan. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees Retirement System (PERS), agent or cost-sharing multiple-employer, public employee pension plans which cover certain employees in public safety functions, the Port, the Airport, the San Francisco County Transportation Authority and the Redevelopment Agency.

(Dollars in Thousands)

Employees' Retirement System

Plan Description – Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. 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 Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2009 was approximately $2.38 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Membership of the Retirement System consisted of the following as of June 30, 2009:

	Police	Fire	Miscellaneous	Total
Retirees and beneficiaries currently receiving benefits	2,169	2,028	18,086	22,283
Active members	2,246	1,459	26,205	29,910
Terminated members entitled to but not yet receiving benefits	124	60	4,620	4,804
Total	4,539	3,547	48,911	56,997

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory. Employee contribution rates for fiscal year 2008-2009 varied from 7% to 8% as a percentage of gross salary. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2007 actuarial report, the required employer contribution for fiscal year 2008-2009 was 4.99%. In collective bargaining during the year ended June 30, 1994, the City agreed to pay a portion of the employee contributions on behalf of employees. From 1994 through June 2003, the City portion of these contributions has been negotiated through the various unions on a member group basis, and did not exceed 8% of base salary. For fiscal year ended June 30, 2009, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis.

Employer contributions and member contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost – The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2007. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 8.0%; (2) cost of living adjustments of 2% to 4.5%; and (3) salary merit increases of 4.5%. The actuarial value of Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and loss assumptions and purchasable services are amortized as a level percentage of pay over an open 15-year period. Plan amendments are amortized over a closed 20-year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$ 132,601	100%	$ -
6/30/2008	134,060	100%	-
6/30/2009	119,750	100%	-

Funded Status and Funding Progress – As of July 1, 2008, the most recent actuarial valuation date, the actuarial value of assets was $15.9 billion; the actuarial accrued liability was $15.4 billion; the total overfunded actuarial accrued liability was $583 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 103.8%; the annual covered payroll was $2.5 billion; and the ratio of the overfunded actuarial liability to annual covered payroll was 23.7%. The actuarial assumptions used were the same as described in the Annual Pension Cost section above, except the investment rate of return has been reduced to 7.75%. In addition, the results of the actuarial valuation dated July 1, 2008 reflect benefit changes passed in June 2008 under Proposition B. Significant changes include increased retirement accrual factors for miscellaneous plan members (resulting in an additional change in retirement rates to recognize the increased benefits) and basic COLA for all new plan members (police, fire, and miscellaneous) changed from a 2.0% simple COLA to a 2.0% compound COLA. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

California Public Employees' Retirement System

Various City public safety, Port, and all Redevelopment Agency and San Francisco County Transportation Authority employees are eligible to participate in PERS. Disclosures for the San Francisco County Transportation Authority and Redevelopment Agency are included in the separately issued financial statements.

Plan Description – The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 199 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

Miscellaneous Plan

Funding Policy – Miscellaneous plan – Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2008-2009 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan – Cost for PERS for fiscal year 2008-2009 was equal to the City's required and actual contributions which was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method.

(Dollars in Thousands)

Three-year payment trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$ -	N/A	$ -
6/30/2008	-	N/A	-
6/30/2009	-	N/A	-

Safety Plan

Funding Policy – Safety plan – Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 17.481% because the City is funded at 100.5%. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Safety Plan – The cost for PERS for fiscal year 2008-2009 was equal to the City's required and actual contributions which was determined as part of the June 30, 2006 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2006 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.25% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% per year cost-of-living adjustments. The cost-of-living adjustment includes an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period. Actuarial gains and losses are first offset against one another and then 6% of the net unamortized gain/loss is recognized.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2007	$ 15,977	100%	$ -
6/30/2008	15,982	100%	-
6/30/2009	14,351	100%	-

Funded Status and Funding Progress – As of June 30, 2008, the most recent actuarial valuation date, the actuarial value of assets was $673.3 million; the actuarial accrued liability was $685.2 million; the total unfunded actuarial accrued liability was $11.9 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 98.3%; the annual covered payroll was $89.0 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 13.3%. The actuarial assumptions used were the same as described in the Annual Pension Cost – Safety Plan section above. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(b) 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.

(c) 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 $517.5 million in fiscal year 2008-2009. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $153.7 million to provide postemployment health care benefits for 22,576 retired participants, of which $120.0 million related to the City employees. The City's liability for both current employee and 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 and required supplementary information for the health care benefits. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(d) Postemployment Health Care Benefits

City (excluding the San Francisco County Transportation Authority and the San Francisco Redevelopment Agency)

Plan Description – The City provides health care benefits to employees, retired employees, and surviving spouses, through the City's Health Service System outlined above. Health care benefits are provided to members of the Health Service System through four plan choices: City Health Plan, Kaiser, Blue Shield, and PacifiCare.

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For fiscal year ended June 30, 2009, the City paid approximately $120.0 million on behalf of its retirees.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years.

(Dollars in Thousands)

The net OPEB obligations are reflected in the statements of net assets of the governmental activities, business-type activities, and fiduciary funds. The following table shows the components of the City's annual OPEB cost for the year, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 427,489
Interest on Net OPEB obligation	13,250
Adjustment to annual required contribution	(9,815)
Annual OPEB cost	430,924
Contribution made	(119,967)
Increase in net OPEB obligation	310,957
Net OPEB obligation - beginning of year	294,440
Net OPEB obligation - end of year	$ 605,397

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 409,080	28.0%	$ 294,440
6/30/2009	430,924	28.0%	605,397

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over a thirty year period, beginning July 1, 2007. As of July 1, 2006, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0%. The actuarial accrued liability for benefits was $4 billion, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $4 billion. The covered payroll (annual payroll of active employees covered by the plan) was $2.1 billion and the ratio of the UAAL to the covered payroll was 195.3%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2006, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). The actuarial assumptions included a 4.5% investment rate of return on investment; an annual blended healthcare cost trend

rate of 9% in the fiscal year ended June 30, 2007, reduced by 0.5% each year to an ultimate rate of 5% in the tenth year and beyond; annual vision cost trend rate of 3%; annual administrative cost trend rate of 4.5%; and a 4.5% annual increase in projected payroll.

San Francisco County Transportation Authority

The San Francisco County Transportation Authority (the Authority) maintains a separate OPEB plan and reported a net OPEB obligation of $0 as of June 30, 2009. The Authority's most recent actuarial valuation was performed as of January 1, 2008, covering the fiscal year ended June 30, 2008, and June 30, 2009. The Authority's OPEB plan was for retiree healthcare benefits and was 0% funded and the unfunded actuarial accrued liability was $0.2 million. Details of the Authority's OPEB plan may be found in its financial statements for the fiscal year ended June 30, 2009. Financial Statements for the Authority can be obtained from their finance and administrative offices at 100 Van Ness Avenue, 26th Floor, San Francisco, CA 94102.

As of June 30, 2009, the Authority's annual OPEB expense of $86 was equal to the ARC. The following table represents annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 84	100%	$ -
6/30/2009	86	100%	-

San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (the Agency) maintains a separate OPEB plan and reported a net OPEB obligation of $0.6 million as of June 30, 2009. The Agency's most recent actuarial valuation was performed as of June 30, 2007, covering the fiscal year ended June 30, 2008. The Agency's OPEB plan was for retiree healthcare benefits and was 0% funded and the unfunded actuarial accrued liability was $13.8 million. Details of the Agency's OPEB plan may be found in its financial statements for the fiscal year ended June 30, 2009. Financial Statements for the Agency can be obtained from their finance and administrative offices at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94102.

The following table shows the components of the Agency's annual OPEB cost for the year, the amount contributed to the plan, and changes in its net OPEB obligation:

Annual required contribution	$ 1,307
Interest on Net OPEB obligation	38
Adjustment to annual required contribution	(47)
Annual OPEB cost	1,298
Contribution made	(1,239)
Increase in net OPEB obligation	59
Net OPEB obligation - beginning of year	493
Net OPEB obligation - end of year	$ 552

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current and prior year are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	$ 1,216	59.0%	$ 493
6/30/2009	1,298	95.0%	552

The Agency intends to fund the current year ending net OPEB obligations with expendable available financial resources for fiscal year 2009. The net OPEB obligation of $552 as of June 30, 2009 was recorded as other liabilities on the Agency's financial statements.

Proposition B – A City Charter Amendment Changing Qualifications for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

Proposition B was passed by voters on June 3, 2008, and increased the years of service required to qualify for employer-funded retiree health benefits for City employees and certain employees of the San Francisco Unified School District, San Francisco Community College District, and the San Francisco Superior Court who retire under the San Francisco Employees Retirement System and were hired on or after January 10, 2009. Employees hired before January 10, 2009, became eligible to participate in the retirement health care system after 5 years of service and the employer paid 100% of the contribution. Now it states that between 5-10 years of service, there is no employer contribution, at 10-15 years there is a 50% contribution, between 15-20 years there is 75% contribution and only after 20 years of service will the employer pay 100% of the contribution.

Proposition B also stated that a separate Retiree Health Care Trust Fund would be created to pay for the City's future costs related to retiree health care. This trust fund will be funded by employer and employee contributions for employees hired on or after January 10, 2009. These new employees would contribute up to 2% of their pre-tax pay and employers would contribute 1%. The San Francisco Community College District and San Francisco Unified School District have the option to participate in and contribute to this trust fund if approved by their governing boards.

The trust fund is administered by a Retiree Health Care Board of Administration governed by five trustees, one selected by the City Controller, one by the City Treasurer, one by the Executive Director of the San Francisco Employees Retirement System, and two elected by the active and retired members of the City's Health Service System. The Board is in the process of establishing trust documentation.

(10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The San Francisco County Transportation Authority (the 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 are set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990.

In November, 1990, the Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and

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developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

Major programs under the CMA include:

- Surface Transportation Program (STP) – In September 1992, the MTC began programming Federal Surface Transportation Program (STP) to CMAs in the Bay Area. In turn, the Authority is responsible for certain planning and programming activities, work tasks and products, that support MTC's overall work program.

- South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project – The Authority and California Department of Transportation (Caltrans) are working in partnership to implement the Doyle Drive Replacement Project. In April 1998, the Authority and Caltrans signed a Memorandum of Understanding designating the Authority as the lead agency for the environmental study. The Doyle Drive Draft Environmental Impact Statement/Report (DEIS/R) was completed and circulated for public comment in December 2005. On September 1, 2006, Caltrans gave the Authority an authorization to proceed with preliminary engineering for the Doyle Drive Replacement Project. On September 26, 2006, through Resolution 07-17, the Authority selected Alternative 5 (Presidio Parkway) with specified design options, as the Preferred Alternative to be identified in the Final Environmental Impact Statement/Report for the Doyle Drive Replacement Project. The Final Environmental Impact Statement/Report and State Notice of Determination were approved in December 2008. The federal Record of Decision was issued in January 2009. Construction contracts are being procured and awarded in the fall of 2009, with major construction scheduled to start in November 2009.

- Countywide Transportation Plan – As the CMA, the Authority is responsible for preparing a Countywide Transportation Plan to guide transportation system development and investment over the next 30 years. The Plan is consistent with the broader policy framework of the City and County of San Francisco's General Plan and particularly its Transportation Element. The Countywide Transportation Plan further develops and implements General Plan principles, by identifying needed transportation system improvements based on technical review of system performance; extensive public input on key issues and needs; and analysis of financial opportunities and constraints.

In June 2002, the Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the Transportation Fund for Clean Air (TFCA) program. Funds from this program, administered by the Bay Area Air Quality Management District (BAAQMD) come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

In November, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MUNI Metro Network; B) construction of the MUNI Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) replacement of the South Access to the Golden Gate Bridge (Doyle Drive). Within 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the Authority may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Authority Board may adopt an updated Expenditure Plan anytime after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

(Dollars in Thousands)

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

San Francisco International Airport (Airport), 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 and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2008 from the Airports Council International (ACI), the Airport is one of the largest airports in the United States both in terms of passengers (10th) and air cargo (14th). The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

The San Francisco Bay Area Rapid Transit District (BART) extension to the Airport creates a convenient connection between the Airport and the greater San Francisco Bay Area. An intermodal station in the City of Millbrae provides a direct link to Caltrain, offering additional transit options and connections to the southern parts of the Bay Area. Access from the BART station throughout the Airport is enhanced by the AirTrain system, a shuttle train that connects airport terminals. The AirTrain system provides transit service over a "terminal loop" to serve the terminal complex and over a "north corridor loop" to serve the rental car facility and other locations situated north of the terminal complex.

The Airport has revised its five-year Capital Plan, which was approved in May 2009 and included airfield and groundside improvements, utility infrastructure upgrades, terminal upgrades, health, safety and security enhancements, and cost savings and revenue generating enhancements.

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 enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of $609 million was approved by the FAA in September 2006. The current authority to impose PFCs is estimated to end January 1, 2017.

For the year ended June 30, 2009, the Airport reported approximately $68.8 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements. The Airport designated $51.0 million of PFC revenues as "Revenues" under the 1991 Master Bond Resolution for the purpose of paying debt service in fiscal year 2008-2009.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there was $102.4 million of Special Facilities Lease Revenue Bonds outstanding at June 30, 2009 which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel is required to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and

secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2009 are as follows:

Construction	$ 39,043
Operating	11,763
Total	$ 50,806

Due to the Airport's noise mitigation efforts, significant progress has been made in reducing the impact of aircraft noise on the communities surrounding the Airport through the implementation of (1) noise abatement flight procedures, (2) an aircraft noise insulation program, (3) community outreach through the Airport Community Roundtable, and (4) requests that certain surrounding communities adopt ordinances to protect new purchasers of homes within their community.

The Airport has entered into a Memorandum of Understanding and supplemental funding agreement with various surrounding communities to insulate residential and nonresidential structures such as schools, churches, and hospitals. This program was funded by bond proceeds, by federal grant reimbursements to the local communities, and by operating and other internally generated funds. In fiscal year 2008, this program was finalized and the Airport received a reimbursement of $0.4 million from the County of San Mateo. In addition, the Airport made a final disbursement of $0.2 million to close the last phase for the City of San Bruno. As of June 30, 2009, approximately $121.1 million has been disbursed under this program.

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, but not less than $5 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, 2009 was $26.8 million. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2009 was $101.3 million.

In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. During the year ended June 30, 2009, revenues realized from the following the Airport tenants exceeded five percent of the Airport's total operating revenues:

United Airlines	14.8%
New South Parking	11.8%

(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 owned and operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay the $19.9 million in Revenue Bonds issued in 2004. The final annual principal and interest payments on the bonds required less than 45% of net pledged revenues as calculated in accordance with the bond indenture. For the year ended June 30, 2009, principal and interest payments were $4.4 million and net pledged revenues were $9.9 million. The bonds were fully repaid on the final maturity date of July 1, 2009.

Commitments and Contingencies – The Port is presently planning various development projects that involve a commitment to expend significant funds. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2009, $16.7 million of Port funds has been appropriated and $2.0 million has been expended for projects under the agreement. The $16.7 million appropriated includes $9.0 million received in 2004 from the sale of a portion of Seawall Lot 330 to a developer. After expiration of the original development agreement in 2006, the land sales proceeds of $9.0 million remain designated for the design and construction of a public plaza (Brannan Street Wharf) as required by the San Francisco Waterfront Special Area Plan.

A City general obligation bond, 2008 Clean and Safe Neighborhood Parks, included $33.5 million for open space projects on Port property. As of June 30, 2009, $3.6 million has been appropriated and $0.3 million has been expended from the first issuance of these park bonds. A future issuance will provide additional funding of $2.9 million for the Brannan Street Wharf project.

As of June 30, 2009, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $7.2 million for capital projects and $2.6 million for general operations.

In November 2002, a maritime vessel known as Drydock #1 broke free from its moorings at Pier 70 and went adrift in very high winds, finally running aground on Yerba Buena Island. The recovered drydock is currently moored at a safer harbor location. The Port continues to evaluate options for the final disposition of this surplus vessel. Engineering consultants have assessed requirements for hazardous materials abatement, including potential remediation of lead-based paints, heavy-metal contaminated sediments, and asbestos. The consulting engineers also performed a preliminary structural assessment and condition survey to assess the viability of towing the vessel from its present location to a location for ultimate disposal. Based on its poor condition, the drydock is most likely only salvageable for scrap metal. Based on the information from various consultants and internal engineering estimates, $2.8 million was accrued in 2008 for the drydock's final disposition, including the remediation of identified hazardous materials. The Port is also pursuing federal financial assistance towards the final disposition cost of Drydock #1. This accrual is included in other noncurrent liabilities.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable generally accepted accounting principles in the United States of America, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground

tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

The Port has been conducting a public planning process to produce a preferred master plan for an underutilized 65-acre area commonly known as "Pier 70". 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. The 65-acre site 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. 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.

Since early 2007, the Port has been engaged in a community-based master planning process to produce a plan to rehabilitate and reuse many of the historic buildings, enable new development, create parks, open space and other public amenities, complete environmental remediation where required, and preserve existing ship repair facilities. In 2007, the Port completed a site investigation of a small portion of Pier 70: an approximately 17-acre area along the northeast shoreline. This investigation found that soil and sediment are contaminated with metals, petroleum hydrocarbons and PCBs at concentrations that do not pose a hazard to human health or the environment under existing conditions, but will require removal or capping of surface soil before development of the area for public access and recreation.

With funding from a federal grant, the Port proceeded in fiscal 2008-2009 with a $1.2 million contract to investigate soil and groundwater conditions throughout the site, including the fifteen-acre portion leased to the Port's ship repair tenant; survey many of the historic buildings for hazardous building materials, such as lead and asbestos; and abate hazardous materials in select building or buildings to the extent that funding is available. The contractor's sampling work will be conducted between August and November 2009. Environmental conditions that require remediation, for which the Port and/or other responsible parties would be required to address, may be discovered. Depending on the results of the investigation, remediation may range from removal of "hot spots" and subsequent implementation of risk management measures, to design, install and operate an active remediation system, such as groundwater and/or vapor extraction and treatment. In many cases, site remediation or mitigation is most efficiently and effectively conducted in conjunction with site development. Federal grant reimbursements are recorded as the qualifying grant-funded expenditures are incurred by the Port.

Earlier in 2009, the contractor prepared a report describing potential remediation scenarios for Pier 70 site and probability of certain contamination being encountered in soil, soil vapor or groundwater, and various degrees of remediation that would be required. The model calculation estimated that soil, groundwater, and soil vapor remediation and/or management (excluding hazardous building materials such as asbestos or lead-based paint) would cost between $15.0 million and $50.0 million, with a most likely probability-weighted estimated cost of $27.5 million. Port management believes the environmental consultant's model calculation is a reasonable estimate of an existing brownfield pollution remediation obligation. The $27.5 million is recorded as a noncurrent pollution remediation obligation as of July 1, 2008 (see Note 2(s)).

The above mentioned risk assessment and feasibility study will be completed in fiscal 2009-10; and it will more thoroughly inform pollution remediation activities and adaptive re-use of the Pier 70 project area. Additionally, hazardous building materials, such as lead-based paint, asbestos, and mercury and/or PCBs in certain electrical equipment, will have to be abated during the course of rehabilitation of any historic building. Hazardous building materials abatement is very roughly estimated to be 20% of the total construction cost of building rehabilitation.

(Dollars in Thousands)

In addition to the Pier 70 issue, the Port has identified and accrued certain environmental issues related to Port property, including asbestos removal, fuel tank removal and oil contamination in the amount of $0.5 million at June 30, 2009. 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 such risk cannot be reasonably made at this time.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2009, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2008 (as restated)	$ 27,630	$ 250	$ 27,880
Current year claims and changes in estimates	-	244	244
Vendor payments	(130)	-	(130)
Environmental liabilities at June 30, 2009	$ 27,500	$ 494	$ 27,994

(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. The Water Enterprise delivers water, approximately 86,986 million gallons annually, to a total population of approximately 2.5 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. Until August 1, 2008, the Commission consists of five members appointed by the Mayor who are responsible for determining such matters as the rates and charges for services, approval of contracts, and organizational policy. Proposition E, the City's Charter Amendment approved by the voters in the June 3, 2008 elections, terminated the terms of the existing Commission members, changed the process of appointing new members and set qualifications for all members. Under the amended Charter, the Mayor continues to nominate candidates to the Commission, but nominees do not take office until the Board of Supervisors votes to approve their appointments by a majority (at least 6 members).

Pledged Revenues **–** The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through the year ending 2036. Annual principal and interest payments on the bonds are expected to require less than 56% of future revenues through the year 2036.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2009 and applicable revenues for 2009 are as follows:

Bonds issued with revenue pledge	$ 1,108,500
Principal and interest remaining due at the end of the year	1,549,883
Principal and interest paid during the year	69,585
Net revenue for the year ended June 30, 2009	82,978

During fiscal year 2008-2009, water sales to suburban resale customers were $131.8 million. As of June 30, 2009, the suburban resale customers owed the Water Enterprise approximately $27.6 million under the Water Rate Agreement.

Commitments and Contingencies **–** As of June 30, 2009, the Water Enterprise had outstanding commitments with third parties of $303.4 million for various capital projects and for materials and supplies.

Pollution Remediation Obligation **–** In July 1999, the California Regional Water Quality Control Board (CRWQCB) issued a directive instructing the Water Enterprise to develop a remedial action plan (Plan) that addresses environmental contamination at certain real property owned by the Water Enterprise. In response to the directive, the Commission completed a remedial action plan and in August 2001 received the final directive from the CRWQCB to execute the plan. This environmental issue, along with the Water Enterprise's complete review of GASB Statement No. 49 pronouncement resulted in the reporting of $3.3 million in fiscal year 2009. The Water Enterprise paid $1.1 million in fiscal year 2009 in accordance with the remedial action plan.

Transactions with Other Funds **–** During the fiscal year ended June 30, 2009, $1.1 million was transferred to other City departments, including $0.9 million, representing a percentage of construction contracts to the Art Commission and $0.2 million to the Fire Department for a water reclamation study.

The Water Enterprise purchases water from Hetch Hetchy. This amount, totaling approximately $23 million, is included in the charges for services provided by other departments in the Water Enterprise's financial statements.

(d) Hetch Hetchy Water and Power Enterprise

Hetch Hetchy Water and Power (Hetch Hetchy) 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 to the City. Hetch Hetchy is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource. Approximately 79% of the electricity is used by the City's municipal customers (e.g., the San Francisco Municipal Railway, the Recreation and Parks Department, the Port of San Francisco, San Francisco General Hospital, street lighting, Moscone Center, and the San Francisco Public Utilities Commission Water and Wastewater enterprises). Also a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to Modesto and Turlock Irrigation Districts (the Districts) to cover their pumping municipal load needs and any remaining energy either sold to other Municipalities and/or Government Agencies (not for resale) or deposited into an account under the City's agreement with PG&E.

Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines. This system carries water and power more than 165 miles from the Sierra Nevada Mountains to customers in the City and portions of the surrounding San Francisco Bay Area.

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 California Independent System Operator (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.

Pledged Revenues **–** Hetch Hetchy has pledged future revenues to repay Clean Renewable Energy Bonds which were issued in fiscal year 2009. Proceeds from the bonds provided financing for various capital construction projects. These bonds are payable solely from net power revenues of Hetch Hetchy and are payable through the year ending 2022. Annual principal and interest payments on the bonds are expected to require less than 1% of future revenues through the year 2022.

(Dollars in Thousands)

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2009 and applicable revenues for 2009 are as follows:

Bonds issued with revenue pledge	$	6,325
Principal and interest remaining due at the end of the year		5,903
Principal and interest paid during the year		422
Net revenue for the year ended June 30, 2009		53,241

Commitments and Contingencies – As of June 30, 2009, Hetch Hetchy had outstanding commitments with third parties of $22.3 million for various capital projects and other purchase agreements for materials and services.

Charges for services for the year ended June 30, 2009 include $61.1 million in sales of power by Hetch Hetchy to other City Departments. Income from Hetch Hetchy is available for certain operations of the City.

Effective September 2007, the City renegotiated the Interconnection Agreement (agreement) with PG&E to provide transmission and distribution services on PG&E's system where needed to deliver the Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides supplemental power and energy banking and other support services to Hetch Hetchy. The PG&E agreement provides audit rights to allows PG&E to review past billings paid by Hetch Hetchy and to retroactively (up to two years) adjust these payments as determined necessary. During fiscal year 2009, Hetch Hetchy purchased $13.3 million of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto and Turlock Irrigation Districts (the Districts) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were $4.3 million in fiscal year 2009. 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% and the Districts are responsible for 48% of the costs.

In April 1988, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007. The renegotiated agreement with MID became effective January 1, 2008, removed Hetch Hetchy's obligation to provide firm power, and eliminated MID's rights to excess energy from the Project. This agreement expires June 30, 2015. In April 2005, Hetch Hetchy amended the terms of the agreement with Turlock Irrigation District (TID). The settlement agreement between Hetch Hetchy and TID restates and amends the power sales agreement and terminates Hetch Hetchy's obligation to provide firm power at below market costs to TID to the end of the agreements term on June 30, 2015. Hetch Hetchy will continue to comply with the Raker Act by making water system generated hydropower available at cost to MID and TID for its agricultural pumping and municipal loads as energy is available. For fiscal year 2009, energy sales to the Districts totaled 258,268 MWhrs or $6.5 million.

On January 21, 2003, the City's Board of Supervisors authorized the settlement of a lawsuit filed in January 2001 by the City, on behalf of the people of the State of California (the State), against certain energy companies. Under the terms of the settlement, the City received (i) four gas turbine generator sets valued at approximately $33 million for use at two power plants, one within the City and one at

the San Francisco International Airport, (ii) future funding from a State administered fund (the Fund) to assist with the costs of sitting and developing electric generating equipment in the City, and (iii) payment to the City of $0.5 million for attorney's fees and other expenses of litigation.

In conjunction with the execution of the settlement agreement, the Attorney General has received the first $10.8 million from the defendants, and deposited that amount into the Fund. No receipts have been received subsequent to June 30, 2008. The City has actual costs incurred in the development of the facility of about $18.2 million as of June 30, 2009. Also as of June 30, 2009, the City has requested and received a total of $14.1 million for reimbursement from the Fund. Under the terms of the Agreement, the City only has claim to the proceeds held by the Fund to the extent that eligible costs are incurred and limited to reimbursement schedule. As such, the corresponding revenue will be recognized as eligible costs are incurred.

The City has no plans to complete the project and has submitted a proposal to the State for disposal of the combustion turbines, which is currently pending approval. Payments are past due from the State, pending an auditing of prior expenditures. The State will either approve or disallow expenditures and the sales plan to dispose of the combustion turbines.

Also in preparation of the combustion turbines for sale in fiscal year 2010, some entities have shown interest in modifying steam heating plants in San Francisco to cogenerate electricity for local consumption. The Commission is instructed to analyze the feasibility of these local cogeneration projects. If any of these projects demonstrate initial feasibility and environmental benefit, and requires purchase from the City a combustion turbine unit, the Commission is instructed to report to the Mayor and Board of Supervisors on what actions would allow for consideration of these projects.

(e) Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors. It is composed of the San Francisco Municipal Railway (MUNI), the San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the Department of Parking and Traffic (DPT), and includes its five nonprofit garage corporations. Proposition E passed by the San Francisco voters in November 1999 amended the City Charter, calling for the creation of the SFMTA by consolidating MUNI and DPT by July 1, 2002. The incorporations are intended to support the City's *TransitFirst* Policy. MUNI is one of America's oldest public transit agencies, the seventh largest system in the United States. The DPT operations manage 40 City-owned garages and metered parking lots as well as all traffic engineering functions within the City. SFMRIC is a nonprofit corporation established to provide capital financial assistance on behalf of the City for the modernization of Muni by purchasing equipment and improving facilities.

The tables below reflect the financial information of MUNI, DPT, and the parking garages that are reported within the SFMTA, net of eliminations for $20.1 million receivable, restricted cash and payables, and revenues of $18.8 million and transfers in of $141.3 million.

	MUNI	DPT	Parking Garages	Eliminations	Total
Assets					
Current assets	$ 248,574	$ 39,632	$ 2,941	$ (1,553)	$ 289,594
Noncurrent assets	1,893,492	28,045	96,360	(18,567)	1,999,330
Total assets	2,142,066	67,677	99,301	(20,120)	2,288,924
Liabilities					
Current liabilities	162,920	19,160	24,646	(20,120)	186,606
Current liabilities payable from restricted assets	6,667	-	-	-	6,667
Noncurrent liabilities	187,057	50,533	28,723	-	266,313
Total liabilities	356,644	69,693	53,369	(20,120)	459,586
Net assets					
Invested in capital assets, net of related debt	1,864,522	2,532	35,805	-	1,902,859
Restricted net assets	22,303	723	9,948	-	32,974
Unrestricted net assets (deficit)	(101,403)	(5,271)	179	-	(106,495)
Total net assets (deficit)	$ 1,785,422	$ (2,016)	$ 45,932	$ -	$ 1,829,338

	MUNI	DPT	Parking Garages	Eliminations/ Reclassifications	Total
Operating revenues	$ 166,299	$ 66,326	$ 43,328	$ (18,870)	$ 257,083
Operating expenses	738,720	102,825	18,926	-	860,471
Net operating income (loss)	(572,421)	(36,499)	24,402	(18,870)	(603,388)
Nonoperating income (loss)	112,310	128,685	(1,490)	(3,933)	235,572
Capital contributions	62,605	-	-	(6,690)	55,915
Transfers in	331,021	53,271	-	(134,681)	249,611
Transfers out	(4,413)	(148,687)	(22,803)	164,174	(11,729)
Change in net assets	(70,898)	(3,230)	109	-	(74,019)
Net assets at beginning of year	1,856,320	1,214	45,823	-	1,903,357
Net assets (deficit) at end of year	$ 1,785,422	$ (2,016)	$ 45,932	$ -	$ 1,829,338

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements
June 30, 2009
(Dollars in Thousands)

The data below reflect the operations of the parking garages operated by separate nonprofit corporations managed by SFMTA. Information about these nonprofit corporations for the year ended June 30, 2009 is as follows:

	Downtown Parking	Uptown Parking	Japan Center Garage	Ellis - O'Farrell Parking	Portsmouth Plaza Parking	Elimination	Total
Operating revenues	$ 15,486	$ 15,895	$ 3,008	$ 5,497	$ 3,442	$ -	$ 43,328
Depreciation	690	1,085	185	365	157	-	2,482
Operating income	10,396	10,023	1,106	1,594	1,283	-	24,402
Interest and other non-operating revenues (expenses)	(383)	(967)	-	(168)	28	-	(1,490)
Change in net assets	805	(754)	116	(127)	69	-	109
Capital assets, additions	684	61	-	35	202	-	982
Capital assets, deletions	(16)	-	-	(10)	-	-	(26)
Net working capital (deficit)	(1,371)	(1,118)	225	(2,226)	1,353	(18,568)	(21,705)
Total assets	21,980	38,296	2,894	14,087	3,476	18,568	99,301
Total liabilities	9,572	18,708	304	5,838	379	18,568	53,369
Net assets	12,408	19,588	2,590	8,249	3,097	-	45,932
Total debt outstanding	$ 8,725	$ 17,696	$ -	$ 3,825	$ -	$ -	$ 30,246

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MUNI and DPT determined by the City's budgetary accounting procedures, subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $229.7 million.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2009, MUNI had approved capital grants with unused balances amounting to $468.5 million. Capital grants receivable as of June 30, 2009 totaled $13.9 million.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2009, MUNI had various operating grants receivable of $23.5 million. In fiscal year 2009, the SFMTA's operating assistance also includes BART American Disability Act (ADA) revenues of $1.3 million and other federal, state and local grants of $20 million to fund project expenses that are operating in nature.

The capital grants and operating assistance identified above include funds received and due from the San Francisco County Transportation Authority (SFCTA). During the fiscal year 2009, the SFCTA approved $18.7 million in new capital grants and $17.6 million in new operating grants for SFMTA. During the same period, SFMTA received total payments of $8.7 million for capital grants and $21.0 million in operating grants from the Authority. As of June 30, 2009, MUNI had $0.6 million due from the SFCTA for capital grants and $2.0 million due from the SFCTA for operating grants reported in due from other funds.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. MUNI received $50 million in FY2008 for eight different projects and $7 million in FY2009 for transit security-related projects. Proposition 1B funds do not require matching funds. These funds must be obligated within three years. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2009, $8.3 million drawdowns were made from these funds for the various eligible project costs.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to SFMTA from parking revenues and the General Fund.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $68.4 million with third parties for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately $16.3 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding. The SFMRIC board of directors has authorized SFMRIC to extend financial guarantees to the SFMTA for certain projects totaling $2.2 million.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors and the City's Board of Supervisors, MUNI entered into the leveraged lease-leaseback transactions for over 118 and 21, respectively, Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment). Each transaction also referred to as "sale in lease out" or "SILO", was structured as a head lease of the Equipment to separate special purpose trusts and a sublease of the Equipment back from such trusts. Under the respective sublease, MUNI may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled expiration dates of the subleases. During the terms of the subleases, MUNI maintains custody of the Tranche 1 and Tranche 2 Equipment and is obligated to insure and maintain the Tranche 1 and Tranche 2 Equipment throughout the life of each sublease.

MUNI received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head lease. MUNI deposited a portion of the prepaid head lease payments into an escrow and deposited a portion with a debt payment undertaker whose repayment obligations are guaranteed by Financial Security Assurance (FSA), a bond insurance company that is currently rated "AAA" by Standard & Poor's and "Aa3" by Moody's Investor Services. The terms of the SILO documents require MUNI replace FSA as guarantor of debt payment undertaker if its ratings are downgraded below BBB+/Baa1 by Standard & Poor's and Moody's, respectively. FSA's current ratings satisfy this requirement. In addition, FSA provided a surety policy with respect to each SILO to guarantee potential payments in the event such transaction is terminated in whole or in part prior to the sublease expiration date. The terms of the SILO documents require the City to replace FSA as surety provider if FSA's ratings are downgraded below "AA-/Aa3 by Standard & Poor's and Moody's, respectively." FSA's current ratings satisfy this requirement. Although S&P has placed FSA on "credit watch with negative implications," and Moody's indicated that FSA's outlook is "developing," it is not known whether or to what level downgrades, if any, may occur. Failure of the City to replace FSA following a downgrade within a specified period of time could allow the investors, in effect, to issue a default notice to MUNI. Because replacement of FSA in either of its roles as a debt payment undertaker guarantor or surety may not be practicable, MUNI could be liable to pay a termination cost as provided in certain schedules of the SILO transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2009, after giving effect to the market value of the securities in the escrow account, would approximate $108.1 million. The scheduled termination costs increase over the next several years.

The escrows were invested in U.S. agency securities with maturity dates that correspond to the purchase option dates in each sublease. Although these escrows do not represent a legal defeasance of MUNI's obligations under the sublease, management believes that these transactions are structured in such a way that it is not probable that MUNI will need to access other monies to make sublease payments. Therefore, the assets and sublease obligations are not recorded on the financial statements of the SFMTA as of June 30, 2009.

As a result of the cash transactions above, MUNI recorded deferred revenue of $35.5 million and $4.4 million in fiscal years 2002 and 2003, respectively, for the difference between the amounts received of $388.2 million and $72.6 million, respectively, and the amounts paid to the escrows and the debt payment undertaker of $352.7 million and $67.5 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were $1.3 million and $0.2 million in fiscal year 2009.

As of June 30, 2009, the outstanding payments to be made on the sublease through the end of the sublease term are $84.8 million and $51.4 million, for Tranche 1 and Tranche 2, respectively, and the payments to be made on the purchase option, if exercised, would be $680.8 million and $154.2 million. These payments are to be funded from the amounts in escrow and by the payment undertaker. If MUNI does not exercise the purchase option, MUNI would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(f) Laguna Honda Hospital

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 fiscal year ended June 30, 2009, the subsidy for LHH was approximately $55.5 million.

Net Patient Services Revenue – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payers 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 payers. 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 closed account history.

Third Party Payer Agreements – LHH has agreements with third-party payers 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 payers. Medicare and Medi-Cal are the major third-party payers 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.

(Dollars in Thousands)

During the fiscal year ended June 30, 2009, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 39,605	$ 2,155	$ 309	$ 42,069
Less:				
Provision for Contractual Allowances	(13,286)	(723)	(104)	(14,113)
Total, net	$ 26,319	$ 1,432	$ 205	$ 27,956

Net Patient Service Revenue	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 204,375	$ 11,120	$ 1,593	$ 217,088
Less:				
Provision for Contractual Allowances	(92,159)	(4,753)	(802)	(97,714)
Provision for Bad Debt	(743)	-	-	(743)
Total, net	$ 111,473	$ 6,367	$ 791	$ 118,631

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. During fiscal year ended June 30, 2009, LHH accrued approximately $15 million revenue as a result of matching federal funds to local funds.

Replacement Project – The California Hospital Facilities Safety Act (SB 1953) specifies certain requirements that must be met at various dates in order to increase the probability that LHH could maintain uninterrupted operations following major earthquakes. By January 1, 2008, all general acute care buildings must be life safe. By January 1, 2030, all general acute care inpatient buildings must be operational after an earthquake. In December 2001, LHH finalized and submitted a plan to the State of California indicating that the Laguna Honda Hospital Replacement Project will be fully operational by 2013 and thereby in full compliance with the 2030 requirements. A five-year extension for the January 2008 deadline was requested and granted, postponing the deadline to 2013.

In November 1999, San Francisco voters approved Proposition A, a ballot measure authorizing the City to issue general obligation bonds to finance the acquisition, improvement, construction and/or reconstruction of a new health care, assisted living and/or other type of continuing care facility or facilities to replace Laguna Honda Hospital (the Replacement Project). Proposition A requires an increase in property taxes to pay for the bonds. In addition, Proposition A stipulates that $100 million of tobacco settlement funds received by the City, excluding $1 million set aside each year for smoking education and prevention programs, may be used to pay for some construction of the Replacement Project, as well as to offset the cost to property owners of repaying the bonds. As of June 30, 2009, general obligation bonds in the amount of $299 million have been sold to fund the Replacement Project. During fiscal year ended June 30, 2009, LHH recognized $19.8 million in tobacco settlement revenues as other non-operating revenues.

As of June 30, 2009, LHH has entered into various purchase contracts totaling approximately $53.7 million that are related to future construction for the Replacement Project.

(g) San Francisco General Hospital Medical Center

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, 2009, the subsidy for SFGH was $116 million.

Net Patient Services Revenue – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payers 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 payers. 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 closed account history.

Third Party Payer Agreements – SFGH has agreements with third-party payers that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payers. Major third-party payers with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Uninsured Care Demonstration Project 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 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 fiscal year ended June 30, 2009, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 140,170	$ 56,166	$ 69,877	$ 266,213
Less:				
Provision for Contractual Allowances	(108,931)	(43,648)	(54,304)	(206,883)
Provision for Bad Debt	-	-	(15,361)	(15,361)
Total, net	$ 31,239	$ 12,518	$ 212	$ 43,969

(Dollars in Thousands)

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 622,816	$ 283,215	$ 664,886	$ 1,570,917
Less:				
Provision for Contractual Allowances	(547,296)	(167,475)	(361,419)	(1,076,190)
Provision for Bad Debt	-	-	(56,888)	(56,888)
Total, net	$ 75,520	$ 115,740	$ 246,579	$ 437,839

California's Medi-Cal Hospital/Uninsured Care Demonstration Project (Demonstration) is a new system for paying selected hospitals for hospital care provided to Medi-Cal and uninsured patients and replaces funding previously provided through California State Senate Bills 855 and 1255. The Demonstration was negotiated between the State of California's Department of Health Services and the Federal Centers for Medicare and Medicaid Services last year, and covers the period from July 1, 2005 to June 30, 2010. Under the Demonstration, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursement for inpatient hospital services; 2) Disproportionate Share Hospital payments; and 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP). The nonfederal share of these three payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Demonstration approximated $114 million for the fiscal year ended June 30, 2009. Beginning in fiscal year 2008, the State created the Health Care Coverage Initiative (HCCI), allowable under the Demonstration, to expand healthcare coverage for eligible low-income, uninsured individuals using an annual allotment of federal funds from the SNCP. On September 1, 2007, the City entered in to a contract with the State to participate in HCCI and was allocated $73.1 million over 3 years. As of June 30, 2009, SFGH has accrued and recognized $24.6 million. The HCCI covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements. Refer to the Healthy San Francisco Program footnote.

In addition, SFGH was 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, 2009, reimbursement under the Short-Doyle Program amounted to approximately $5.3 million and is included in other operating revenue.

Deferred Credits and Other Liabilities – As of June 30, 2009, SFGH recorded approximately $52.4 million in deferred credits and other liabilities, which was comprised of $34.7 million in deferred credits and $17.7 million in Third Party Settlements Payable.

Charity Care – SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $155 million and estimated costs and expenses to provide charity care were $64 million in fiscal year 2008-2009.

Other Non-Operating Revenues – The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized $52.8 million as other non-operating revenue for the year ended June 30, 2009, for realignment funding.

State of California Proposition 99, the Tobacco Tax Initiative, allocates funds to counties for health care services to indigent persons and others who are unable to pay for health care services. Allocation for Proposition 99 funds was eliminated by the State of California in FY08-09.

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, 2009, was approximately $91.6 million.

SFGH Rebuild – In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in fiscal year 2006-2007. Schematic design of the new building is complete and the project cost is estimated at $887.4 million.

Majority of the funding will be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2009, General Obligation Bonds in the amount of $131.7 million have been sold to fund the hospital rebuild. The General Obligation Bonds proceeds are recorded in the City's Governmental Capital Projects Funds.

As of June 30, 2009, SFGH has entered into various purchase contracts totaling approximately $2.2 million that are related to future construction for the Replacement Project.

HEALTHY SAN FRANCISCO Program – In July 2007, the City and County of San Francisco Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Persons between the ages of 18-64 are eligible and persons whose income is at or below 500% of the federal poverty level are eligible for a subsidy.

As of June 30, 2009, over 43,000 participants have enrolled in the program, representing 72% of the estimated 60,000 potential population.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise), formerly known as the San Francisco Clean Water Program, was established in 1977 following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows generated within the City for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves on a contractual basis certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers cost of service through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 150,000 residential accounts, which discharge about 19.0 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 22,000 non-residential accounts, which discharge about 9.2 million units of sanitary flow per year.

(Dollars in Thousands)

Pledged Revenues – Wastewater Enterprise's revenue, which consists mainly of sewer service charges, is pledged for the payment of principal and interest on various revenue bonds. Proceeds from the bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net power revenues of Wastewater Enterprise and are payable through the year ending 2026. Annual principal and interest payments on the bonds are expected to require less than 27% of future revenues through the year 2026.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2009 and applicable revenues for 2009 are as follows:

Bonds issued with revenue pledge	$ 396,270
Principal and interest remaining due at the end of the year	382,837
Principal and interest paid during the year	50,311
Net revenue for the year ended June 30, 2009	71,130

Commitments and Contingencies – As of June 30, 2009, Wastewater Enterprise had outstanding commitments with third parties for capital projects and for materials and services totaling $23.8 million.

Pollution Remediation Obligations – The City and the Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek due to the Enterprise's role in conveying contaminated flows to the receiving waters through the sewerage system. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls. The U.S. Environmental Protection Agency is moving forward with a clean-up plan for these sediments. Contaminated flows emanating from a local industrial discharger in the drainage areas to Yosemite Creek is the likely responsible source of the contamination. As of June 30, 2009, the environmental liability reported in the accompanying statements of net assets is $375, based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchases electricity from Hetch Hetchy at market rates. The amount was $8.6 million for the year ended June 30, 2009, and has been included in services provided by other departments.

The City's Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and charges amounts designed to recover its costs. These services are primarily related to street cleaning, engineering, building repair, and sewer repair. This amount charged was approximately $16.0 million for the year ended June 30, 2009 and has been included in services provided by other departments.

A variety of other City departments provide services such as 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 $7.0 million for the year ended June 30, 2009 and have been included in services provided by other departments.

(i) San Francisco Market Corporation

The San Francisco Market Corporation is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

(12) SAN FRANCISCO REDEVELOPMENT AGENCY

The Redevelopment Agency of the City and County of San Francisco (the Agency) is a public body, corporate and politic, organized and existing under the Community Redevelopment Law of the State of California. Since the organization of the Agency in 1948, the Agency has completed four redevelopment project areas and twelve redevelopment areas are now underway. In addition, the Agency has completed a feasibility study on the Mid Market Survey Area and the redevelopment plan has been submitted to the Board of Supervisors for review. A feasibility study is underway for Bayview Hunters Point Survey Area designated by the Board of Supervisors.

The Agency has no direct taxing power and does not have the power to pledge the general credit or taxing power of the City, the State of California or any political subdivision thereof. However, California's Health and Safety Code allows redevelopment agencies with appropriate approvals of the local legislative bodies to recover costs of financing public improvements from increased tax revenues (tax increment) associated with increased property values of individual project areas. During the year, the Agency's revenue from property tax increment was $86.7 million.

The Public Initiatives Development Corporation (PIDC) was formed in May of 2002 to develop affordable housing on the Agency's behalf. On November 12, 2004, PIDC and Wincopin Circle, LLLP formed a limited partnership, Plaza Apartments Associates, L.P. (the Partnership). PIDC is the managing general partner and owns a 0.01% interest in the partnership. Wincopin Circle, LLLP is a limited partner and owns a 99.99% interest. Wincopin Circle, LLLP transferred its interest in the Partnership to the Housing Outreach Fund XI Limited Partnership, effective December 24, 2004. The Partnership completed construction of a 106-unit affordable housing project in the South of Market project area in January 2006. As of June 30, 2008, 100% of the units were leased. The Agency reports the investment in the Partnership under the equity method, based on the value of the assets and liabilities transferred to the Partnership.

California Health and Safety Code Section 33334.3 requires the Agency to set aside 20% of the proceeds from its incremental property tax revenues for expenditures for low and moderate income housing. Related interest earned on these funds must also be set aside for such purposes. The Agency established the City-wide Housing Capital Project Account to account for this commitment and has budgeted $579 million for such expenditures since its inception. The Agency has expended $429 million for low- and moderate-income housing since its inception.

Pledged Revenues for Bonds – The Agency's Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the Agency's tax increment revenue. These revenues have been pledged until the year 2038, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.1 billion. The tax increment revenue recognized during the year ended June 30, 2009 was $89.1 million as against the total debt service payment of $60.8 million.

The Agency's Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Agency from the City. These revenues have been pledged until the year 2025, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $209.0 million. The lease revenue recognized during the year ended June 30, 2009 was $18.6 million as against the total debt service payment of $18.6 million.

The Agency's Hotel Tax Lease Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $84.6 million. The tax increment revenue recognized during the fiscal year ended June 30, 2009 was $5.3 million as against the total debt service payment of $5.6 million.

(Dollars in Thousands)

Commitments and Contingencies – The Agency had commitments under contracts for capital improvements of approximately $53.8 million as of June 30, 2009.

In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $637 million as of June 30, 2009 have been issued by the Agency on behalf of various developer and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

The Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development (HUD) guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $43.3 million. As of June 30, 2009, management has designated $4.3 million for standby payment agreements. It is management's intent to designate 10% of the estimated maximum obligation.

(13) Treasure Island Development Authority

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997 and designated as a redevelopment agency pursuant to Community Redevelopment Law of the State of California. The TIDA is governed by seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. 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 mission of TIDA is to redevelop the former Naval Station Treasure Island and to manage its integration with the City in compliance with federal, state and City guidelines (including the California Tidelands Trust) to maximize revenues to the City's General Fund; to create new job opportunities for San Francisco residents, including assuring job opportunities for homeless and economically disadvantaged residents; to increase recreational and bay access venues for San Francisco and Bay Area residents; and to promote the welfare and well being of the citizens of San Francisco.

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Redevelopment Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to the TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy's toxic 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 represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's History. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006.

The 2006 endorsement of the Development Plan marked a very important milestone in the project, as it has very specifically guided the enormous efforts undertaken since then to make the ambitious redevelopment plans for Treasure Island a reality.

(14) 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, 2009, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Nonmajor Governmental Funds	$ 7,536
	Internal Service Funds	285
	Municipal Transportation Agency	170
	San Francisco Water Enterprise	23
	Laguna Honda Hospital	16,373
		24,387
Nonmajor Governmental Funds	Nonmajor Governmental Funds	351
	Internal Service Funds	2,823
	Municipal Transportation Agency	1,000
		4,174
Laguna Honda Hospital	Nonmajor Governmental Funds	22,464
	Internal Service Funds	33
		22,497
San Francisco Water Enterprise	Nonmajor Governmental Funds	52
	Municipal Transportation Agency	145
		197
Hetch Hetchy Water and Power Enterprise	General Fund	1,003
	Nonmajor Governmental Funds	10,718
	Port of San Francisco	736
	General Hospital Medical Center	1,645
	San Francisco Wastewater Enterprise	556
		14,658
Municipal Transportation Agency	Nonmajor Governmental Funds	2,705
		2,705
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	31
		31
Total		$ 68,649

Interfund transactions between the primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - governmental fund	Component unit - San Francisco Redevelopment Agency	$ 9,466
Hetch Hetchy Water and Power Enterprise	Component unit - Treasure Island Development Authority	$ 4,427
Primary government - governmental fund	Component unit - Treasure Island Development Authority	$ 2,272

(Dollars in Thousands)

Transfers Out: Funds	Transfers In: Funds — General Fund	Nonmajor Governmental	Internal Service Funds	Municipal Transportation Agency	General Hospital Medical Center	Port	Laguna Honda Hospital	Total
General Fund	$ -	$ 148,341	$ 132	$ 229,691	$ 116,862	$ -	$ 55,884	$ 550,910
Nonmajor governmental funds	21,501	52,441	123	19,920	-	3,644	97,639	195,268
Internal service funds	29	-	-	-	-	-	-	29
San Francisco International Airport	26,849	-	-	-	-	-	-	26,849
Water Enterprise	214	929	-	-	-	-	-	1,143
Hetch Hetchy Water and Power Enterprise	244	58	-	-	-	-	-	302
Municipal Transportation Agency	-	11,729	-	-	-	-	-	11,729
San Francisco General Hospital Medical Center	61,497	-	-	-	-	-	210	61,707
Laguna Honda Hospital	25,861	3,000	-	-	-	-	-	28,861
Total transfers out	$ 136,195	$ 216,498	$ 255	$ 249,611	$ 116,862	$ 3,644	$ 153,733	$ 876,798

The $550.9 million General Fund transfer out includes a total of $401.2 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). The transfer of $148.3 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 to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred $26.8 million to the General Fund, representing a portion of concession revenue (note 11(a)). The General Fund received transfers in of $36.5 million from SFGH for the SB 855 matching program reimbursement (note 11(g)) and $25.0 million to reimburse the General Fund for expenditures related to the SFGH rebuild project. In addition, Laguna Honda Hospital transferred $25.9 million to reimburse the General Fund for expenditures related to Laguna Honda Hospital's capital activities.

The $19.9 million transferred to the Municipal Transportation Agency from a nonmajor governmental fund represented capital and operating transfers from San Francisco County Transportation Authority. The $75.2 million transfer from nonmajor governmental funds to Laguna Honda Hospital for capital projects was funded by the Laguna Honda Hospital General Obligation Bonds in the City Facilities Improvement Fund. The $22.4 million transfer from nonmajor governmental funds to Laguna Honda Hospital for capital projects was funded by the Laguna Honda Hospital Certificate of Participation Bonds in the City Facilities Improvement Fund. The $3.6 million transfer from nonmajor governmental funds to the Port of San Francisco is for a capital transfer funded by the 2008 Clean & Safe Park Bond in the Capital Facilities Improvement Fund.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

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

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years	
2010	$ 23,231
2011	21,921
2012	19,554
2013	13,146
2014	8,570
2015-2019	15,486
Total	$ 101,908

Operating lease expense incurred for fiscal year 2008-2009 was approximately $24.5 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	San Francisco General Hospital Medical Center (SFGH)	Total Business-type Activities
2010	$ 183	$ 3,157	$ 9,658	$ 1,142	$ 14,140
2011	188	3,157	7,300	793	11,438
2012	116	3,157	7,236	388	10,897
2013	118	3,157	7,242	199	10,716
2014	85	3,157	7,202	-	10,444
2015-2019	5	15,240	36,388	-	51,633
2020-2024	-	14,988	39,966	-	54,954
2025-2029	-	14,987	44,023	-	59,010
2030-2034	-	14,987	48,462	-	63,449
2035-2039	-	14,987	-	-	14,987
2040-2044	-	14,987	-	-	14,987
2045-2049	-	14,987	-	-	14,987
2050-2054	-	250	-	-	250
Total	$ 695	$ 121,198	$ 207,477	$ 2,522	$ 331,892

Operating lease expense incurred for the Airport, Port, MTA, and SFGH for fiscal year 2008-2009 was $5.2 million, $3.1 million, $12.1 million, and $5.4 million, respectively.

(Dollars in Thousands)

Component Unit – San Francisco Redevelopment Agency

The San Francisco Redevelopment Agency (The Agency) has noncancelable operating leases for its office sites, which require the following minimum annual payments:

Fiscal Years		
2010…………………	$	1,799
2011…………………		1,799
2012…………………		1,792
2013…………………		1,775
2014…………………		1,775
2015-2019…………		7,369
2020-2024…………		4,119
2025-2029…………		4,119
2030-2034…………		4,119
2035-2039…………		4,119
2040-2044…………		4,119
2045-2049…………		4,119
2050-2054…………		1,029
Total…………………	$	42,052

Rent payments totaling $1.3 million are included in the Agency's financial statements for the year ended June 30, 2009.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years		
2010…………………	$	2,814
2011…………………		2,385
2012…………………		2,014
2013…………………		1,761
2014…………………		1,463
2015-2019…………		5,294
2020-2024…………		332
2025-2029…………		100
Total………………..	$	16,163

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2010…………	$ 79,189	$ 29,573	$ 618	$ 4,145	$ 958	$ 114,483
2011…………	61,030	26,241	547	3,665	972	92,455
2012…………	47,431	24,299	475	3,480	976	76,661
2013…………	44,737	21,073	481	2,794	937	70,022
2014…………	38,962	18,878	488	3,970	75	62,373
2015-2019……	-	79,981	494	4,010	-	84,485
2020-2024……	-	66,364	-	4,000	-	70,364
2025-2029……	-	52,460	-	4,000	-	56,460
2030-2034……	-	48,917	-	4,000	-	52,917
2035-2039……	-	41,021	-	4,000	-	45,021
2040-2044……	-	26,300	-	4,000	-	30,300
2045-2049……	-	21,648	-	4,000	-	25,648
2050-2054……	-	10,266	-	4,000	-	14,266
2055-2059……	-	8,633	-	4,000	-	12,633
2060-2064……	-	8,561	-	4,000	-	12,561
2065-2069……	-	5,472	-	800	-	6,272
2070-2074……	-	1,568	-	-	-	1,568
2075-2079……	-	313	-	-	-	313
Total…………	$ 271,349	$ 491,568	$ 3,103	$ 58,864	$ 3,918	$ 828,802

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $13.1 million and $11.1 million, respectively, in fiscal year 2008-2009.

Component Unit – San Francisco Redevelopment Agency

The Agency leases various facilities within the Yerba Buena Center, Western Addition and Hunters Point areas. The minimum annual payments are as follows:

Fiscal Years			Fiscal Years		
2010…………………	$	4,700	2045-2049…………	$	12,384
2011…………………		4,605	2050-2054…………		1,589
2012…………………		4,575	2055-2059…………		843
2013…………………		4,605	2060-2064…………		650
2014…………………		4,556	2065-2069…………		556
2015-2019…………		23,080	2070-2074…………		315
2020-2024…………		21,740	2075-2079…………		178
2025-2029…………		22,632	2080-2084…………		150
2030-2034…………		24,409	2085-2089…………		150
2035-2039…………		20,998	2090-2094…………		150
2040-2044…………		21,509	2095-2099…………		98
			Total…………………	$	174,472

For the year ended June 30, 2009, operating lease rental income for noncancelable operating leases was $11.0 million.

(Dollars in Thousands)

(c) Other Lease Commitments

The City is making lease payments to the Agency for the Moscone Convention Center in the amount of approximately $18.6 million per year through July 1, 2024. The lease payments are intended to approximate the debt service requirements of the corresponding lease revenue bonds that were issued by the Agency to finance the construction and expansion of the Moscone Convention Center which are recorded as a long term obligation of the Agency. Together with financing from the City through appropriation of a portion of the hotel tax and through the issuance of lease revenue bonds by the Finance Corporation, the total cost of approximately $371.4 million was included in the City's asset class of facilities and improvements.

The City is also making lease payments to outside lessors for various telecommunication and information equipment through an internal service fund.

Amounts to be provided for capital leases are as follows:

Fiscal Years	Moscone Convention Center	Other	Total
2010	$ 18,717	$ 1,285	$ 20,002
2011	18,794	205	18,999
2012	18,873	138	19,011
2013	18,946	138	19,084
2014	19,028	30	19,058
2015-2019	94,934	-	94,934
2020-2024	16,744	-	16,744
2025-2029	2,956	-	2,956
Total minimum lease payments	208,992	1,796	210,788
Less amounts representing interest	(46,299)	(105)	(46,404)
Present value of maximum lease payments	$ 162,693	$ 1,691	$ 164,384

(d) Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.4 billion at June 30, 2009.

The City is a participant in the Peninsula Corridor Joint Powers Board (PCJPB), which was formed in 1991 to plan, administer, and operate the Peninsula CalTrain rail service. The City, on behalf of MUNI, contributes to the net operating costs and administrative expenses of the PCJPB for operating and capital needs. During the fiscal year ended June 30, 2009, the City contributed approximately $7.3 million to the PCJPB. This is paid by MTA from the subsidy transfer it receives from the City.

(16) 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 Muni Railway); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for

estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $750 million, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at SFO owned by the Airport subject to a deductible of $500 per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general liability insurance in various amounts naming the Airport as additional insured. The Airport does not carry insurance for losses due to land movement or seismic activity and losses for war, terrorism and hijacking. The Airport carries public official liability and employer's liability coverage of $5 million, subject to deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $200 per each occurrence for employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels.

The Port carries commercial insurance for all risks of loss except workers' compensation, property damage to Port-owned vehicles and employee health and accident. The Port's property insurance does not cover losses due to seismic events.

The San Francisco Redevelopment Agency is a member of the Bay Cities Joint Powers Authority which provides coverage for its general liability, automobile liability, and public officials' errors and omissions risks with combined single limits of $29 million per occurrence and a deductible of $50 self-insurance retention per occurrence. Claims relating to the construction of the Moscone Convention Center are indemnified by the City under an agreement between the Agency and the City.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2009 has been actuarially determined and includes an estimate of incurred but not reported losses.

Changes in the reported estimated claims payable since June 30, 2007, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2007-2008	$ 192,940	$ 67,092	$ (53,090)	$ 206,942
2008-2009	206,942	71,752	(54,945)	223,749

(Dollars in Thousands)

Breakdown of the estimated claims payable at June 30, 2009 is as follows:

Governmental activities:		
Current portion of estimated claims payable	$	43,798
Long-term portion of estimated claims payable		101,208
Total	$	145,006

Business-type activities:		
Current portion of estimated claims payable	$	26,634
Long-term portion of estimated claims payable		52,109
Total	$	78,743

In June 2007, a jury from the San Mateo County Superior Court rendered a verdict finding the Airport in breach of the covenant of good faith and fair dealing and awarded the plaintiffs $1.1 million in damages. In February 2008, the Court vacated the judgment against the Airport and ordered that judgment be entered in the Airport's favor. The ruling renders the $1.1 million verdict against the Airport null and void. It also nullifies the Airport's liability for up to $0.5 million in expenses and $5 million in attorneys' fees that plaintiffs were seeking. In April 2008, the Court awarded the Airport $3.4 million in attorney fees and costs associated with successfully litigating the case. Plaintiffs appealed the judgment and the award of fees and costs. The appeal is pending.

In July 2004, the San Francisco Superior Court granted summary judgment to the plaintiff in a case involving a contractor who claimed the City's minority and women-owned business program violates the California Constitution. The City appealed the Superior Court's decision and prevailed in the Court of Appeals. Plaintiff, however, petitioned the California Supreme Court for review and the Supreme Court agreed to hear the case. If the decision is reversed by the Supreme Court, the plaintiff would be entitled to recover reasonable attorney's fees, which could approximate $3.5 million. The Airport, which is one of two City departments sued in the case, would be responsible for 50% of any attorney's fees award.

The Retirement System is involved in various other petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System which management does not expect to have a material impact on the net assets available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and accordingly, are eventually considered in establishing the City's required annual contributions.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2009 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, 2009 was $358.9 million which is reported in the appropriate individual funds in accordance with the City's accounting policies (note 2).

Changes in the reported accrued workers' compensation since June 30, 2007, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2007-2008	$ 341,128	$ 82,447	$ (71,969)	$ 351,606
2008-2009	351,606	75,169	(67,883)	358,892

Breakdown of the accrued workers' compensation liability at June 30, 2009 is as follows:

Governmental activities:		
Current portion of accrued workers' compensation liability	$	39,799
Long-term portion of accrued workers' compensation liability		173,082
Total	$	212,881

Business-type activities:		
Current portion of accrued workers' compensation liability	$	26,899
Long-term portion of accrued workers' compensation liability		119,112
Total	$	146,011

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

The San Francisco Public Utilities Commission issued $412 million in 2009 Series A Bonds in August 2009 and $412 million in 2009 Series B Bonds in September 2009. The bonds were issued to finance a portion of the design, acquisition and construction of various capital projects of the Water System Improvement Program (WSIP), fund the capitalized interest accounts of the 2009 Series A and B for approximately five Indentures and to pay for the costs of issuances. A portion of the 2009 Series A will also be used to refund the San Francisco Utilities Commission's (SFPUC) Commercial Paper Notes issued to fund a portion of the WSIP. Interest rates for the 2009 Series A bonds range from 4% to 5.25% and mature from November 2011 through November 2039. The 2009 Series B bonds bear interest ranging from 4% to 5% and mature from November 2011 to 2039.

In September 2009, the San Francisco International Airport issued its Second Series Revenue Refunding Bonds, Series 2009A in the principal amount of $92.5 million and Series B in the principal amount of $82.5 million to purchase and hold in a trust established by the Airport all of the $175 million outstanding principal amount of Airport's Second Series Variable Rate Revenue Refunding Bonds (Issue 34 A/B) previously issued by the Airport. The proceeds were also used to pay for the cost of issuance and to fund the Reserve Account for each series of the 2009 bonds. Both bond series are not subject to the Alternative Minimum Tax and have a mandatory tender date of September 15, 2010. The Series 2009A and Series 2009B bonds bear interest of 0.75% and mature in May, 2029. Interest on both series are payable in May and November of each year, commencing May 1, 2010.

In September 2009, the City issued the Certificates of Participation (Multiple Capital Improvement Projects) Series 2009B in the amount of $37.9 million to provide funds to pay a portion of the costs of the acquisition, construction and installation of certain improvements to various City streets, fund capitalized interest payable with respect to the 2009B Certificates, to fund the Reserve Fund established under the Trust Agreement and to pay the cost of execution and delivery of the 2009B Certificates. The Series 2009B Certificates were issued with interest rates ranging from 3.0% to 5.0% and mature from April 2011 through April 2035. The 2009B Certificates represent and are payable solely from Base Rental payments made by the City and amounts held in the 2009B Reserve Account pursuant to the Project Lease as supplemented and amended by that certain First Supplement to Project Lease and the Trust Agreement, as supplemented and amended by the First Supplement to the Trust Agreement for the 2009B Certificates.

In October 2009, the San Francisco Public Utilities Commission issued Certificates of Participation (525 Golden Gate Avenue – San Francisco Public Utilities Commission Office Project) (Tax Exempt) Series 2009C in the amount of $38.1 million and Certificates of Participation (525 Golden Gate Avenue – San Francisco Public Utilities Commission Office Project) (Federally Taxable – Build

America Bonds – Direct Payment) Series 2009D in the amount of $129.6 million to provide funds to pay a portion of the costs of the acquisition, demolition, improvement, installation, equipping, rehabilitation, construction and/or reconstruction of an office building for the San Francisco Public Utilities Commission and related property owned by the City and located at 525 Golden Gate Avenue; fund a portion of the capitalized interest payable with respect to the 2009C and 2009D Certificates; fund the Reserve Fund established under the Trust Agreement for the 2009C and 2009D Certificates; and pay the cost of execution and delivery of the 2009C and 2009D Certificates. The Series 2009C and 2009D Certificates were issued with interest rates ranging from 2.0% to 6.487% and mature from November 2012 through November 2041. The 2009C and 2009D Certificates represent and are payable solely from Base Rental payments made by the City and amounts held in the 2009C and 2009D Reserve Accounts pursuant to the Project Lease and Trust Agreement for the 2009C and 2009D Certificates.

The Board of Supervisors authorized the settlement of the two lawsuits filed by United States of America on behalf of the U.S. Forest Service related to fires that occurred in proximity to San Francisco Public Utilities Commission (SFPUC) power lines. By Ordinance No. 200-09, adopted August 18, 2009, the Board approved the payment of $7 million, in settlement of both actions. The settlement agreement did not concede SFPUC liability nor establish legal precedent with respect to future incidents.

On September 3, 2009, the San Francisco Redevelopment Financing Authority (SFRFA) issued $75 million in 2009 Series A Taxable Tax Allocation Revenue Bonds, $17.6 million in 2009 Series B Tax-Exempt Tax Allocation Bonds, $25.7 million in 2009 Series C Tax-Exempt Tax Allocation Revenue Bonds and $49.8 million in 2009 Series D Tax-Exempt Tax Allocation Revenue Bonds. The proceeds from the Series A Bonds will be used primarily to fund the construction of affordable housing. Additionally, proceeds from the sale of the 2009 Series A Bonds deposited into the Load Proceeds Account may be used to make required payments to the Supplemental Educational Revenue Augmentation Fund. The proceeds from the 2009 Series B Bonds will be used to fund various public works projects in the Bay View Hunters Point (Area B), South of Market, Transbay and Yerba Buena Center project areas. The proceeds from the 2009 Series C Bonds will be used to fund the Agency's obligation to finance certain infrastructure required pursuant to the Mission Bay North Owner Participation Agreement. The proceeds from the 2009 Series D Bonds will be used to fund the Agency's obligation to finance certain infrastructure required pursuant to the Mission Bay South Owner Participation Agreement.

(b) Elections

On November 3, 2009, the San Francisco voters approved the Proposition A that will have a fiscal impact on the City:

Proposition A – Charter amendment to make changes to the City's budget and financial processes which are likely to stabilize spending through requiring multi-year budgeting and financial planning. The amendment makes four significant changes to the City's financial processes and policies: 1) Specifies a two-year (biennial) budget, replacing the current annual budget; 2) Requires a five-year financial plan which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period; 3) Charges the Controller's Office with proposing to the Mayor and the Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt, and financial measures in the case of disaster recovery, whereby the City would be required to adopt budgets consistent with these policies once approved; and 4) Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions on May 15.

Overall, the proposed changes will cause the City to budget less in some years and to fund the budget with reserved funds or new revenues in other years, but the total amount of the City revenue or expenditure would not be directly affected.

(c) Borrowing of Property Tax Revenue

Proposition 1A passed by California voters in 2004 was to ensure local property tax and sales tax revenues remain with local government, thereby safeguarding funding for public safety, health, libraries, parks and other local services. Under the Proposition, the State is allowed to borrow an amount up to 8% of local governments' tax allocations. As part of the 2009-2010 budget package, the California Legislature suspended the local agency protections of the Proposition and passed a provision to withhold more than $2 billion of property tax revenue for cities, counties and special district. The California Statewide Communities Development Authority (California Communities) was appointed to offer a program to purchase the receivables due to local governments from the State.

On October 27, 2009, the Board of Supervisors passed a resolution authorizing the sale of the City's Proposition 1A Receivable. On November 19, 2009, California Communities issued $1.9 billion in securitization bonds. All cost of issuance and interest incurred will be paid by the State, allowing participating agencies to maintain 100 percent of their receivables. The City will receive one half of the total cash proceeds of $89.2 million from the program in January 15, 2010 and May 3, 2010, respectively.

(d) Educational Revenue Augmentation Funds

On July 24, 2009, the State Legislature passed Assembly Bill (AB) 26 4X, which requires redevelopment agencies statewide to deposit a total of $2.05 billion of property tax increment in county Supplemental Educational Revenue Augmentation Funds (SERAF) to be distributed to meet the State's Proposition 98 obligations to schools. The SERAF revenue shift of $2.05 billion will be made over two years, $1.7 billion in fiscal year 2009-2010 and $350 million in fiscal year 2010-2011. The SERAF would then be paid to school districts and the county offices of education, which have students residing in redevelopment project areas, or residing in affordable housing projects financially assisted by a redevelopment agency, thereby relieving the State of payments to those schools. The Agency's share of this revenue shift is approximately $28.7 million in fiscal year 2009-2010 and $5.9 million in fiscal year 2010-2011. Payments are to be made by May 10 of each respective fiscal year.

On October 20, 2009, the California Redevelopment Association (CRA) together with two redevelopment agencies filed a lawsuit in Sacramento Superior Court challenging the constitutionality of AB 26 4X. The lawsuit asserted that the transfer of property tax increment to the SERAF is not permitted under Article XVI, Section 16 of the California Constitution. The complaint also asserted impairment of contract and gift of public funds arguments.

(e) Treasure Island Development Authority

The Treasure Island Development Authority (TIDA) successfully negotiated the terms of a conveyance agreement with the Navy in December 2009 for the transfer of Treasure Island from the Navy to the City. Having agreed on the terms of a property conveyance agreement with the Navy, TIDA will resume finalizing its development plans, including negotiating the terms of a Disposition and Development Agreement (DDA) with TICD, and engaging multiple agencies and stakeholders to implement the many components of the Development Plan. Key priorities for 2010 include completing an environmental review under CEQA and adopting a Redevelopment Plan under California Redevelopment Law. Final project approvals from the TIDA Board and the Board of Supervisors are anticipated in late 2010, with the first phase of construction expected to begin in early 2011. The build-out of the redevelopment project is anticipated to occur over 10-15 years.

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Required Supplementary Information

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress (Unaudited)
June 30, 2009
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Employees' Retirement System – Pension Plan

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over-funded AAL (OAAL)	Funded Ratio	Covered Payroll	OAAL as a % of Covered Payroll
07/01/06	$ 13,597,646	$ 12,515,463	$ 1,082,183	108.6%	$ 2,161,261	50.1%
07/01/07	14,929,287	13,541,388	1,387,899	110.2%	2,376,221	58.4%
07/01/08	15,941,390	15,358,824	582,566	103.8%	2,457,196	23.7%

California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	Over (Under) funded AAL (O/UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
06/30/06	$ 568,027	$ 565,483	$ 2,544	100.5%	$ 77,419	3.3%
06/30/07	622,866	627,675	(4,809)	99.2%	85,508	-5.6%
06/30/08	673,275	685,150	(11,875)	98.3%	89,009	-13.3%

City and County of San Francisco – Postemployment Health Care Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$ -	$ 4,036,324	$ (4,036,324)	0.0%	$ 2,066,866	-195.3%

Combining Financial Statements and Schedules

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for revenues from the allocation of one-fifth of the parking tax receipts and for grants from the state to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for transfers of Base Rental payments from the various COP Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service of two nonprofit corporations (Social Services Corporation and San Francisco Stadium, Inc.) and business tax settlement bonds.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources to be used for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities including a new main library. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet – Nonmajor Governmental Funds
June 30, 2009
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
ASSETS					
Deposits and investments with City Treasury	$ 430,469	$ 43,056	$ 221,404	$ 8,135	$ 703,064
Deposits and investments outside City Treasury	11,082	34,560	162,993	49	208,684
Receivables:					
Property taxes and penalties	5,059	6,305	-	-	11,364
Other local taxes	11,464	-	-	-	11,464
Federal and state grants and subventions	88,904	-	16,428	-	105,332
Charges for services	10,995	-	30	-	11,025
Interest and other	4,781	340	719	20	5,860
Due from other funds	1,168	-	3,006	-	4,174
Due from component unit	3,560	-	958	-	4,518
Loans receivable (net of allowance for uncollectibles)	69,413	-	-	-	69,413
Deferred charges and other assets	3,700	-	39	-	3,739
Total assets	$ 640,595	$ 84,261	$ 405,577	$ 8,204	$ 1,138,637
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 67,612	$ -	$ 18,179	$ 53	$ 85,844
Accrued payroll	14,878	-	1,382	19	16,279
Deferred tax, grant and subvention revenues	33,084	5,153	2,892	50	41,179
Due to other funds	10,410	-	33,447	-	43,857
Deferred credits and other liabilities	89,514	3,524	24,772	331	118,141
Bonds, loans, capital leases and other payables	150,000	-	-	-	150,000
Total liabilities	365,498	8,677	80,672	453	455,300
Fund balances:					
Reserved for assets not available for appropriation	18,519	-	1,213	49	19,781
Reserved for debt service	302	75,584	-	-	75,886
Reserved for encumbrances	108,850	-	58,230	89	167,169
Reserved for appropriation carryforward	205,649	-	291,615	3,742	501,006
Reserved for subsequent years' budgets	11,245	-	-	-	11,245
Unreserved (deficit)	(69,468)	-	(26,153)	3,871	(91,750)
Total fund balances	275,097	75,584	324,905	7,751	683,337
Total liabilities and fund balances	$ 640,595	$ 84,261	$ 405,577	$ 8,204	$ 1,138,637

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds
Year ended June 30, 2009
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 114,678	$ 158,179	$ -	$ -	$ 272,857
Business taxes	1,340	-	-	-	1,340
Sales and use tax	71,132	-	-	-	71,132
Hotel room tax	52,746	-	-	-	52,746
Licenses, permits and franchises	7,403	-	-	-	7,403
Fines, forfeitures and penalties	4,076	-	-	-	4,076
Interest and investment income	16,125	2,802	5,236	191	24,354
Rents and concessions	51,285	819	693	1,332	54,129
Intergovernmental:					
Federal	176,421	-	9,029	-	185,450
State	86,100	706	21,054	-	107,860
Other	2,191	-	12,676	-	14,867
Charges for services	147,964	-	306	-	148,270
Other	18,794	-	310	15	19,119
Total revenues	750,255	162,506	49,304	1,538	963,603
Expenditures:					
Current:					
Public protection	109,924	-	-	-	109,924
Public works, transportation and commerce	186,315	-	-	34	186,349
Human welfare and neighborhood development	256,470	-	-	104	256,574
Community health	91,190	-	-	-	91,190
Culture and recreation	215,697	-	-	330	216,027
General administration and finance	20,571	-	-	-	20,571
General City responsibilities	254	-	-	-	254
Debt service:					
Principal retirement	-	125,563	-	-	125,563
Interest and fiscal charges	1,925	72,368	100	-	74,393
Bond issuance costs	-	876	3,870	-	4,746
Capital outlay	-	-	152,473	-	152,473
Total expenditures	882,346	198,807	156,443	468	1,238,064
Excess (deficiency) of revenues over (under) expenditures	(132,091)	(36,301)	(107,139)	1,070	(274,461)
Other financing sources (uses):					
Transfers in	139,188	64,095	13,215	-	216,498
Transfers out	(63,975)	-	(131,054)	(239)	(195,268)
Issuance of bonds and loans					
Face value of bonds issued	1,300	118,130	337,505	-	456,935
Premium on issuance of bonds	-	2,714	10,161		12,875
Payment to refunded bond escrow agent	-	(120,000)	-	-	(120,000)
Other financing sources-capital leases	257	-	20,467	-	20,724
Total other financing sources (uses)	76,770	64,939	250,294	(239)	391,764
Net change in fund balances	(55,321)	28,638	143,155	831	117,303
Fund balances at beginning of year	330,418	46,946	181,750	6,920	566,034
Fund balances at end of year	$ 275,097	$ 75,584	$ 324,905	$ 7,751	$ 683,337

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2009
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Culture and Recreation Fund	Environmental Protection Fund
ASSETS								
Deposits and investments with City Treasury	$20,925	$58,078	$ 63,854	$ 17,576	$ 8,882	$ 202	$ 9,343	$ -
Deposits and investments outside City Treasury	-	-	2,476	-	-	-	37	-
Receivables:								
Property taxes and penalties	-	1,897	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-	-	-
Federal and state grants and subventions	-	3,668	19,127	23,464	-	-	-	1,977
Charges for services	214	4	3	-	1,376	267	83	-
Interest and other	42	163	672	46	-	5	16	-
Due from other funds	-	-	-	-	-	1,000	-	130
Due from component unit	-	-	1,208	-	-	-	-	81
Loans receivable (net of allowance for uncollectibles)	345	-	69,068	-	-	-	-	-
Deferred charges and other assets	-	-	446	-	-	-	-	-
Total assets	$21,526	$63,810	$ 156,854	$ 41,086	$ 10,258	$ 1,474	$ 9,479	$ 2,188
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	$ 1,659	$13,417	$ 4,737	$ 13,684	$ 1,817	$ 1	$ 775	$ 490
Accrued payroll	1,199	730	607	1,399	31	-	163	66
Deferred tax, grant and subvention revenues	-	2,420	615	7,836	-	-	-	661
Due to other funds	-	-	4,635	-	-	-	-	1,219
Deferred credits and other liabilities	4,709	970	53,918	782	2,996	-	2	-
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-	-
Total liabilities	7,567	17,537	64,512	23,701	4,844	1	940	2,436
Fund balances:								
Reserved for assets not available for appropriation	-	-	17,633	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-	
Reserved for encumbrances	1,083	8,324	18,472	9,265	2,699	14	1,486	619
Reserved for appropriation carryforward	6,476	22,950	62,503	20,277	3,061	292	3,305	76
Reserved for subsequent years' budgets	-	11,241	-	-	-	-	4	-
Unreserved (deficit)	6,400	3,758	(6,266)	(12,157)	(346)	1,167	3,744	(943)
Total fund balances	13,959	46,273	92,342	17,385	5,414	1,473	8,539	(248)
Total liabilities and fund balances	$21,526	$63,810	$ 156,854	$ 41,086	$ 10,258	$ 1,474	$ 9,479	$ 2,188

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (continued)
June 30, 2009
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
ASSETS							
Deposits and investments with City Treasury	$ 6,414	$ 5,545	$ 7,987	$ 1,302	$ 821	$ 27,768	$31,273
Deposits and investments outside City Treasury	-	-	469	1	-	-	-
Receivables:							
Property taxes and penalties	-	-	-	-	-	1,581	1,581
Other local taxes	-	-	-	-	-	-	-
Federal and state grants and subventions	4,105	-	28	-	4,087	-	-
Charges for services	252	1,790	3	427	-	-	-
Interest and other	17	785	3	2	5	67	57
Due from other funds	-	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	-
Deferred charges and other assets	-	-	-	-	-	-	-
Total assets	$10,788	$ 8,120	$ 8,490	$ 1,732	$ 4,913	$ 29,416	$32,911
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 623	$ 1,125	$ 196	$ 311	$ 1,634	$ 219	$ 3,071
Accrued payroll	699	370	18	220	16	977	2,763
Deferred tax, grant and subvention revenues	-	50	346	-	1,859	1,304	1,304
Due to other funds	-	-	-	-	-	-	-
Deferred credits and other liabilities	8,611	125	-	114	-	812	812
Bonds, loans, capital leases and other payables	-	-	-	-	-	-	-
Total liabilities	9,933	1,670	560	645	3,509	3,312	7,950
Fund balances:							
Reserved for assets not available for appropriation	-	-	469	-	-	-	-
Reserved for debt service	-	-	-	-	-	-	-
Reserved for encumbrances	2,108	572	289	340	6,283	742	3,172
Reserved for appropriation carryforward	7,341	5,582	6,344	1,311	2,489	21,329	7,774
Reserved for subsequent years' budgets	-	-	-	-	-	-	-
Unreserved (deficit)	(8,594)	296	828	(564)	(7,368)	4,033	14,015
Total fund balances	855	6,450	7,930	1,087	1,404	26,104	24,961
Total liabilities and fund balances	$10,788	$ 8,120	$ 8,490	$ 1,732	$ 4,913	$ 29,416	$32,911

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (continued)
June 30, 2009
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
ASSETS							
Deposits and investments with City Treasury	$ 6,140	$ 21,728	$ 8,685	$121,817	$ -	$ 12,129	$ 430,469
Deposits and investments outside City Treasury	-	-	419	7,680	-	-	11,082
Receivables:							
Property taxes and penalties	-	-	-	-	-	-	5,059
Other local taxes	-	-	-	11,464	-	-	11,464
Federal and state grants and subventions	20,072	164	-	11,301	911	-	88,904
Charges for services	2,718	3,857	1	-	-	-	10,995
Interest and other	323	-	-	2,578	-	-	4,781
Due from other funds	-	22	16	-	-	-	1,168
Due from component unit	-	-	-	2,271	-	-	3,560
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	-	-	69,413
Deferred charges and other assets	-	3,237	-	17	-	-	3,700
Total assets	$29,253	$ 29,008	$ 9,121	$157,128	$ 911	$ 12,129	$ 640,595
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 6,999	$ 1,026	$ 827	$ 14,507	$ 246	$ 248	$ 67,612
Accrued payroll	2,224	2,578	172	203	-	443	14,878
Deferred tax, grant and subvention revenues	13,561	-	-	2,218	910	-	33,084
Due to other funds	-	873	-	3,024	659	-	10,410
Deferred credits and other liabilities	-	5,125	-	10,512	-	26	89,514
Bonds, loans, capital leases and other payables	-	-	-	150,000	-	-	150,000
Total liabilities	22,784	9,602	999	180,464	1,815	717	365,498
Fund balances:							
Reserved for assets not available for appropriation	-	-	417	-	-	-	18,519
Reserved for debt service	-	-	-	302	-	-	302
Reserved for encumbrances	38,612	6,210	1,960	6,481	-	119	108,850
Reserved for appropriation carryforward	8,580	9,584	5,671	1,811	-	8,893	205,649
Reserved for subsequent years' budgets	-	-	-	-	-	-	11,245
Unreserved (deficit)	(40,723)	3,612	74	(31,930)	(904)	2,400	(69,468)
Total fund balances	6,469	19,406	8,122	(23,336)	(904)	11,412	275,097
Total liabilities and fund balances	$29,253	$ 29,008	$ 9,121	$157,128	$ 911	$ 12,129	$ 640,595

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund	Culture and Recreation Fund	Environmental Protection Fund
Revenues:								
Property taxes	$ -	$ 43,004	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	1,340	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	42,626	-	-	-
Licenses, permits and franchises	3,568	-	-	-	-	-	205	-
Fines, forfeitures and penalties	-	-	-	2,207	-	41	-	-
Interest and investment income	582	1,680	5,893	287	460	59	203	-
Rents and concessions	-	-	-	-	18,462	-	278	-
Intergovernmental:								
Federal	-	10,137	45,518	65,966	-	-	-	120
State	-	14,810	344	33,662	-	-	-	-
Other	-	-	3	29	-	-	-	104
Charges for services	37,358	-	6,929	2,855	3,789	3,727	8,227	-
Other	-	-	3,362	613	94	-	722	7,204
Total revenues	41,508	69,631	63,389	105,619	65,431	3,827	9,635	7,428
Expenditures:								
Current:								
Public protection	-	-	-	-	-	476	-	-
Public works, transportation and commerce	42,433	-	5,881	-	-	8	306	-
Human welfare and neighborhood development	-	121,362	93,841	-	3,313	-	-	6,966
Community health	-	-	-	90,868	-	-	-	-
Culture and recreation	-	-	25	-	68,412	-	9,036	-
General administration and finance	-	-	1,795	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	24
Debt service:								
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	42,433	121,362	101,542	90,868	71,725	484	9,342	6,990
Excess (deficiency) of revenues over (under) expenditures	(925)	(51,731)	(38,153)	14,751	(6,294)	3,343	293	438
Other financing sources (uses):								
Transfers in	1,000	54,338	2,873	259	3,880	-	1,197	24
Transfers out	(2,591)	-	(8,475)	(5,359)	(3,546)	(4,187)	(1,409)	(387)
Issuance of bonds and loans								
Face value of bonds issued	-	-	1,300	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,591)	54,338	(4,302)	(5,100)	334	(4,187)	(212)	(363)
Net change in fund balances	(2,516)	2,607	(42,455)	9,651	(5,960)	(844)	81	75
Fund balances at beginning of year	16,475	43,666	134,797	7,734	11,374	2,317	8,458	(323)
Fund balances at end of year	$ 13,959	$ 46,273	$ 92,342	$ 17,385	$ 5,414	$ 1,473	$ 8,539	$ (248)

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (continued)
Year ended June 30, 2009
(In Thousands)

	Gasoline Tax Fund	General Services Fund	Gift Fund	Golf Fund	Human Welfare Fund	Open Space and Park Fund	Public Library Fund
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ 35,837	$ 35,837
Business taxes	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-
Licenses, permits and franchises	-	2,293	-	-	274	-	-
Fines, forfeitures and penalties	-	-	-	-	5	-	-
Interest and investment income	28	61	166	53	51	592	814
Rents and concessions	-	809	-	3,389	-	-	23
Intergovernmental:							
Federal	34	-	-	-	11,967	-	13
State	18,577	-	-	-	14	168	645
Other	-	-	-	-	-	-	-
Charges for services	356	1,475	33	7,608	171	-	817
Other	-	-	5,029	-	428	-	-
Total revenues	18,995	4,638	5,228	11,050	12,910	36,597	38,149
Expenditures:							
Current:							
Public protection	-	292	56	-	-	-	-
Public works, transportation and commerce	31,523	-	162	-	-	1,199	4,308
Human welfare and neighborhood development	-	-	143	-	18,069	-	-
Community health	-	-	237	-	-	-	-
Culture and recreation	-	886	1,208	11,142	-	36,453	76,469
General administration and finance	-	2,350	269	-	-	-	-
General City responsibilities	-	230	-	-	-	-	-
Debt service:							
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	31,523	3,758	2,075	11,142	18,069	37,652	80,777
Excess (deficiency) of revenues over (under) expenditures	(12,528)	880	3,153	(92)	(5,159)	(1,055)	(42,628)
Other financing sources (uses):							
Transfers in	11,987	230	15	-	3,040	584	42,140
Transfers out	-	(1,128)	(1,441)	(584)	-	(48)	(142)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	-
Other financing sources-capital leases	257	-	-	-	-	-	-
Total other financing sources (uses)	12,244	(898)	(1,426)	(584)	3,040	536	41,998
Net change in fund balances	(284)	(18)	1,727	(676)	(2,119)	(519)	(630)
Fund balances at beginning of year	1,139	6,468	6,203	1,763	3,523	26,623	25,591
Fund balances at end of year	$ 855	$ 6,450	$ 7,930	$ 1,087	$ 1,404	$ 26,104	$ 24,961

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (continued)
Year ended June 30, 2009
(In Thousands)

	Public Protection Fund	Public Works, Transportation and Commerce Fund	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:							
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ 114,678
Business taxes	-	-	-	-	-	-	1,340
Sales and use tax	-	-	-	71,132	-	-	71,132
Hotel room tax	-	-	-	-	-	10,120	52,746
Licenses, permits and franchises	1,063	-	-	-	-	-	7,403
Fines, forfeitures and penalties	1,823	-	-	-	-	-	4,076
Interest and investment income	506	578	194	3,697	-	221	16,125
Rents and concessions	-	82	26,045	-	-	2,197	51,285
Intergovernmental:							
Federal	37,017	1,101	-	-	4,548	-	176,421
State	9,795	-	-	6,514	1,571	-	86,100
Other	-	2,055	-	-	-	-	2,191
Charges for services	51,908	22,339	11	-	-	361	147,964
Other	415	423	500	4	-	-	18,794
Total revenues	102,527	26,578	26,750	81,347	6,119	12,899	750,255
Expenditures:							
Current:							
Public protection	109,100	-	-	-	-	-	109,924
Public works, transportation and commerce	1,401	19,061	92	79,826	-	115	186,315
Human welfare and neighborhood development	-	6,720	-	-	6,056	-	256,470
Community health	85	-	-	-	-	-	91,190
Culture and recreation	-	58	-	-	-	12,008	215,697
General administration and finance	113	427	15,617	-	-	-	20,571
General City responsibilities	-	-	-	-	-	-	254
Debt service:							
Interest and fiscal charges	-	-	-	1,925	-	-	1,925
Total expenditures	110,699	26,266	15,709	81,751	6,056	12,123	882,346
Excess (deficiency) of revenues over (under) expenditures	(8,172)	312	11,041	(404)	63	776	(132,091)
Other financing sources (uses):							
Transfers in	17,379	150	-	-	42	50	139,188
Transfers out	(989)	(580)	(12,968)	(19,920)	-	(221)	(63,975)
Issuance of bonds and loans							
Face value of bonds issued	-	-	-	-	-	-	1,300
Other financing sources-capital leases	-	-	-	-	-	-	257
Total other financing sources (uses)	16,390	(430)	(12,968)	(19,920)	42	(171)	76,770
Net change in fund balances	8,218	(118)	(1,927)	(20,324)	105	605	(55,321)
Fund balances at beginning of year	(1,749)	19,524	10,049	(3,012)	(1,009)	10,807	330,418
Fund balances at end of year	$ 6,469	$ 19,406	$ 8,122	$ (23,336)	$ (904)	$ 11,412	$ 275,097

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 43,387	$ 43,387	$ 43,004	$ (383)
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	3,526	3,526	3,568	42	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	887	887	406	(481)	918	1,182	1,558	376
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,345	10,165	10,137	(28)
State	-	-	-	-	14,398	15,245	15,040	(205)
Other	-	-	-	-	-	-	-	-
Charges for services	45,609	45,609	37,359	(8,250)	1,137	-	-	-
Other revenues	-	-	-	-	-	-	-	-
Total revenues	50,022	50,022	41,333	(8,689)	69,185	69,979	69,739	(240)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	49,272	47,535	42,433	5,102	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	129,967	123,404	121,360	2,044
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	49,272	47,535	42,433	5,102	129,967	123,404	121,360	2,044
Excess (deficiency) of revenues over (under) expenditures	750	2,487	(1,100)	(3,587)	(60,782)	(53,425)	(51,621)	1,804
Other financing sources (uses):								
Transfers in	-	1,000	1,000	-	54,337	54,337	54,337	-
Transfers out	(750)	(2,450)	(2,450)	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	2,259	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(750)	(1,450)	(1,450)	-	56,596	54,337	54,337	-
Net change in fund balances	-	1,037	(2,550)	(3,587)	(4,186)	912	2,716	1,804
Budgetary fund balance (deficit), July 1	-	16,555	16,555	-	4,186	44,567	44,567	-
Budgetary fund balance (deficit), June 30	$ -	$ 17,592	$ 14,005	$ (3,587)	$ -	$ 45,479	$ 47,283	$ 1,804

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Community/Neighborhood Development Fund Original Budget	Final Budget	Actual	Variance Positive (Negative)	Community Health Services Fund Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	835	835	1,340	505	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	2,281	2,283	2,207	(76)
Interest and investment income	110	4,884	5,530	646	50	48	296	248
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	6,316	45,819	45,819	-	58,822	63,406	63,406	-
State	-	420	420	-	37,713	32,494	32,494	-
Other	-	3	3	-	-	29	29	-
Charges for services	5,212	5,760	6,929	1,169	121	1,922	2,855	933
Other revenues	-	4,237	3,362	(875)	494	613	613	-
Total revenues	12,473	61,958	63,403	1,445	99,481	100,795	101,900	1,105
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	4,926	5,881	5,881	-	-	-	-	-
Human welfare and neighborhood development	5,511	94,273	93,842	431	-	-	-	-
Community health	-	-	-	-	99,570	90,846	90,846	-
Culture and recreation	-	25	25	-	-	-	-	-
General administration and finance	1,293	1,794	1,794	-	-	-	-	-
Total expenditures	11,730	101,973	101,542	431	99,570	90,846	90,846	-
Excess (deficiency) of revenues over (under) expenditures	743	(40,015)	(38,139)	1,876	(89)	9,949	11,054	1,105
Other financing sources (uses):								
Transfers in	-	2,873	2,873	-	-	237	237	-
Transfers out	-	(8,333)	(8,333)	-	(900)	(5,359)	(5,359)	-
Issuance of bonds	-	1,300	1,300	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	(110)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(110)	(4,160)	(4,160)	-	(900)	(5,122)	(5,122)	-
Net change in fund balances	633	(44,175)	(42,299)	1,876	(989)	4,827	5,932	1,105
Budgetary fund balance (deficit), July 1	(633)	125,124	125,124	-	989	18,030	18,030	-
Budgetary fund balance (deficit), June 30	$ -	$ 80,949	$ 82,825	$ 1,876	$ -	$ 22,857	$ 23,962	$ 1,105

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Convention Facilities Fund Original Budget	Final Budget	Actual	Variance Positive (Negative)	Court's Fund Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	42,626	42,626	42,626	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	34	34	41	7
Interest and investment income	-	-	-	-	115	115	51	(64)
Rents and concessions	20,185	20,185	18,462	(1,723)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	571	571	3,789	3,218	3,676	3,676	3,727	51
Other revenues	-	94	94	-	-	-	-	-
Total revenues	63,382	63,476	64,971	1,495	3,825	3,825	3,819	(6)
Expenditures:								
Public protection	-	-	-	-	4,531	486	475	11
Public works, transportation and commerce	-	-	-	-	-	8	8	-
Human welfare and neighborhood development	900	3,313	3,313	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	73,276	73,481	68,412	5,069	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	74,176	76,794	71,725	5,069	4,531	494	483	11
Excess (deficiency) of revenues over (under) expenditures	(10,794)	(13,318)	(6,754)	6,564	(706)	3,331	3,336	5
Other financing sources (uses):								
Transfers in	8,437	3,880	3,880	-	-	-	-	-
Transfers out	-	(3,086)	(3,086)	-	-	(4,187)	(4,187)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	8,437	794	794	-	-	(4,187)	(4,187)	-
Net change in fund balances	(2,357)	(12,524)	(5,960)	6,564	(706)	(856)	(851)	5
Budgetary fund balance (deficit), July 1	2,357	15,632	15,632	-	706	2,332	2,332	-
Budgetary fund balance (deficit), June 30	$ -	$ 3,108	$ 9,672	$ 6,564	$ -	$ 1,476	$ 1,481	$ 5

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	208	208	205	(3)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	53	53	127	74	-	-	-	-
Rents and concessions	286	286	278	(8)	-	-	-	-
Intergovernmental:								
Federal	100	-	-	-	-	109	109	-
State	-	-	-	-	2,351	-	-	-
Other	-	-	-	-	207	133	133	-
Charges for services	7,715	8,241	8,227	(14)	-	-	-	-
Other revenues	628	633	721	88	-	7,343	7,343	-
Total revenues	8,990	9,421	9,558	137	2,558	7,585	7,585	-
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	306	306	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	2,187	6,857	6,857	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	7,934	9,443	9,037	406	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	7,934	9,749	9,343	406	2,187	6,857	6,857	-
Excess (deficiency) of revenues over (under) expenditures	1,056	(328)	215	543	371	728	728	-
Other financing sources (uses):								
Transfers in	200	1,197	1,197	-	-	-	-	-
Transfers out	(1,052)	(1,335)	(1,335)	-	(371)	(496)	(496)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	(192)	(191)	-	191	-	-	-	-
Loan repayments and other financing sources (uses)	(12)	(12)	-	12	-	-	-	-
Total other financing sources (uses)	(1,056)	(341)	(138)	203	(371)	(496)	(496)	-
Net change in fund balances	-	(669)	77	746	-	232	232	-
Budgetary fund balance (deficit), July 1	-	13,361	13,361	-	-	(159)	(159)	-
Budgetary fund balance (deficit), June 30	$ -	$ 12,692	$ 13,438	$ 746	$ -	$ 73	$ 73	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	2,388	2,388	2,293	(95)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	255	255	42	(213)	53	53	61	8
Rents and concessions	-	-	-	-	-	809	809	-
Intergovernmental:								
Federal	-	34	34	-	-	-	-	-
State	17,489	28,497	18,577	(9,920)	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	800	356	(444)	1,363	1,496	1,475	(21)
Other revenues	-	-	-	-	-	-	-	-
Total revenues	18,544	29,586	19,009	(10,577)	3,804	4,746	4,638	(108)
Expenditures:								
Public protection	-	-	-	-	299	292	292	-
Public works, transportation and commerce	30,549	33,248	31,266	1,982	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	886	886	-
General administration and finance	-	-	-	-	3,896	2,456	2,350	106
Total expenditures	30,549	33,248	31,266	1,982	4,195	3,634	3,528	106
Excess (deficiency) of revenues over (under) expenditures	(12,005)	(3,662)	(12,257)	(8,595)	(391)	1,112	1,110	(2)
Other financing sources (uses):								
Transfers in	12,005	12,005	12,005	-	391	-	-	-
Transfers out	-	(18)	(18)	-	-	(1,128)	(1,128)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	12,005	11,987	11,987	-	391	(1,128)	(1,128)	-
Net change in fund balances	-	8,325	(270)	(8,595)	-	(16)	(18)	(2)
Budgetary fund balance (deficit), July 1	-	1,140	1,140	-	-	6,485	6,485	-
Budgetary fund balance (deficit), June 30	$ -	$ 9,465	$ 870	$ (8,595)	$ -	$ 6,469	$ 6,467	$ (2)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Gift Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	4	40	36	10	10	48	38
Rents and concessions	-	-	-	-	3,822	3,822	3,389	(433)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	33	33	-	8,090	8,590	7,608	(982)
Other revenues	845	4,404	5,029	625	-	-	-	-
Total revenues	845	4,441	5,102	661	11,922	12,422	11,045	(1,377)
Expenditures:								
Public protection	-	55	55	-	-	-	-	-
Public works, transportation and commerce	-	162	162	-	-	-	-	-
Human welfare and neighborhood development	25	143	143	-	-	-	-	-
Community health	-	237	237	-	-	-	-	-
Culture and recreation	528	1,209	1,209	-	11,914	11,825	11,142	683
General administration and finance	292	269	269	-	-	-	-	-
Total expenditures	845	2,075	2,075	-	11,914	11,825	11,142	683
Excess (deficiency) of revenues over (under) expenditures	-	2,366	3,027	661	8	597	(97)	(694)
Other financing sources (uses):								
Transfers in	-	15	15	-	-	-	-	-
Transfers out	-	(1,317)	(1,317)	-	(584)	(584)	(584)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(128)	(128)	-	128
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1,302)	(1,302)	-	(712)	(712)	(584)	128
Net change in fund balances	-	1,064	1,725	661	(704)	(115)	(681)	(566)
Budgetary fund balance (deficit), July 1	-	6,198	6,198	-	704	1,773	1,773	-
Budgetary fund balance (deficit), June 30	$ -	$ 7,262	$ 7,923	$ 661	$ -	$ 1,658	$ 1,092	$ (566)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Human Welfare Fund				Open Space and Park Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 36,258	$ 36,258	$ 35,837	$ (421)
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	274	64	-	-	-	-
Fines, forfeitures, and penalties	-	-	5	5	-	-	-	-
Interest and investment income	-	-	45	45	400	400	550	150
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	25,341	13,425	13,425	-	-	-	-	-
State	172	15	15	-	152	152	168	16
Other	-	-	-	-	-	-	-	-
Charges for services	191	191	171	(20)	-	-	-	-
Other revenues	571	428	428	-	-	-	-	-
Total revenues	26,485	14,269	14,363	94	36,810	36,810	36,555	(255)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	1,199	1,199	-
Human welfare and neighborhood development	30,485	18,040	18,040	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	37,024	37,418	36,453	965
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	30,485	18,040	18,040	-	37,024	38,617	37,652	965
Excess (deficiency) of revenues over (under) expenditures	(4,000)	(3,771)	(3,677)	94	(214)	(1,807)	(1,097)	710
Other financing sources (uses):								
Transfers in	4,000	3,010	3,010	-	584	584	584	-
Transfers out	-	-	-	-	-	(48)	(48)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(5,047)	-	-	-
Total other financing sources (uses)	4,000	3,010	3,010	-	(4,463)	536	536	-
Net change in fund balances	-	(761)	(667)	94	(4,677)	(1,271)	(561)	710
Budgetary fund balance (deficit), July 1	-	3,779	3,779	-	4,677	26,734	26,734	-
Budgetary fund balance (deficit), June 30	$ -	$ 3,018	$ 3,112	$ 94	$ -	$ 25,463	$ 26,173	$ 710

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2009

(In Thousands)

	Public Library Fund				Public Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 36,258	$ 36,258	$ 35,837	$ (421)	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	2,370	2,370	1,063	(1,307)
Fines, forfeitures, and penalties	-	-	-	-	1,567	1,567	1,823	256
Interest and investment income	234	234	623	389	63	754	480	(274)
Rents and concessions	28	28	23	(5)	-	-	-	-
Intergovernmental:								
Federal	-	13	13	-	4,086	25,233	25,233	-
State	589	595	645	50	10,688	9,795	9,795	-
Other	-	-	-	-	-	-	-	-
Charges for services	765	757	817	60	46,848	57,331	51,908	(5,423)
Other revenues	-	-	-	-	-	415	415	-
Total revenues	37,874	37,885	37,958	73	65,622	97,465	90,717	(6,748)
Expenditures:								
Public protection	-	-	-	-	72,769	109,298	108,826	472
Public works, transportation and commerce	-	4,308	4,308	-	2,131	2,396	1,401	995
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	75	85	85	-
Culture and recreation	83,907	78,850	76,469	2,381	-	-	-	-
General administration and finance	-	-	-	-	-	113	113	-
Total expenditures	83,907	83,158	80,777	2,381	74,975	111,892	110,425	1,467
Excess (deficiency) of revenues over (under) expenditures	(46,033)	(45,273)	(42,819)	2,454	(9,353)	(14,427)	(19,708)	(5,281)
Other financing sources (uses):								
Transfers in	46,265	42,140	42,140	-	13,887	17,105	17,105	-
Transfers out	-	-	-	-	-	(989)	(989)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	(232)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(9,240)	(55)	-	55
Total other financing sources (uses)	46,033	42,140	42,140	-	4,647	16,061	16,116	55
Net change in fund balances	-	(3,133)	(679)	2,454	(4,706)	1,634	(3,592)	(5,226)
Budgetary fund balance (deficit), July 1	-	25,697	25,697	-	4,706	21,418	21,418	-
Budgetary fund balance (deficit), June 30	$ -	$ 22,564	$ 25,018	$ 2,454	$ -	$ 23,052	$ 17,826	$ (5,226)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2009

(In Thousands)

	Public Works, Transportation and Commerce Fund				Real Property Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	2	2
Rents and concessions	-	-	82	82	5,825	29,018	26,045	(2,973)
Intergovernmental:								
Federal	-	1,056	1,056	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	2,055	2,055	-	-	-	-	-
Charges for services	8,098	23,790	20,229	(3,561)	-	-	11	11
Other revenues	-	466	423	(43)	500	500	500	-
Total revenues	8,098	27,367	23,845	(3,522)	6,325	29,518	26,558	(2,960)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	1,043	17,710	19,017	(1,307)	-	92	92	-
Human welfare and neighborhood development	7,224	7,161	6,720	441	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	58	58	-	-	-	-	-
General administration and finance	-	427	427	-	6,325	15,617	15,617	-
Total expenditures	8,267	25,356	26,222	(866)	6,325	15,709	15,709	-
Excess (deficiency) of revenues over (under) expenditures	(169)	2,011	(2,377)	(4,388)	-	13,809	10,849	(2,960)
Other financing sources (uses):								
Transfers in	-	104	104	-	-	-	-	-
Transfers out	-	-	-	-	-	(12,776)	(12,776)	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	104	104	-	-	(12,776)	(12,776)	-
Net change in fund balances	(169)	2,115	(2,273)	(4,388)	-	1,033	(1,927)	(2,960)
Budgetary fund balance (deficit), July 1	169	20,557	20,557	-	-	10,053	10,053	-
Budgetary fund balance (deficit), June 30	$ -	$ 22,672	$ 18,284	$ (4,388)	$ -	$ 11,086	$ 8,126	$ (2,960)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2009

(In Thousands)

	San Francisco County Transportation Authority Fund				Senior Citizens' Program Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	83,155	83,155	71,132	(12,023)	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	3,349	3,349	3,697	348	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	4,280	4,446	4,404	(42)
State	19,548	25,889	6,514	(19,375)	1,752	1,611	1,611	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Other revenues	-	-	4	4	-	-	-	-
Total revenues	106,052	112,393	81,347	(31,046)	6,032	6,057	6,015	(42)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	235,021	239,221	103,935	135,286	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	6,032	6,057	6,015	42
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	235,021	239,221	103,935	135,286	6,032	6,057	6,015	42
Excess (deficiency) of revenues over (under) expenditures	(128,969)	(126,828)	(22,588)	104,240	-	-	-	-
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	10,000	10,000	-	(10,000)	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	10,000	10,000	-	(10,000)	-	-	-	-
Net change in fund balances	(118,969)	(116,828)	(22,588)	94,240	-	-	-	-
Budgetary fund balance (deficit), July 1	118,969	158,591	158,591	-	-	2	2	-
Budgetary fund balance (deficit), June 30	$ -	$ 41,763	$ 136,003	$ 94,240	$ -	$ 2	$ 2	$ -

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Budget Basis (Continued)

Special Revenue Funds

Year ended June 30, 2009

(In Thousands)

	War Memorial Fund				TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 115,903	$ 115,903	$ 114,678	$ (1,225)
Business taxes	-	-	-	-	835	835	1,340	505
Sales and use tax	-	-	-	-	83,155	83,155	71,132	(12,023)
Hotel room tax	10,120	10,120	10,120	-	52,746	52,746	52,746	-
Licenses, permits, and franchises	-	-	-	-	8,702	8,702	7,403	(1,299)
Fines, forfeitures, and penalties	-	-	-	-	3,882	3,884	4,076	192
Interest and investment income	-	-	-	-	6,497	12,228	13,556	1,328
Rents and concessions	1,587	1,918	2,197	279	31,733	56,066	51,285	(4,781)
Intergovernmental:								
Federal	-	-	-	-	108,290	163,706	163,636	(70)
State	-	-	-	-	104,852	114,713	85,279	(29,434)
Other	-	-	-	-	207	2,220	2,220	-
Charges for services	268	322	361	39	130,464	159,089	145,855	(13,234)
Other revenues	-	-	-	-	3,038	19,133	18,932	(201)
Total revenues	11,975	12,360	12,678	318	650,304	792,380	732,138	(60,242)
Expenditures:								
Public protection	-	-	-	-	77,599	110,131	109,648	483
Public works, transportation and commerce	-	115	115	-	322,942	352,181	210,123	142,058
Human welfare and neighborhood development	-	-	-	-	182,331	259,248	256,290	2,958
Community health	-	-	-	-	99,645	91,168	91,168	-
Culture and recreation	12,453	12,489	12,008	481	227,036	225,684	215,699	9,985
General administration and finance	-	-	-	-	11,806	20,676	20,570	106
Total expenditures	12,453	12,604	12,123	481	921,359	1,059,088	903,498	155,590
Excess (deficiency) of revenues over (under) expenditures	(478)	(244)	555	799	(271,055)	(266,708)	(171,360)	95,348
Other financing sources (uses):								
Transfers in	-	50	50	-	140,106	138,537	138,537	-
Transfers out	-	-	-	-	(3,657)	(42,106)	(42,106)	-
Issuance of bonds	-	-	-	-	-	1,300	1,300	-
Issuance of loans	-	-	-	-	10,000	10,000	-	(10,000)
Budget reserves and designations	-	-	-	-	1,597	(319)	-	319
Loan repayments and other financing sources (uses)	-	-	-	-	(14,299)	(67)	-	67
Total other financing sources (uses)	-	50	50	-	133,747	107,345	97,731	(9,614)
Net change in fund balances	(478)	(194)	605	799	(137,308)	(159,363)	(73,629)	85,734
Budgetary fund balance (deficit), July 1	478	10,771	10,771	-	137,308	528,640	528,640	-
Budgetary fund balance (deficit), June 30	$ -	$ 10,577	$ 11,376	$ 799	$ -	$ 369,277	$ 455,011	$ 85,734

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 49,272	$ 47,302	$ 42,200	$ 5,102
Public Works	-	233	233	-
Total Building Inspection Fund	49,272	47,535	42,433	5,102
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	14,366	14,370	14,143	227
Children and Families Commission	24,736	22,666	22,666	-
Mayor's Office	90,865	86,368	84,551	1,817
Total Children and Families Fund	129,967	123,404	121,360	2,044
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Business and Economic Development	4,926	5,837	5,837	-
Public Works	-	44	44	-
	4,926	5,881	5,881	-
Human Welfare and Neighborhood Development				
Mayor's Office	300	89,121	89,121	-
Rent Arbitration Board	5,211	5,152	4,721	431
	5,511	94,273	93,842	431
Culture and Recreation				
Recreation and Park Commission	-	25	25	-
General Administration and Finance				
Administrative Services	835	735	735	-
City Planning	458	1,059	1,059	-
	1,293	1,794	1,794	-
Total Community/Neighborhood Development Fund	11,730	101,973	101,542	431
COMMUNITY HEALTH SERVICES FUND				
Community Health				
Community Health Network	99,570	90,846	90,846	-
Total Community Health Services Fund	99,570	90,846	90,846	-
CONVENTION FACILITIES FUND				
Culture and Recreation				
Arts Commission	-	21	21	-
Administrative Services	73,276	73,460	68,391	5,069
	73,276	73,481	68,412	5,069
Human Welfare and Neighborhood Development				
Mayor's Office	900	3,313	3,313	-
Total Convention Facilities Fund	74,176	76,794	71,725	5,069

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	4,531	486	475	11
Public Works, Transportation and Commerce				
Public Works	-	8	8	-
Total Court's Fund	4,531	494	483	11
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	-	213	213	-
Public Works	-	93	93	-
	-	306	306	-
Culture and Recreation				
Arts Commission	1,179	1,803	1,803	-
Asian Art Museum	874	930	930	-
Fine Arts Museums	4,360	4,425	4,425	-
Recreation and Park Commission	1,521	2,285	1,879	406
	7,934	9,443	9,037	406
Total Culture and Recreation Fund	7,934	9,749	9,343	406
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	2,187	6,857	6,857	-
Total Environmental Protection Fund	2,187	6,857	6,857	-
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	38	38	-
Public Utilities Commission	-	50	50	-
Public Works	30,549	33,160	31,178	1,982
Total Gasoline Tax Fund	30,549	33,248	31,266	1,982
GENERAL SERVICES FUND				
Public Protection				
Mayor's Office	19	19	19	-
Trial Courts	280	273	273	-
	299	292	292	-
Culture and Recreation				
Fine Arts Museum	-	886	886	-
General Administration and Finance				
Administrative Services	80	-	-	-
Assessor/Recorder	1,395	968	968	-
Board of Supervisors	-	54	54	-
Telecommunications and Information Services	2,421	1,367	1,328	39
Human Resources	-	67	-	67
	3,896	2,456	2,350	106
Total General Services Fund	4,195	3,634	3,528	106

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT FUND				
Public Protection				
Fire Department	-	3	3	-
Police Department	-	20	20	-
Public Defender	-	32	32	-
	-	55	55	-
Public Works, Transportation and Commerce				
Public Works	-	162	162	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	82	82	-
Social Services	25	61	61	-
	25	143	143	-
Community Health				
Community Health Network	-	237	237	-
Culture and Recreation				
Arts Commission	-	47	47	-
Fine Arts Museums	-	181	181	-
Public Library	45	504	504	-
Recreation and Park Commission	483	477	477	-
	528	1,209	1,209	-
General Administration and Finance				
Administrative Services	-	75	75	-
Mayor's Office	-	74	74	-
Treasurer/Tax Collector	292	120	120	-
	292	269	269	-
Total Gift Fund	845	2,075	2,075	-
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	11,914	11,825	11,142	683
Total Golf Fund	11,914	11,825	11,142	683
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	210	246	246	-
Social Services	30,275	17,794	17,794	-
	30,485	18,040	18,040	-
Total Human Welfare Fund	30,485	18,040	18,040	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	12	12	-
Public Utilities Commission	-	11	11	-
Public Works	-	1,176	1,176	-
	-	1,199	1,199	-
Culture and Recreation				
Recreation and Park Commission	37,024	37,418	36,453	965
Total Open Space and Park Fund	37,024	38,617	37,652	965
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	5	5	-
Public Works	-	4,303	4,303	-
	-	4,308	4,308	-
Culture and Recreation				
Arts Commission	-	19	19	-
Public Library	83,907	78,831	76,450	2,381
	83,907	78,850	76,469	2,381
Total Public Library Fund	83,907	83,158	80,777	2,381
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	5,447	5,407	5,407	-
Emergency Communications Department	47,600	74,203	73,731	472
Fire Department	-	1,916	1,916	-
Mayor's Office	3,528	3,506	3,506	-
Police Commission	11,012	19,272	19,272	-
Public Defender	101	101	101	-
Sheriff	4,771	4,283	4,283	-
Trial Courts	310	610	610	-
	72,769	109,298	108,826	472
Public Works, Transportation and Commerce				
Municipal Transportation Agency	2,131	2,384	1,389	995
Port	-	12	12	-
	2,131	2,396	1,401	995
Community Health				
Community Health	75	85	85	-
General Administration and Finance				
City Attorney	-	113	113	-
Total Public Protection Fund	74,975	111,892	110,425	1,467

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis (Continued)
Special Revenue Funds
Year ended June 30, 2009
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	21	21	-
Public Works	1,043	17,689	18,996	(1,307)
	1,043	17,710	19,017	(1,307)
Human Welfare and Neighborhood Development				
Mayor's Office	7,224	7,161	6,720	441
Culture and Recreation				
Arts Commission	-	58	58	-
General Administration and Finance				
City Planning	-	427	427	-
Total Public Works, Transportation and Commerce Fund	8,267	25,356	26,222	(866)
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Works	-	92	92	-
General Administration and Finance				
Administrative Services	6,325	15,617	15,617	-
Total Real Property Fund	6,325	15,709	15,709	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	235,021	239,221	103,935	135,286
Total SF County Transportation Authority Fund	235,021	239,221	103,935	135,286
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	6,032	6,057	6,015	42
Total Senior Citizens' Program Fund	6,032	6,057	6,015	42
WAR MEMORIAL FUND				
Public Works, Transportation and Commerce				
Public Works	-	115	115	-
Culture and Recreation				
War Memorial	12,453	12,489	12,008	481
Total War Memorial Fund	12,453	12,604	12,123	481
Total Special Revenue Funds With Legally Adopted Budgets	$ 921,359	$ 1,059,088	$ 903,498	$ 155,590

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2009
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
ASSETS				
Deposits and investments with City Treasury	$ 43,056	$ -	$ -	$ 43,056
Deposits and investments outside City Treasury	-	34,560	-	34,560
Receivables:				
Property taxes and penalties	6,305	-	-	6,305
Interest and other	223	117	-	340
Total assets	$ 49,584	$ 34,677	$ -	$ 84,261
LIABILITIES AND FUND BALANCES				
Liabilities:				
Deferred tax, grant and subvention revenues	$ 5,153	$ -	$ -	$ 5,153
Deferred credits and other liabilities	3,524	-	-	3,524
Total liabilities	8,677	-	-	8,677
Fund balances:				
Reserved for debt service	40,907	34,677	-	75,584
Total fund balances	40,907	34,677	-	75,584
Total liabilities and fund balances	$ 49,584	$ 34,677	$ -	$ 84,261

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Debt Service Funds
Year ended June 30, 2009
(In Thousands)

	General Obligation Bond	Certificates of Participation	Other Bond Funds	Total
Revenues:				
Property taxes	$ 158,179	$ -	$ -	$ 158,179
Interest and investment income	1,700	1,102	-	2,802
Rents and concessions	-	819	-	819
Intergovernmental:				
State	706	-	-	706
Total revenues	160,585	1,921	-	162,506
Expenditures:				
Current:				
Debt service:				
Principal retirement	107,372	10,330	7,861	125,563
Interest and fiscal charges	52,117	19,060	1,191	72,368
Bond issuance costs	876	-	-	876
Total expenditures	160,365	29,390	9,052	198,807
Excess (deficiency) of revenues over (under) expenditures	220	(27,469)	(9,052)	(36,301)
Other financing sources (uses):				
Transfers in	7,960	47,095	9,040	64,095
Issuance of bonds and loans				
Face value of bonds issued	118,130	-	-	118,130
Premium on issuance of bonds	2,714	-	-	2,714
Payment to refunded bond escrow agent	(120,000)	-	-	(120,000)
Total other financing sources, net	8,804	47,095	9,040	64,939
Net change in fund balances	9,024	19,626	(12)	28,638
Fund balances at beginning of year	31,883	15,051	12	46,946
Fund balances at end of year	$ 40,907	$ 34,677	$ -	$ 75,584

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Budget Basis
Debt Service Fund
Year ended June 30, 2009
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 161,274	$ 161,274	$ 158,179	$ (3,095)
Interest and investment income	-	-	1,670	1,670
Intergovernmental:				
State	750	750	706	(44)
Total revenues	162,024	162,024	160,555	(1,469)
Expenditures:				
Debt service:				
Principal retirement	162,024	107,372	107,372	-
Interest and fiscal charges	-	61,670	52,117	9,553
Bond issuance costs	-	442	442	-
Total expenditures	162,024	169,484	159,931	9,553
Excess (deficiency) of revenues over (under) expenditures	-	(7,460)	624	8,084
Other financing sources (uses):				
Transfers in	-	7,960	7,960	-
Issuance of bonds and loans				
Face value of bonds issued	-	1,000	1,000	-
Loan repayments and other financing uses	-	(591)	(591)	-
Total other financing sources (uses)	-	8,369	8,369	-
Net change in fund balances	-	909	8,993	8,084
Budgetary fund balance, July 1	-	39,729	39,729	-
Budgetary fund balance, June 30	$ -	$ 40,638	$ 48,722	$ 8,084

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CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2009
(In Thousands)

	City Facilities Improvement	Earthquake Safety Improvement	Fire Protection Systems Improvement	Moscone Convention Center
ASSETS				
Deposits and investments with City Treasury	$ 106,041	$ 728	$ 10,188	$ 6,911
Deposits and investments outside City Treasury	162,993	-	-	-
Receivables:				
Federal and state grants and subventions	626	-	-	-
Charges for services	-	-	-	-
Interest and other	358	2	32	117
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
Deferred charges and other assets	-	-	-	39
Total assets	$ 270,018	$ 730	$ 10,220	$ 7,067
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 8,248	$ 11	$ 2	$ -
Accrued payroll	177	-	-	-
Deferred tax, grant and subvention revenues	-	-	-	-
Due to other funds	22,747	-	-	10,700
Deferred credits and other liabilities	12	24	-	-
Total liabilities	31,184	35	2	10,700
Fund balances:				
Reserved for assets not available for appropriation	215	-	-	40
Reserved for encumbrances	10,691	25	47	93
Reserved for appropriation carryforward	223,269	915	2,836	1,636
Unreserved	4,659	(245)	7,335	(5,402)
Total fund balances	238,834	695	10,218	(3,633)
Total liabilities and fund balances	$ 270,018	$ 730	$ 10,220	$ 7,067

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (continued)
June 30, 2009
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
ASSETS				
Deposits and investments with City Treasury	$ 28,204	$ 43,756	$ 25,576	$ 221,404
Deposits and investments outside City Treasury	-	-	-	162,993
Receivables:				
Federal and state grants and subventions	6,469	4,974	4,359	16,428
Charges for services	-	-	30	30
Interest and other	77	99	34	719
Due from other funds	103	2,709	194	3,006
Due from component unit	-	-	958	958
Deferred charges and other assets	-	-	-	39
Total assets	$ 34,853	$ 51,538	$ 31,151	$ 405,577
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,619	$ 2,861	$ 4,438	$ 18,179
Accrued payroll	130	284	791	1,382
Deferred tax, grant and subvention revenues	595	2,165	132	2,892
Due to other funds	-	-	-	33,447
Deferred credits and other liabilities	1,307	374	23,055	24,772
Total liabilities	4,651	5,684	28,416	80,672
Fund balances:				
Reserved for assets not available for appropriation	-	-	958	1,213
Reserved for encumbrances	16,971	10,752	19,651	58,230
Reserved for appropriation carryforward	11,136	37,735	14,088	291,615
Unreserved	2,095	(2,633)	(31,962)	(26,153)
Total fund balances	30,202	45,854	2,735	324,905
Total liabilities and fund balances	$ 34,853	$ 51,538	$ 31,151	$ 405,577

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds
Year Ended June 30, 2009
(In Thousands)

	City Facilities Improve-ment	Earthquake Safety Improve-ment	Fire Protection Systems Improve-ment	Moscone Convention Center
Revenues:				
Interest and investment income	$ 2,594	$ 21	$ 296	$ 251
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	1,323	-	-	-
State	-	-	-	-
Other	-	-	-	-
Charges for services	5	-	-	-
Other	-	-	-	-
Total revenues	3,922	21	296	251
Expenditures:				
Debt service:				
Interest and fiscal charges	100	-	-	-
Bond issuance costs	3,313	-	-	-
Capital outlay	52,955	297	190	-
Total expenditures	56,368	297	190	-
Excess (deficiency) of revenues over (under) expenditures	(52,446)	(276)	106	251
Other financing sources (uses):				
Transfers in	404	-	-	-
Transfers out	(125,230)	-	(1,739)	(30)
Issuance of bonds and loans				
Face value of bonds issued	294,985	-	-	-
Premium on issuance of bonds	9,556	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	179,715	-	(1,739)	(30)
Net change in fund balances	127,269	(276)	(1,633)	221
Fund balances at beginning of year	111,565	971	11,851	(3,854)
Fund balances at end of year	$ 238,834	$ 695	$ 10,218	$ (3,633)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds – Capital Projects Funds (continued)
Year Ended June 30, 2009
(In Thousands)

	Public Library Improvement	Recreation and Park Projects	Street Improvement	Total
Revenues:				
Interest and investment income	$ 1,003	$ 779	$ 292	$ 5,236
Rents and concessions	32	-	661	693
Intergovernmental:				
Federal	-	387	7,319	9,029
State	4,584	4,349	12,121	21,054
Other	-	-	12,676	12,676
Charges for services	-	300	1	306
Other	-	165	145	310
Total revenues	5,619	5,980	33,215	49,304
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	-	100
Bond issuance costs	40	517	-	3,870
Capital outlay	21,116	33,312	44,603	152,473
Total expenditures	21,156	33,829	44,603	156,443
Excess (deficiency) of revenues over (under) expenditures	(15,537)	(27,849)	(11,388)	(107,139)
Other financing sources (uses):				
Transfers in	-	1,824	10,987	13,215
Transfers out	-	(4,055)	-	(131,054)
Issuance of bonds and loans				
Face value of bonds issued	-	42,520	-	337,505
Premium on issuance of bonds	-	605	-	10,161
Other financing sources-capital leases	103	20,364	-	20,467
Total other financing sources, net	103	61,258	10,987	250,294
Net change in fund balances	(15,434)	33,409	(401)	143,155
Fund balances at beginning of year	45,636	12,445	3,136	181,750
Fund balances at end of year	$ 30,202	$ 45,854	$ 2,735	$ 324,905

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CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets – Internal Service Funds
June 30, 2009
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecommunications & Information Fund	Total	
Assets						
Current assets:						
Deposits and investments with City Treasury	$ 1,379	$ 310	$ 663	$ 13,957	$ 16,309	
Receivables:						
Charges for services	89	-	-	-	89	
Interest and other	-	127	134	592	853	
Due from other funds	-	316	-	-	316	(1)
Capital leases receivable	-	21,100	-	-	21,100	
Total current assets	1,468	21,853	797	14,549	38,667	
Noncurrent assets:						
Restricted assets:						
Deposits and investments outside City Treasury	-	96,050	-	-	96,050	
Capital leases receivable	-	272,191	-	-	272,191	
Capital assets:						
Facilities and equipment, net of depreciation	1,011	-	773	4,579	6,363	
Deferred charges and other assets	-	4,233	-	-	4,233	
Total noncurrent assets	1,011	372,474	773	4,579	378,837	
Total assets	$ 2,479	$ 394,327	$ 1,570	$ 19,128	$ 417,504	
Liabilities						
Current liabilities:						
Accounts payable	$ 1,277	$ 549	$ 139	$ 6,998	$ 8,963	
Accrued payroll	495	-	96	1,313	1,904	
Accrued vacation and sick leave pay	456	-	-	1,334	1,790	
Accrued workers' compensation	-	-	-	161	161	
Bonds, loans, capital leases, and other payables	-	18,890	238	-	19,128	
Accrued interest payable	-	2,090	-	-	2,090	
Due to other funds	78	3,141	-	238	3,457	(1)
Deferred credits and other liabilities	41	95,221	-	939	96,201	
Total current liabilities	2,347	119,891	473	10,983	133,694	
Noncurrent liabilities:						
Accrued vacation and sick leave pay	397	-	-	1,196	1,593	
Accrued workers' compensation	-	-	-	866	866	
Other postemployment benefits obligation	1,463	-	-	6,422	7,885	
Bonds, loans, capital leases, and other payables	-	274,436	474	-	274,910	
Total noncurrent liabilities	1,860	274,436	474	8,484	285,254	
Total liabilities	4,207	394,327	947	19,467	418,948	
Net Assets						
Invested in capital assets, net of related debt	1,011	-	61	4,579	5,651	
Unrestricted (deficit)	(2,739)	-	562	(4,918)	(7,095)	
Total net assets (deficit)	$ (1,728)	$ -	$ 623	$ (339)	$ (1,444)	

Notes:

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Assets - Proprietary Funds.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses, and Changes in Net Assets – Internal Service Funds
Year ended June 30, 2009
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 24,529	$ -	$ 6,881	$ 79,908	$ 111,318
Rent and concessions	-	-	-	48	48
Total operating revenues	24,529	-	6,881	79,956	111,366
Operating expenses:					
Personal services	11,721	-	1,960	33,192	46,873
Contractual services	2,886	-	3,545	31,181	37,612
Materials and supplies	9,604	-	345	4,846	14,795
Depreciation and amortization	630	348	131	595	1,704
General and administrative	89	-	6	205	300
Services provided by other departments	1,284	-	975	5,986	8,245
Other	120	-	133	680	933
Total operating expenses	26,334	348	7,095	76,685	110,462
Operating income (loss)	(1,805)	(348)	(214)	3,271	904
Nonoperating revenues (expenses):					
Interest and investment income	-	9,190	-	29	9,219
Interest expense	(109)	(8,842)	(24)	-	(8,975)
Other, net	-	-	-	23	23
Total nonoperating revenues (expenses)	(109)	348	(24)	52	267
Income (loss) before transfers	(1,914)	-	(238)	3,323	1,171
Transfers in	232	-	23	-	255
Transfers out	-	-	-	(29)	(29)
Change in net assets	(1,682)	-	(215)	3,294	1,397
Total net assets (deficit) - beginning	(46)	-	838	(3,633)	(2,841)
Total net assets (deficit) - ending	$ (1,728)	$ -	$ 623	$ (339)	$ (1,444)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows – Internal Service Funds
Year ended June 30, 2009
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 24,628	$ 32,285	$ 6,827	$ 79,906	$ 143,646
Cash paid to employees for services	(10,857)	-	(1,958)	(31,022)	(43,837)
Cash paid to suppliers for goods and services	(14,916)	(34,255)	(5,218)	(40,566)	(94,955)
Net cash provided by (used in) operating activities	(1,145)	(1,970)	(349)	8,318	4,854
Cash flows from noncapital financing activities:					
Transfers in	232	-	23	-	255
Transfers out	-	-	-	(29)	(29)
Net cash provided by (used in) noncapital financing activities	232	-	23	(29)	226
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	178,464	-	-	178,464
Acquisition of capital assets	(212)	-	-	(1,903)	(2,115)
Retirement of capital lease obligation	-	(167,785)	(93)	(70)	(167,948)
Bond issue costs paid	-	(1,016)	-	-	(1,016)
Interest paid on long term debt	-	(9,456)	-	-	(9,456)
Net cash provided by (used in) capital financing activities	(212)	207	(93)	(1,973)	(2,071)
Cash flows from investing activities:					
Purchases of investments with trustees	-	(23,716)	-	-	(23,716)
Proceeds from sale of investments with trustees	-	48,328	-	-	48,328
Interest income received	-	2,094	-	29	2,123
Other investing activities	(109)	-	(23)	-	(132)
Net cash provided by (used in) investing activities	(109)	26,706	(23)	29	26,603
Increase (decrease) in cash and cash equivalents	(1,234)	24,943	(442)	6,345	29,612
Cash and cash equivalents - beginning of year	2,613	32,727	1,105	7,612	44,057
Cash and cash equivalents - end of year	$ 1,379	$ 57,670	$ 663	$ 13,957	$ 73,669
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,805)	$ (348)	$ (214)	$ 3,271	$ 904
Adjustments for non-cash activities:					
Depreciation and amortization	630	348	131	595	1,704
Other	-	-	-	23	23
Changes in assets/liabilities:					
Receivables, net	57	23,485	-	(15)	23,527
Due from other funds	-	-	(54)	-	(54)
Deferred charges and other assets	-	-	-	6	6
Accounts payable	(920)	-	(213)	2,095	962
Accrued payroll	72	-	1	(122)	(49)
Accrued vacation and sick leave pay	31	-	-	(658)	(627)
Accrued workers' compensation	-	-	-	(27)	(27)
Other postemployment benefits obligation	761	-	-	2,977	3,738
Due to other funds	(13)	-	-	238	225
Deferred credits and other liabilities	42	(25,455)	-	(65)	(25,478)
Total adjustments	660	(1,622)	(135)	5,047	3,950
Net cash provided by (used in) operating activities	$ (1,145)	$ (1,970)	$ (349)	$ 8,318	$ 4,854
Reconciliation of cash and cash equivalents to the combining statement of net assets:					
Deposits and investments with City Treasury:					
Unrestricted	$ 1,379	$ 310	$ 663	$ 13,957	$ 16,309
Deposits and investments outside City Treasury:					
Restricted	-	96,050	-	-	96,050
Total deposits and investments	1,379	96,360	663	13,957	112,359
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	-	(38,690)	-	-	(38,690)
Cash and cash equivalents at end of year on combining statement of cash flows	$ 1,379	$ 57,670	$ 663	$ 13,957	$ 73,669
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 3,644	$ 620	$ -	$ 4,264

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Assets – Fiduciary Funds
Pension and Other Employee Trust Funds
June 30, 2009
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Assets			
Deposits and investments with City Treasury	$ 6,595	$ 59,560	$ 66,155
Deposits and investments outside City Treasury:			
Cash and deposits	27,575	-	27,575
Short term investments	504,096	-	504,096
Alternative investments	1,511,250	-	1,511,250
Debt securities	3,716,233	-	3,716,233
Equity securities	5,114,484	-	5,114,484
Real estate	1,181,932	-	1,181,932
Foreign currency contracts, net	2,094	-	2,094
Receivables:			
Employer and employee contributions	13,630	23,036	36,666
Brokers, general partners and others	185,725	-	185,725
Interest and other	50,762	7,258	58,020
Invested in securities lending collateral	837,074	-	837,074
Total assets	13,151,450	89,854	13,241,304
Liabilities			
Accounts payable	12,020	23,388	35,408
Estimated claims payable	-	12,143	12,143
Payable to brokers	366,728	-	366,728
Deferred Retirement Option Program liabilities	4,143	-	4,143
Payable to borrowers of securities	881,830	-	881,830
Deferred credits and other liabilities	-	40,923	40,923
Total liabilities	1,264,721	76,454	1,341,175
Net Assets			
Held in trust for pension benefits and other purposes	$ 11,886,729	$ 13,400	$ 11,900,129

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Assets – Fiduciary Funds
Pension and Other Employee Trust Funds
Year ended June 30, 2009
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Total
Additions:			
Employees' contributions	$ 192,964	$ 98,524	$ 291,488
Employer contributions	119,751	517,493	637,244
Transfers from CalPERS	6,350	-	6,350
Total contributions	319,065	616,017	935,082
Investment income/loss:			
Interest	232,926	685	233,611
Dividends	144,815	-	144,815
Net appreciation/(depreciation) in fair value of investments	(3,815,666)	64	(3,815,602)
Securities lending loss	(25,493)	-	(25,493)
Fixed coupon dollar repurchase agreement loss	(9,104)	-	(9,104)
Total investment income	(3,472,522)	749	(3,471,773)
Less investment expenses:			
Securities lending borrower rebates and expenses	(1,568)	-	(1,568)
Fixed coupon dollar repurchase agreement finance charges and expenses	(1,650)	-	(1,650)
Other investment expenses	(37,110)	-	(37,110)
Total investment expenses	(40,328)	-	(40,328)
Total additions, net	(3,193,785)	616,766	(2,577,019)
Deductions:			
Benefit payments	732,342	626,923	1,359,265
Refunds of contributions	6,714	-	6,714
Administrative expenses	12,951	-	12,951
Total deductions	752,007	626,923	1,378,930
Change in net assets	(3,945,792)	(10,157)	(3,955,949)
Net assets at beginning of year	15,832,521	23,557	15,856,078
Net assets at end of year	$ 11,886,729	$ 13,400	$ 11,900,129

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds
Year ended June 30, 2009
(In Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Assistance Program Fund				
ASSETS				
Deposits and investments with City Treasury	$ 305	$ 48,330	$ 12,947	$ 35,688
Receivables:				
Interest and other	-	388	300	88
Total assets	$ 305	$ 48,718	$ 13,247	$ 35,776
LIABILITIES				
Accounts payable	$ 16	$ 6,536	$ 5,818	$ 734
Agency obligations	289	48,325	13,572	35,042
Total liabilities	$ 305	$ 54,861	$ 19,390	$ 35,776
Deposits Fund				
ASSETS				
Deposits and investments with City Treasury	$ 11,680	$ 48,304	$ 41,738	$ 18,246
Deposits and investments outside City Treasury	7	15	7	15
Receivables:				
Interest and other	34	51	46	39
Deferred charges and other assets	8,899	15,400	-	24,299
Total assets	$ 20,620	$ 63,770	$ 41,791	$ 42,599
LIABILITIES				
Accounts payable	$ 407	$ 9,543	$ 9,055	$ 895
Agency obligations	20,213	47,474	25,983	41,704
Total liabilities	$ 20,620	$ 57,017	$ 35,038	$ 42,599
Payroll Deduction Fund				
ASSETS				
Deposits and investments with City Treasury	$ 8,560	$ 2,068	$ -	$ 10,628
Receivables:				
Employer and employee contributions	44,677	3,430	-	48,107
Total assets	$ 53,237	$ 5,498	$ -	$ 58,735
LIABILITIES				
Accounts payable	$ 12,737	$ 34,087	$ -	$ 46,824
Agency obligations	40,500	1,617	30,206	11,911
Total liabilities	$ 53,237	$ 35,704	$ 30,206	$ 58,735

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds (continued)
Year ended June 30, 2009
(In Thousands)

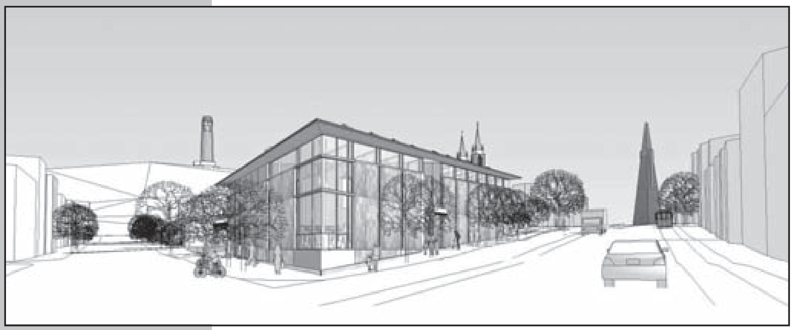
	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
State Revenue Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 877	$ 2,372	$ 2,664	$ 585
Deposits and investments outside City Treasury	1	-	1	-
Total assets	$ 878	$ 2,372	$ 2,665	$ 585
LIABILITIES				
Accounts payable	$ 343	$ 2,609	$ 2,656	$ 296
Agency obligations	535	2,372	2,618	289
Total liabilities	$ 878	$ 4,981	$ 5,274	$ 585
Tax Collection Fund				
ASSETS				
Deposits and investments with City Treasury	$ 24,832	$ 2,599,450	$ 2,624,282	$ -
Deposits and investments outside City Treasury	24	208	24	208
Receivables:				
Interest and other	143,825	1,658,426	1,610,418	191,833
Total assets	$ 168,681	$ 4,258,084	$ 4,234,724	$ 192,041
LIABILITIES				
Accounts payable	$ 1,751	$ 49,546	$ 43,077	$ 8,220
Agency obligations	166,930	1,938,304	1,921,413	183,821
Total liabilities	$ 168,681	$ 1,987,850	$ 1,964,490	$ 192,041
Transit Fund				
ASSETS				
Deposits and investments with City Treasury	$ 2,067	$ 58,518	$ 55,406	$ 5,179
Receivables:				
Interest and other	11	86	93	4
Total assets	$ 2,078	$ 58,604	$ 55,499	$ 5,183
LIABILITIES				
Accounts payable	$ 202	$ 23,789	$ 20,586	$ 3,405
Agency obligations	1,876	36,009	36,107	1,778
Total liabilities	$ 2,078	$ 59,798	$ 56,693	$ 5,183

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities – Agency Funds (continued)
Year ended June 30, 2009
(In Thousands)

	Balance July 1, 2008	Additions	Deductions	Balance June 30, 2009
Other Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 36,044	$ 136,372	$ 151,611	$ 20,805
Deposits and investments outside City Treasury	12	-	12	-
Receivables:				
Interest and other	24	501	3	522
Total assets	$ 36,080	$ 136,873	$ 151,626	$ 21,327
LIABILITIES				
Accounts payable	$ 21,554	$ 124,432	$ 140,078	$ 5,908
Agency obligations	14,526	126,868	125,975	15,419
Total liabilities	$ 36,080	$ 251,300	$ 266,053	$ 21,327
Total Agency Funds				
ASSETS				
Deposits and investments with City Treasury	$ 84,365	$ 2,895,414	$ 2,888,648	$ 91,131
Deposits and investments outside City Treasury	44	223	44	223
Receivables:				
Employer and employee contributions	44,677	3,430	-	48,107
Interest and other	143,894	1,659,452	1,610,860	192,486
Deferred charges and other assets	8,899	15,400	-	24,299
Total assets	$ 281,879	$ 4,573,919	$ 4,499,552	$ 356,246
LIABILITIES				
Accounts payable	$ 37,010	$ 250,542	$ 221,270	$ 66,282
Agency obligations	244,869	2,200,969	2,155,874	289,964
Total liabilities	$ 281,879	$ 2,451,511	$ 2,377,144	$ 356,246

Statistical Section



CITY AND COUNTY OF SAN FRANCISCO

STATISTICAL SECTION

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* in 2001; schedules presenting government-wide data include information beginning in that year.

CITY AND COUNTY OF SAN FRANCISCO

Net Assets by Component – Last Nine Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year								
	2001 (1)	2002 (2)	2003 (3)	2004	2005	2006	2007	2008	2009
Governmental activities									
Invested in capital assets, net of related debt	$ 779,698	$ 887,667	$ 983,834	$ 1,096,834	$ 1,159,696	$ 1,438,010	$ 1,454,614	$ 1,436,842	$ 1,725,203
Restricted for:									
Cash and emergencies requirements by Charter (4)	97,491	93,293	59,337	55,139	-	-	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622	117,792	98,297
Debt service	10,855	12,135	7,795	9,996	46,575	53,076	28,310	23,130	30,724
Capital projects	118,549	115,052	86,912	48,313	25,101	10,589	19,128	-	-
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043	95,136	64,031
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390	1,693	2,515
Other purposes	153,838	219,351	133,233	122,265	138,224	148,071	176,350	172,360	176,264
Unrestricted (deficit)	(45,402)	(130,525)	(265,950)	(325,147)	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)
Total governmental activities net assets	$ 1,458,330	$ 1,475,021	$ 1,312,822	$ 1,306,741	$ 1,501,082	$ 1,794,618	$ 1,871,011	$ 1,585,056	$ 1,305,203
Business-type activities									
Invested in capital assets, net of related debt	$ 2,970,198	$ 3,115,392	$ 3,273,449	$ 3,416,154	$ 3,391,450	$ 3,438,397	$ 3,795,006	$ 3,935,008	$ 4,017,577
Restricted for:									
Debt service	276,392	334,747	273,242	242,537	202,006	256,055	249,656	282,187	277,034
Capital projects	189,103	141,154	147,693	128,387	161,231	148,957	75,771	111,463	107,843
Other purposes	112,335	70,118	61,616	61,241	66,753	32,354	23,709	28,254	30,360
Unrestricted	578,675	568,599	542,813	464,658	446,039	536,670	567,122	491,437	327,332
Total business-type activities net assets	$ 4,126,703	$ 4,230,010	$ 4,298,813	$ 4,312,977	$ 4,267,479	$ 4,412,433	$ 4,711,264	$ 4,848,349	$ 4,760,146
Primary government									
Invested in capital assets, net of related debt (5)	$ 3,749,896	$ 4,003,059	$ 4,257,283	$ 4,512,988	$ 4,551,146	$ 4,876,407	$ 5,249,620	$ 5,371,850	$ 5,443,483
Restricted for:									
Cash and emergencies requirements by Charter	97,491	93,293	59,337	55,139	-	-	-	-	-
Reserve for rainy day	-	-	-	-	48,139	121,976	133,622	117,792	98,297
Debt service	287,247	346,882	281,037	252,533	248,581	309,131	277,966	305,317	307,758
Capital projects	307,652	256,206	234,605	176,700	186,332	159,546	94,899	111,463	107,843
Community development	181,264	135,308	158,591	163,875	208,532	71,207	63,043	95,136	64,031
Transportation Authority activities	162,037	142,740	149,070	135,466	75,282	23,727	10,390	1,693	2,515
Other purposes	266,173	289,469	194,849	183,506	204,977	180,425	200,059	200,614	206,624
Unrestricted (5)	533,273	438,074	276,863	139,511	245,572	464,632	552,676	229,540	(165,202)
Total primary activities net assets	$ 5,585,033	$ 5,705,031	$ 5,611,635	$ 5,619,718	$ 5,768,561	$ 6,207,051	$ 6,582,275	$ 6,433,405	$ 6,065,349

Notes:
(1) Trend data is only available for the last nine fiscal years due to the implementation of GASB Statement No. 34 in fiscal year 2000-2001.
(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital projects funds.
(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.
(4) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.
(5) In accordance with GASB implementation guidance, the City reclassified $299.3 million of total net assets from invested in capital assets, net of related debt to unrestricted to reflect the primary government as a whole perspective.

CITY AND COUNTY OF SAN FRANCISCO

Changes in Net Assets – Last Nine Fiscal Years
(Accrual basis of accounting)
(In Thousands)

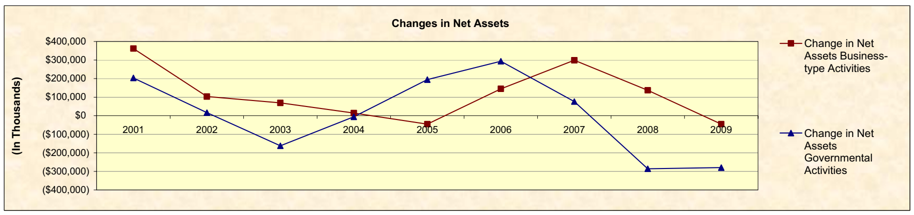
	Fiscal Year								
	2001 (1)	2002 (2)	2003 (3)	2004	2005	2006	2007	2008	2009 (4)
Expenses									
Governmental activities:									
Public protection	$ 699,472	$ 717,552	$ 778,710	$ 727,580	$ 738,688	$ 780,642	$ 861,689	$ 1,020,457	$ 1,109,311
Public works, transportation and commerce	309,171	317,778	287,910	169,179	213,335	272,397	309,095	342,411	254,955
Human welfare and neighborhood development	523,827	586,188	626,306	651,250	619,753	858,396	751,034	848,195	908,449
Community health	457,500	493,856	542,480	517,066	503,259	478,844	516,321	567,410	608,733
Culture and recreation	229,721	246,620	242,398	232,187	256,336	244,423	290,547	347,433	319,994
General administration and finance	107,318	156,770	186,144	183,258	152,850	167,490	194,653	250,295	238,601
General City responsibilities	109,804	55,551	53,026	73,530	59,024	49,054	67,948	80,887	72,634
Unallocated Interest on long-term debt	73,588	77,335	77,827	86,131	89,690	94,923	94,060	97,694	93,387
Total governmental activities expenses	2,510,401	2,651,650	2,794,801	2,640,181	2,632,935	2,946,169	3,085,347	3,554,782	3,606,064
Business-type activities:									
Airport	529,002	599,335	641,036	618,301	628,445	633,102	624,832	651,581	683,335
Transportation	468,753	528,725	628,180	660,650	711,733	695,593	726,053	830,411	863,218
Port	47,587	58,694	61,074	61,185	54,897	55,329	61,937	67,495	71,778
Water	145,858	165,362	186,579	206,211	197,848	213,584	236,824	252,802	277,162
Power	107,000	113,754	95,427	121,629	116,683	119,146	95,020	109,436	96,228
Hospitals	513,486	525,045	561,673	562,188	598,160	646,149	714,349	812,399	820,236
Sewer	149,687	159,896	153,845	150,586	160,650	160,701	168,954	182,712	184,977
Garages	34,155	32,274	-	-	-	-	-	-	-
Market	-	-	894	949	1,055	1,035	1,061	1,052	1,144
Total business-type activities expenses	1,995,528	2,183,085	2,328,708	2,381,699	2,469,471	2,524,639	2,629,030	2,907,888	2,998,078
Total primary government expenses	$ 4,505,929	$ 4,834,735	$ 5,123,509	$ 5,021,880	$ 5,102,406	$ 5,470,808	$ 5,714,377	$ 6,462,670	$ 6,604,142
Program Revenues									
Governmental activities:									
Charges for services:									
Public protection	$ 43,051	$ 42,254	$ 44,291	$ 40,349	$ 54,805	$ 51,874	$ 58,979	$ 66,343	$ 90,044
Public works, transportation and commerce	97,432	102,576	84,057	83,176	95,081	113,861	111,364	115,939	72,287
Human welfare and neighborhood development	12,742	20,292	26,349	23,931	21,375	29,181	56,367	108,956	33,988
Community health	29,999	36,176	41,906	38,933	44,850	52,183	50,266	52,455	60,708
Culture and recreation	57,191	47,116	44,629	53,369	64,614	64,720	65,407	70,576	74,477
General administration and finance	49,977	53,434	36,525	43,585	41,348	55,799	10,502	20,376	33,530
General City responsibilities	54,329	47,050	41,123	59,609	28,956	31,647	29,604	26,980	27,377
Operating Grants and Contributions	763,863	781,767	809,670	823,784	834,607	859,919	927,256	926,089	909,695
Capital Grants and Contributions	22,619	58,394	46,029	39,209	55,435	248,329	50,479	36,079	44,048
Total Governmental activities program revenues	1,131,203	1,189,059	1,174,579	1,205,945	1,241,071	1,507,513	1,360,224	1,423,793	1,346,154
Business-type activities:									
Charges for services:									
Airport	414,880	465,176	500,116	486,132	477,314	455,342	503,914	535,771	551,283
Transportation	113,196	107,455	155,656	186,390	187,913	210,692	222,115	257,341	257,083
Port	50,345	50,494	54,467	56,702	57,519	58,588	61,193	64,498	66,467
Water	149,917	147,216	170,253	168,260	184,835	201,833	216,531	234,216	265,781
Power	101,963	125,777	132,190	124,474	132,303	149,500	108,224	119,855	115,274
Hospitals	398,461	412,874	429,128	453,607	493,596	472,327	515,092	558,167	568,210
Sewer	141,770	134,595	134,745	137,806	148,888	164,703	193,411	202,549	208,654
Garages	37,589	35,645	-	-	-	-	-	-	-
Market	-	-	1,296	1,413	1,462	1,503	1,567	1,564	1,546
Operating Grants and Contributions	260,520	282,059	164,257	169,767	180,807	188,672	183,301	181,725	186,776
Capital Grants and Contributions	335,520	251,747	204,751	94,818	93,724	110,403	150,080	152,511	87,253
Total business-type activities program revenues	2,004,161	2,013,038	1,946,859	1,879,369	1,958,361	2,013,563	2,155,428	2,308,197	2,308,327
Total primary government program revenues	$ 3,135,364	$ 3,202,097	$ 3,121,438	$ 3,085,314	$ 3,199,432	$ 3,521,076	$ 3,515,652	$ 3,731,990	$ 3,654,481

CITY AND COUNTY OF SAN FRANCISCO

Changes in Net Assets – Last Nine Fiscal Years (continued)

(Accrual basis of accounting)
(In Thousands)

	Fiscal Year								
	2001 (1)	2002 (2)	2003 (3)	2004	2005	2006	2007	2008	2009
Net (expenses)/revenue									
Governmental activities	$ (1,379,198)	$ (1,462,591)	$ (1,620,222)	$ (1,434,236)	$ (1,391,864)	$ (1,438,656)	$ (1,725,123)	$ (2,130,989)	$ (2,259,910)
Business-type activities	8,633	(170,047)	(381,849)	(502,330)	(511,110)	(511,076)	(473,602)	(599,691)	(689,751)
Total primary government net expenses	$ (1,370,565)	$ (1,632,638)	$ (2,002,071)	$ (1,936,566)	$ (1,902,974)	$ (1,949,732)	$ (2,198,725)	$ (2,730,680)	$ (2,949,661)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	$ 628,846	$ 697,703	$ 686,858	$ 723,786	$ 920,314	$ 1,016,220	$ 1,126,992	$ 1,189,511	$ 1,302,071
Business taxes	277,822	274,848	276,651	264,832	292,763	323,153	337,592	396,025	388,653
Sales and use tax	219,303	174,154	172,396	182,567	161,451	175,138	184,723	190,967	182,914
Hotel room tax	189,264	119,658	122,853	142,437	151,993	173,923	194,290	219,089	204,340
Utility users tax	73,870	70,779	71,378	70,938	72,574	76,444	78,729	86,964	89,801
Other local taxes	99,043	79,999	84,050	113,513	152,067	170,159	211,082	155,951	126,017
Interest and investment income	81,084	70,597	26,332	11,856	29,490	71,129	86,233	57,929	35,434
Other	115,695	115,943	196,496	170,163	47,153	56,022	33,046	25,939	44,086
Transfers - internal activities of primary government	(102,154)	(124,399)	(178,991)	(251,937)	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)
Total governmental activities	1,582,773	1,479,282	1,458,023	1,428,155	1,586,205	1,732,192	1,801,516	1,845,034	1,980,057
Business-type activities:									
Interest and investment income	96,493	63,530	50,215	17,620	33,268	53,161	85,692	67,217	49,691
Other	28,779	85,425	188,446	237,692	237,102	272,873	218,184	233,244	201,624
Special item	126,014	-	33,000	9,245	(46,358)	-	17,386	(41,026)	-
Transfers - internal activities of primary government	102,154	124,399	178,991	251,937	241,600	329,996	451,171	477,341	393,259
Total business-type activities	353,440	273,354	450,652	516,494	465,612	656,030	772,433	736,776	644,574
Total primary government	$ 1,936,213	$ 1,752,636	$ 1,908,675	$ 1,944,649	$ 2,051,817	$ 2,388,222	$ 2,573,949	$ 2,581,810	$ 2,624,631
Change in Net Assets									
Governmental activities	$ 203,575	$ 16,691	$ (162,199)	$ (6,081)	$ 194,341	$ 293,536	$ 76,393	$ (285,955)	$ (279,853)
Business-type activities	362,073	103,307	68,803	14,164	(45,498)	144,954	298,831	137,085	(45,177)
Total primary government	$ 565,648	$ 119,998	$ (93,396)	$ 8,083	$ 148,843	$ 438,490	$ 375,224	$ (148,870)	$ (325,030)



Notes:
(1) Trend data is only available for the last nine fiscal years due to the implementation of GASB Statement 34 in fiscal year 2000-2001.
(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital projects funds.
(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.
(4) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

Fund Balances of Governmental Funds – Last Ten Fiscal Years

(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2000 (1)	2001	2002 (2)	2003 (3)	2004 (4)	2005	2006	2007	2008	2009 (5)
General Fund										
Reserved by charter for cash and emergency requirements	$ 88,125	$ 97,491	$ 97,491	$ 59,337	$ -	$ -	$ -	$ -	$ -	$ -
Reserved for rainy day	-	-	-	-	55,139	48,139	121,976	133,622	117,792	98,297
Reserved for assets not available for appropriation	5,576	6,089	6,406	6,768	7,142	9,031	10,710	12,665	11,358	11,307
Reserved for encumbrances	32,808	37,743	52,735	43,195	42,501	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward	74,051	77,060	61,716	26,880	35,754	36,198	124,009	161,127	99,959	91,075
Reserved for subsequent years' budgets	29,990	53,337	25,379	15,414	6,242	22,351	27,451	32,062	36,341	6,891
Unreserved	45,090	207,467	136,664	44,718	63,657	134,199	138,971	141,037	77,117	28,203
Total general fund	$ 275,640	$ 479,187	$ 380,391	$ 196,312	$ 210,435	$ 307,680	$ 461,276	$ 541,461	$ 405,635	$ 301,675
All other governmental funds										
Reserved for assets not available for appropriation	$ 72,433	$ 51,548	$ 41,233	$ 25,906	$ 17,443	$ 17,683	$ 20,202	$ 19,413	$ 19,814	$ 19,781
Reserved for debt service	27,694	63,308	36,548	33,866	18,800	45,540	57,429	51,299	47,334	75,886
Reserved for encumbrances	267,168	373,088	340,591	278,656	142,784	97,920	423,120	288,948	193,461	167,169
Reserved for appropriation carryforward	330,687	446,211	285,508	227,818	287,690	549,571	294,340	292,234	314,051	501,006
Reserved for subsequent years' budgets	3,520	9,664	18,604	8,004	8,005	8,004	8,004	8,004	13,504	11,245
Unreserved reported in:										
Special revenue funds	40,790	54,018	97,167	67,988	19,043	30,809	35,243	47,445	(27,758)	(69,468)
Capital projects funds	44,729	11,629	44,487	40,561	10,048	7,193	13,662	(373)	2,126	(26,153)
Permanent fund	-	4,064	4,433	4,227	3,326	3,856	2,308	3,508	3,502	3,871
Fiduciary funds	5,083	-	-	-	-	-	-	-	-	-
Total other governmental funds	$ 792,104	$ 1,013,530	$ 868,571	$ 687,026	$ 507,139	$ 760,576	$ 854,308	$ 710,478	$ 566,034	$ 683,337

Notes:
(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.
(2) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.
(3) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business-type activities.
(4) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.
(5) The change in reserved and unreserved fund balance in fiscal year 2008-2009 is explained in Management's Discussion and Analysis.

CITY AND COUNTY OF SAN FRANCISCO

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2000 (1)	2001 (2)	2002 (3)	2003 (4)	2004	2005 (5)	2006	2007	2008 (6)	2009 (6)
Revenues:										
Property taxes	$ 544,210	$ 627,654	$ 687,150	$ 686,154	$ 721,437	$ 918,645	$ 1,008,151	$ 1,107,864	$ 1,179,688	$ 1,272,385
Business taxes	267,918	277,822	274,848	276,651	264,832	292,763	323,153	337,592	396,025	388,653
Sales and use tax	206,130	219,303	174,154	172,396	182,567	161,451	175,138	184,723	190,967	182,914
Hotel room tax	176,179	189,264	119,658	122,853	142,437	151,993	173,923	194,290	219,089	204,340
Utility users tax	61,409	73,870	70,779	71,378	70,938	72,574	76,444	78,729	86,964	89,801
Other local taxes	103,752	99,043	79,999	84,050	113,513	152,067	170,159	211,082	155,951	126,017
Licenses, permits and franchises	21,025	23,503	25,762	21,648	23,788	25,942	27,662	27,428	30,943	32,153
Fines, forfeitures and penalties	12,658	12,773	12,045	9,000	25,183	12,509	14,449	8,871	13,217	9,694
Interest and investment income	60,542	91,429	65,597	25,570	11,630	28,268	70,046	83,846	54,256	33,547
Rent and concessions	72,948	75,382	63,623	55,369	58,979	49,450	52,426	52,493	70,160	73,225
Intergovernmental:										
Federal	288,537	296,758	307,943	320,254	344,155	348,764	350,985	381,688	328,315	357,612
State	555,750	575,361	608,804	690,271	630,953	522,937	565,989	582,666	561,095	581,047
Other	4,695	6,245	33,924	24,623	18,259	25,783	23,500	15,689	15,907	14,883
Charges for services	186,733	215,412	225,547	221,883	217,647	241,750	263,994	273,057	288,689	284,196
Other	18,834	31,119	26,405	27,092	57,144	57,487	61,565	44,084	81,321	30,318
Total revenues	2,581,320	2,814,938	2,776,238	2,809,192	2,883,462	3,062,383	3,357,584	3,584,102	3,672,587	3,680,785
Expenditures										
Public protection	632,737	672,119	690,050	734,811	706,758	738,494	787,398	865,556	1,018,212	999,518
Public works, transportation and commerce	231,991	299,949	296,411	267,034	165,555	195,896	274,669	280,907	236,569	248,161
Human welfare and neighborhood development	515,007	557,242	613,133	670,670	662,948	644,899	697,102	740,171	828,903	886,686
Community health	434,386	454,975	484,826	524,771	512,914	501,050	471,741	509,844	543,046	578,828
Culture and recreation	204,081	233,863	238,326	252,477	273,163	239,022	256,979	286,135	309,612	313,442
General administration and finance	174,999	150,482	164,745	163,748	153,709	135,118	161,195	167,505	215,054	190,680
General City responsibilities	45,194	109,753	54,628	53,323	74,623	62,799	53,763	57,532	71,205	73,147
Debt service:										
Principal retirement	63,596	69,870	69,536	100,902	78,831	80,306	86,970	98,169	106,580	126,501
Interest and fiscal charges	60,650	68,367	68,111	64,243	61,886	61,524	75,975	71,266	75,844	74,466
Bond issuance costs	-	7,368	2,987	1,646	1,350	4,842	1,933	3,683	1,090	4,746
Capital outlay	188,793	170,472	276,662	248,928	165,872	130,224	153,493	283,370	133,155	152,473
Total expenditures	2,551,434	2,794,460	2,959,415	3,082,553	2,857,609	2,794,174	3,021,218	3,364,138	3,539,270	3,648,648
Excess (deficiency) of revenues over expenditures	29,886	20,478	(183,177)	(273,361)	25,853	268,209	336,366	219,964	133,317	32,137

CITY AND COUNTY OF SAN FRANCISCO

Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years (Continued)
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2000 (1)	2001 (2)	2002 (3)	2003 (4)	2004	2005 (5)	2006	2007	2008 (6)	2009 (6)
Other financing sources (uses):										
Transfer in	340,880	261,957	267,107	226,520	204,660	271,553	224,523	217,298	244,770	352,693
Transfer out	(428,615)	(365,178)	(536,680)	(423,936)	(456,852)	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)
Issuance of bonds and loans:										
Face value of bonds issued	94,909	394,040	249,995	71,310	116,645	346,225	219,120	312,955	310,155	456,935
Face value of loans issued	-	803	3,095	323	2,156	500	5,359	141	1,829	-
Premium on issuance of bonds	-	-	-	-	1,411	11,989	10,233	3,521	13,071	12,875
Discount on issuance of bonds	-	(2,773)	(238)	-	-	-	-	(1,856)	-	-
Payment to refunded bond escrow agent	-	-	(136,230)	-	(65,802)	(38,913)	-	(159,610)	(283,494)	(120,000)
Other financing sources - capital leases	-	-	92,373	33,520	6,165	4,542	6,882	12,789	24,254	24,881
Total other financing sources (uses)	7,174	288,849	(60,578)	(92,263)	(191,617)	82,473	(89,038)	(283,609)	(413,587)	(18,794)
Net change in fund balances	$ 37,060	$ 309,327	$ (243,755)	$ (365,624)	$ (165,764)	$ 350,682	$ 247,328	$ (63,645)	$ (280,270)	$ 13,343
Debt service as a percentage of noncapital expenditures	5.26%	5.55%	5.24%	5.89%	5.28%	5.51%	5.75%	5.62%	5.39%	5.93%
Debt service as a percentage of total expenditures	4.87%	5.21%	4.75%	5.41%	4.97%	5.25%	5.46%	5.15%	5.19%	5.64%

Notes:
(1) Through fiscal year 1999-2000, Expendable Trust Funds were reported as part of Fiduciary Fund Types. Due to the implementation of GASB Statement 34 in fiscal year 2000-2001, Expendable Trust Funds were reported as Special Revenue and Permanent Fund Types.
(2) Prior to fiscal year 2000-2001, bond issuance discounts and premiums were included in the face values of bonds issued.
(3) Beginning fiscal year 2001-2002, the City established the San Francisco Finance Corporation Internal Service Fund to report the activities of the Finance Corporation because its sole purpose is to provide lease financing to the City. Previously, the operations of the Finance Corporation were accounted for in the debt service and capital project funds.
(4) For General Obligation Bonds authorized and issued prior to the passage of Proposition 39 in 2003, transfer of the proceeds to San Francisco Community College District and San Francisco Unified School District was included as Human Welfare & Neighborhood Development expenditures.
(5) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.
(6) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

Assessed Value of Taxable Property (1)(3)(4) – Last Ten Fiscal Years
(In Thousands)

	Assessed Value			Exemptions (2)			Total Taxable	Total
Fiscal Year (4)	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments	Assessed Value	Direct Tax Rate
2000	$ 66,859,683	$ 4,384,155	$ 71,243,838	$ 2,783,904	$ 666,747	$ 2,844,489	$ 64,948,698	1.00%
2001	73,712,384	7,807,032	81,519,416	2,800,943	670,468	3,175,792	74,872,213	1.00%
2002	88,866,299	4,686,951	93,553,250	3,129,961	665,145	5,291,437	84,466,707	1.00%
2003	93,467,166	4,639,579	98,106,745	3,407,736	671,640	3,777,328	90,250,041	1.00%
2004	99,878,960	3,848,851	103,727,811	3,706,357	689,558	3,892,143	95,439,753	1.00%
2005	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%

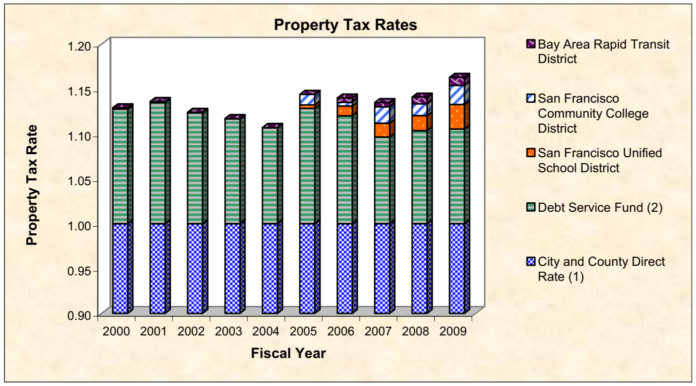
Source: Controller, City and County of San Francisco

Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
  (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  (c) Tax increments are allocations made to the San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years
(Rate per $1,000 of Assessed Value)

		Overlapping Rates				
Fiscal Year	City and County Direct Rate (1)	Debt Service Fund (2)	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2000	$ 1.00000000	$ 0.12766122	$ 0.00133878	$ -	$ -	$1.1290
2001	1.00000000	0.13481356	0.00118644	-	-	1.1360
2002	1.00000000	0.12359506	0.00040494	-	-	1.1240
2003	1.00000000	0.11671113	0.00028887	-	-	1.1170
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630



Notes:
(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.
(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO

Principal Property Assessees – Current Fiscal Year and Nine Fiscal Years Ago
(Dollar in Thousands)

		Fiscal Year 2009			Fiscal Year 2000		
Assessee	Type of Business	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)(3)
HWA 555 Owners LLC	Office, Commercial	$ 885,380	1	0.62%	$ -		-
EOP - One Market LLC	Office, Commercial	442,169	2	0.31	-		-
Marriott Hotel	Hotel	413,653	3	0.29	366,577	5	0.52%
Four Embarcadero Center Venture	Office, Commercial	373,417	4	0.26	-		-
Post-Montgomery Associates	Office, Commercial	363,063	5	0.26	243,841	10	0.34
TST Mission Street LLC	Office, Commercial	331,047	6	0.23	-		-
One Embarcadero Center Venture	Office, Commercial	322,275	7	0.23	-		-
Broadway Partners	Office, Commercial	306,000	8	0.22	-		-
Three Embarcadero Center Venture	Office, Commercial	303,171	9	0.21	-		-
Embarcadero Center Associates	Office, Commercial	301,796	10	0.21			
Pacific Gas and Electric Company	Utilities				1,165,398	1	1.64
555 California Street Partners	Office, Commercial				770,105	2	1.08
Pacific Bell	Utilities, Communications				759,807	3	1.07
Embarcadero Center Associates (Includes Hyatt Regency Hotel and Embarcadero West)	Office, Commercial				582,318	4	0.82
Strategic Hotel Capital Ltd PA	Hotel, Office				295,137	6	0.41
Knickerbocker Properties	Office				292,844	7	0.41
101 California Venture	Office				251,144	8	0.35
ZML One Market Ltd Partnership	Office, Commercial				244,288	9	0.34
Total		$ 4,041,971		2.84%	$ 4,971,459		6.98%

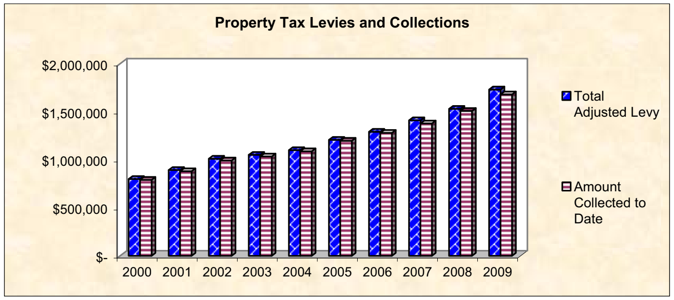
Source: Assessor, City and County of San Francisco

Notes:
(1) Data for fiscal year 2008-2009 updated as of July 1, 2008.
(2) Assessed values for fiscal years 2008-2009 and 1999-2000 are from the tax rolls of calendar years 2008 and 1999, respectively.
(3) Reflects revised calculations due to GASB Statement No. 44 implementation.

CITY AND COUNTY OF SAN FRANCISCO

Property Tax Levies and Collections (1)(2) – Last Ten Fiscal Years
(Dollar In Thousands)

		Collected within the Fiscal Year of the Levy			Total Collections to Date	
Fiscal Year	Total Adjusted Levy	Amount	Percentage of Original Levy	Collections in Subsequent Years (3)	Amount	Percentage of Adjusted Levy
2000	$ 799,385	$ 784,984	98.20%	$ 6,153	$ 791,137	98.97%
2001	892,675	877,170	98.26	3,526	880,696	98.66
2002	1,010,960	985,838	97.52	7,366	993,204	98.24
2003	1,051,921	1,028,649	97.79	5,766	1,034,415	98.34
2004	1,100,951	1,079,354	98.04	9,092	1,088,446	98.86
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02



Source: Controller, City and County of San Francisco

Notes:
(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District and San Francisco Redevelopment Agency.
(2) Does not include SB-813 supplemental property taxes.
(3) Collections in subsequent years reflect assessment appeals reduction.

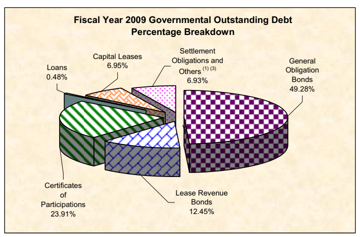
CITY AND COUNTY OF SAN FRANCISCO

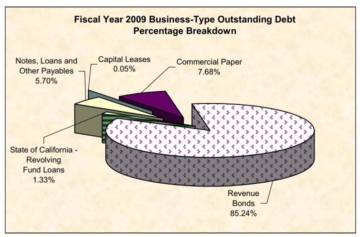
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years
(In Thousands, except Per Capita Amounts)

Governmental Activities

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligations and Others (1) (3)	Subtotal
2000……	$ 911,625	$ 151,165	$ 91,926	$ 17,313	$ 2,507	$ -	$ 1,174,536
2001……	953,535	302,405	225,707	15,816	232,485	-	1,729,948
2002……	917,220	293,810	259,360	13,007	226,541	54,820	1,764,758
2003……	859,625	252,035	296,135	9,278	212,649	49,470	1,679,192
2004……	844,350	245,680	290,635	9,515	194,815	94,275	1,679,270
2005……	1,086,355	230,620	283,320	7,961	198,703	188,670	1,995,629
2006……	1,232,205	231,265	276,160	12,377	190,279	182,955	2,125,241
2007……	1,155,944	249,550	420,620	11,640	185,736	177,095	2,200,585
2008……	1,098,913	282,490	412,200	12,495	174,149	170,585	2,150,832
2009……	1,165,141	294,310	565,205	11,329	164,383	163,890	2,364,258

	Business-Type Activities (1) (2)							Total Primary Government		
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Commercial Paper	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income (4)	Per Capita (4)
2000…..	$ 4,316,452	$ 4,400	$ 180,295	$ 271,650	$ 10,628	$ 1,888	$ 4,785,313	$ 5,959,849	13.77%	$ 7,665
2001…..	4,501,515	3,200	193,597	472,541	12,267	779	5,183,899	6,913,847	15.90	8,814
2002…..	5,177,760	2,000	179,591	90,000	4,076	1,342	5,454,769	7,219,527	17.40	9,270
2003…..	5,284,535	800	165,125	-	29,592	4,210	5,484,262	7,163,454	17.52	9,251
2004…..	5,167,405	400	150,196	25,000	27,280	4,891	5,375,172	7,054,442	16.28	9,133
2005…..	5,084,426	-	134,783	80,000	24,529	4,754	5,328,492	7,324,121	15.79	9,431
2006…..	5,506,030	-	118,868	-	20,017	5,522	5,650,437	7,775,678	14.70	9,888
2007…..	5,353,720	-	102,438	50,000	15,292	4,499	5,525,949	7,726,534	13.55	9,668
2008…..	5,281,395	-	89,101	68,000	10,369	3,843	5,452,708	7,603,540	12.64	9,399
2009…..	4,839,503	-	75,339	435,880	324,042	2,635	5,677,399	8,041,657	13.71	9,820





Notes:
(1) Through fiscal year 1999-2000, business-type revenue bonds were reported net of deferred amount on discount and unamortized bond premium. Upon the implementation of GASB Statement No. 34 in fiscal year 2000-2001, business type revenue bonds excluded deferred amount on refunding and unamortized bond premium.
(2) In fiscal year 2002-2003, in accordance with a Charter amendment, the City transferred its Parking and Traffic Department from governmental to business activities.
(3) Includes commercial paper issued by San Francisco County Transportation Authority.
(4) See Demographic and Economic Statistics, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO

Ratios of General Bonded Debt Outstanding – Last Ten Fiscal Years
(In Thousands, except Per Capita Amounts)

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Restricted for Debt Service (1)	Total	Per Capita (2)	Percentage of Taxable Assessed Value (3)
2000	$ 911,625	$ 6,168	$ 905,457	$ 1,165	1.32%
2001	953,535	14,809	938,726	1,197	1.19
2002	917,220	20,395	896,825	1,152	0.99
2003	859,625	13,304	846,321	1,093	0.89
2004	844,350	1,533	842,817	1,091	0.84
2005	1,086,355	33,774	1,052,581	1,355	0.99
2006	1,232,205	46,929	1,185,276	1,507	1.04
2007	1,155,944	35,249	1,120,695	1,402	0.90
2008	1,098,913	31,883	1,067,030	1,319	0.79
2009	1,165,141	40,907	1,124,234	1,373	0.75

Notes:
(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements.
(2) Population data can be found in Demographic and Economic Statistics.
(3) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

Legal Debt Margin Information – Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2000	2001	2002	2003	2004
Debt limit	$ 2,053,798	$ 2,361,554	$ 2,712,699	$ 2,840,970	$ 3,000,644
Total net debt applicable to limit	911,625	953,535	917,220	859,625	844,350
Legal debt margin	$ 1,142,173	$ 1,408,019	$ 1,795,479	$ 1,981,345	$ 2,156,294
Total net debt applicable to the limit as a percentage of debt limit	44.39%	40.38%	33.81%	30.26%	28.14%

	Fiscal Year				
	2005	2006	2007	2008	2009
Debt limit	$ 3,195,776	$ 3,419,607	$ 3,749,434	$ 4,050,223	$ 4,497,000
Total net debt applicable to limit	1,086,355	1,232,205	1,155,944	1,098,913	1,165,141
Legal debt margin	$ 2,109,421	$ 2,187,402	$ 2,593,490	$ 2,951,310	$ 3,331,859
Total net debt applicable to the limit as a percentage of debt limit	33.99%	36.03%	30.83%	27.13%	25.91%

Legal Debt Margin Calculation for Fiscal Year 2009

Total assessed value	$	156,093,361
Less: non-reimbursable exemptions (1)		6,193,368
Assessed value (1)	$	149,899,993
Debt limit (three percent of valuation subject to taxation (2))	$	4,497,000
Debt applicable to limit:		
Less: general obligation bonds		1,165,141
Legal debt margin	$	3,331,859

Source:
(1) Assessor, City and County of San Francisco

Note:
(2) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

Direct and Overlapping Debt
June 30, 2009

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County (1)	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District	$ 441,360,000	28.00%	$ 123,580,800
San Francisco Unified School District	479,665,000	100.00	479,665,000
San Francisco Community College District	354,730,000	100.00	354,730,000
Subtotal, overlapping debt			957,975,800
City and County of San Francisco direct debt			1,165,140,588
Total net direct and overlapping debt			$ 2,123,116,388
Population - 2009 (2)			818,887
Estimated overlapping debt per capita			$ 2,592.69

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the district's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the district's boundaries and dividing it by the City's total taxable assessed value.

(2) Source: US Census Bureau.

CITY AND COUNTY OF SAN FRANCISCO

Pledged-Revenue Coverage – Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport (1)

Fiscal Year	Operating Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ 403,281	$ 197,175	$ 206,106	$ 19,835	$ 136,413	$ 156,248	1.32
2001	463,488	261,061	202,427	21,215	177,800	199,015	1.02
2002	496,688	266,299	230,389	27,290	213,663	240,953	0.96
2003	533,253	295,672	237,581	52,260	224,364	276,624	0.86
2004	493,682	235,765	257,917	70,630	221,208	291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Resolution which authorized the sale and issuance of these bonds.
(2) Operating revenues consist of Airport operating revenues and interest and investment income.
(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department (4)

Fiscal Year	Gross Revenues (5)	Less: Operating Expenses (6)	Adjustments(9)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ 152,531 (8)	$ 149,406 (8)	$ 65,341	$ 68,466 (8)	$ 7,415	$ 14,012	$ 21,427	3.20 (8)
2001	161,585 (8)	152,045 (8)	84,205	93,745 (8)	6,956	14,411	21,367	4.39 (8)
2002	156,110 (8)	148,430 (8)	104,662	112,342 (8)	7,350	18,686	26,036	4.31 (8)
2003	181,275 (8)	167,523 (8)	89,747	103,499 (8)	11,789	21,655	33,444	3.09 (8)
2004	174,528 (8)	187,378 (8)	122,180	109,330 (8)	13,345	24,537 (8)	37,882	2.89 (8)
2005	189,928 (8)	176,453 (8)	83,078	96,553 (8)	14,055	23,939 (8)	37,994	2.54 (8)
2006	213,499 (8)	186,934 (8)	110,638	137,203 (8)	14,790 (7)	20,585	35,375	3.88 (8)
2007	241,078 (8)	202,498 (8)	119,122	157,702 (8)	16,160	48,955	65,115	2.42 (8)
2008	246,885 (8)	223,052 (8)	125,739	149,572 (8)	19,170	45,023	64,193	2.33 (8)
2009	272,869	248,315	122,082	146,636	25,520	44,065	69,585	2.11

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest, depreciation and amortization.
(7) Principal payment was restated to exclude principal refunding in FY 2006.
(8) Restated to match the format of the published Annual Disclosure Reports.
(9) Adjustments column included adjustment to investing activities, depreciation & non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges (10)	Less: Operating Expenses (11)(12)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ 13,906	$ 4,768	$ 9,138	$ 1,240	$ 1,552	$ 2,792	3.27
2001	13,759	4,642	9,117	1,390	1,459	2,849	3.20
2002	13,354	5,351	8,003	1,440	1,437	2,877	2.78
2003	15,633	6,227	9,406	3,274	2,312	5,586	1.68
2004	25,604	10,430	15,174	4,943	2,854	7,797	1.95
2005	25,623	14,071	11,552	5,193	2,582	7,775	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30

(10) The Parking Authority leased North Beach, Moscone, and San Francisco General Hospital garages to the City. In return, the City pledged to pay off the debt service with its base (lease) rental payment. Gross Meter Revenue consists of revenues from all meters in San Francisco except the meters on Port and Airport properties.
(11) The annual budget for the Parking Program includes the Parking Authority that manages garages and the Parking Meter Program that maintains meters. The operating expense is the year-end total expenditures net of all debt service payments.
(12) Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses related to the pledged revenue stream do not include interest, depreciation and amortization expenses.

CITY AND COUNTY OF SAN FRANCISCO

Pledged-Revenue Coverage – Last Ten Fiscal Years (Continued)

(In Thousands)

San Francisco Wastewater Enterprise (13)

Fiscal Year	Gross Revenues (14)	Less: Operating Expenses	Adjustments (17)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ 145,495	$ 77,104 (15)	$ -	$ 68,391	$ 31,845	$ 32,395	$ 64,240	1.06
2001	141,770	79,902 (15)	-	61,868	35,270	31,109	66,379	0.93
2002	134,595	90,642 (15)	-	43,953	66,006	30,604	96,610	0.45
2003	134,745	90,808 (15)	-	43,937	69,871	15,820	85,691	0.51
2004	138,842 (16)	129,916 (16)	54,929	63,855	- (16)	18,506 (16)	18,506	3.45 (16)
2005	151,981 (16)	139,290 (16)	37,224	49,915	- (16)	17,742 (16)	17,742	2.81 (16)
2006	170,518 (16)	140,954 (16)	35,357	64,921	- (16)	17,219 (16)	17,219	3.77 (16)
2007	199,160 (16)	151,600 (16)	49,601	97,161	33,445 (16)	17,267 (16)	50,712	1.92 (16)
2008	206,648 (16)	165,245 (16)	54,341	95,744	34,500 (16)	17,159 (16)	51,659	1.85 (16)
2009	210,646	169,300	58,474	99,820	35,665	15,215	50,880	1.96

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(14) Gross revenue consists of charges for services, rental income and other income.
(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest, depreciation and amortization.
(16) Restated to match the published Annual Disclosure Reports.
(17) Adjustments includes Depreciation and Non-Cash Expense, Changes, in Working Capital, Investment Income, SRF Loan Payments, Other available Funds that are printed in published Annual Disclosure Reports.

Port of San Francisco (18)

Fiscal Year	Total Operating Revenues (19)	Less: Operating Expenses (20)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ 49,127	$ 29,052	$ 20,075	$ 2,930	$ 2,472	$ 5,402	3.72
2001	54,453	37,129	17,324	3,085	2,318	5,403	3.21
2002	53,740	47,759	5,981	3,235	2,156	5,391	1.11
2003	56,241	50,103	6,138	3,405	1,976	5,381	1.14
2004	57,782	49,707	8,075	3,595	1,719	5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	69,063	57,886	11,177	4,185	222	4,407	2.54

(18) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(19) Total revenues consist of operating revenues and interest and investment income.
(20) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power (21) (22)

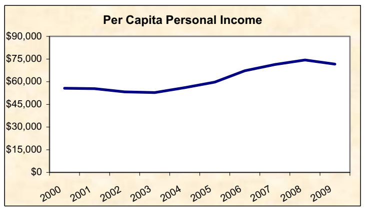
Fiscal Year	Gross Revenues (23)	Less: Operating Expenses (24)	Adjustments (25)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
2001	-	-	-	-	-	-	-	-
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	53,241	422	-	422	126.16

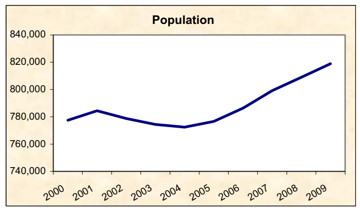
(21) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(22) There were no Hetchy bonds from 2000 to 2008
(23) Gross Revenue consists of charges for power services, rental income and other income.
(24) Operating Expenses only include power operating expense.
(25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

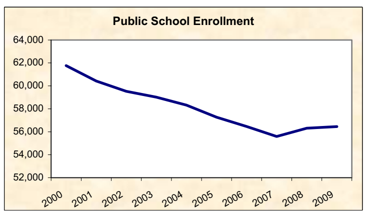
CITY AND COUNTY OF SAN FRANCISCO

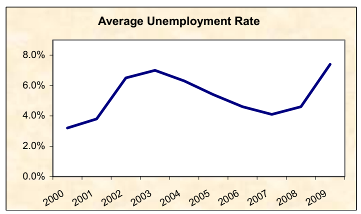
Demographic and Economic Statistics – Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2000	777,532	$43,283,782	$55,668	39.1	61,766	3.2%
2001	784,385	43,480,208	55,432	37.3	60,421	3.8%
2002	778,773	41,493,071	53,280	38.3	59,521	6.5%
2003	774,359	40,885,951	52,800	38.3	59,015	7.0%
2004	772,417	43,325,147	56,090	39.2	58,323	6.3%
2005	776,614	46,398,387	59,744	39.4	57,276	5.4%
2006	786,367	52,902,542	67,275	39.4	56,459	4.6%
2007	799,185	57,015,652 (8)	71,342	40.0	55,590	4.1%
2008	808,976	60,140,868 (8)	74,342 (9)	40.4 (10)	56,315	4.6%
2009	818,887 (7)	58,676,763 (8)	71,654 (9)	40.2 (10)	56,454	7.4%









Source:
(1) US Census Bureau released on March 19, 2009. Fiscal years 2000 - 2008 is updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis.
(3) US Bureau of Economic Analysis. Fiscal years 2000 - 2007 is updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department.

Notes:
(7) 2009 population was estimated by multiplying the 2008 population by the 2007-08 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2008 and 2009 remained at the 2007 level of 3.7 percent. 2007 is updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2008 and 2009 was estimated by dividing the estimated personal income for 2008 and 2009 by the reported and estimated population in 2008 and 2009, respectively.
(10) Median age in 2009 was estimated by averaging the median age in 2007 and 2008. 2008 is updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers – Current Year and Seven Years Ago

	Year 2008 (1)			Year 2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco.........	26,656	1	6.25%	29,610	1	5.85%
University of California, San Francisco...	18,200	2	4.27	13,835	2	2.95
Wells Fargo & Co.............................	8,718	3	2.04	6,366	5	1.36
California Pacific Medical Center..........	6,600	4	1.55	-	-	-
State of California.............................	6,021	5	1.41	11,296	3	2.41
Charles Schwab & Co. Inc..................	4,600	6	1.08	9,873	4	2.10
United States Postal Service................	4,571	7	1.07	4,500	10	0.96
PG&E Corporation.............................	4,350	8	1.02	5,000	8	1.07
Gap, Inc..	4,172	9	0.98	-	-	-
San Francisco State University............	3,831	10	0.90	-	-	-
San Francisco Unified School District....	-	-	-	5,579	6	1.19
AT&T...	-	-	-	5,200	7	1.11
Pacific Bell/SBC Communications.........	-	-	-	4,600	9	0.98
Total..	87,719		20.57%	95,859		19.98%

Source: Total City and County of San Francisco employee count is obtained from the California Employment Development Department. All other data is obtained from San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year 2008 is presented.

CITY AND COUNTY OF SAN FRANCISCO

Full-Time Equivalent City Government Employees by Function [(1)] – Last Ten Fiscal Years

Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Protection										
Fire Department	1,856	1,864	1,909	1,899	1,835	1,752	1,706	1,665	1,726	1,602
Police	2,742	2,785	2,748	2,688	2,669	2,616	2,664	2,765	2,870	2,949
Sheriff	896	892	921	920	937	929	944	939	951	1,016
Other	1,013	1,013	998	982	954	930	958	978	1,019	996
Total Public Protection	6,507	6,554	6,576	6,489	6,395	6,227	6,272	6,347	6,566	6,563
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,406	4,525	4,629	4,569	4,518	4,386	4,232	4,374	4,358	4,528
Airport Commission	1,517	1,578	1,537	1,306	1,214	1,203	1,248	1,220	1,228	1,248
Department of Public Works	1,004	1,065	1,081	1,077	1,053	1,059	1,035	1,040	1,060	1,030
Public Utilities Commission	1,376	1,404	1,411	1,513	1,589	1,513	1,573	1,596	1,609	1,580
Other	516	537	569	546	507	505	532	538	543	565
Total Public Works, Transportation and Commerce	8,819	9,109	9,227	9,011	8,881	8,666	8,620	8,768	8,798	8,951
Community Health										
Public Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988	6,196	6,023
Total Community Health	6,133	6,068	6,192	6,309	6,093	5,928	5,956	5,988	6,196	6,023
Human Welfare and Neighborhood Development										
Human Services	1,706	1,807	1,724	1,744	1,735	1,697	1,663	1,745	1,812	1,810
Other	245	269	305	316	317	312	306	313	312	309
Total Human Welfare and Neighborhood Development	1,951	2,076	2,029	2,060	2,052	2,009	1,969	2,058	2,124	2,119
Culture and Recreation										
Recreation and Park Commission	1,010	998	1,014	976	1,001	954	916	922	942	919
Public Library	594	599	612	613	617	616	606	631	641	649
War Memorial	94	94	94	95	95	96	95	96	96	97
Other	124	120	130	149	156	149	200	199	204	203
Total Culture and Recreation	1,822	1,811	1,850	1,833	1,869	1,815	1,817	1,848	1,883	1,868
General Administration and Finance										
Administrative Services	417	426	420	401	405	383	378	438	505	539
City Attorney	316	334	329	321	319	308	321	324	327	318
Telecommunications and Information Services	314	352	333	324	313	276	261	270	307	265
Controller	161	165	156	155	141	170	179	184	188	198
Human Resources	209	211	215	213	188	172	151	156	155	144
Treasurer/Tax Collector	183	182	184	185	192	197	199	208	208	212
Mayor	145	77	75	72	56	51	48	51	57	55
Other	455	467	470	466	466	454	491	520	571	547
Total General Administration and Finance	2,200	2,214	2,182	2,137	2,080	2,011	2,028	2,151	2,318	2,278
General City Responsibility	-	2	3	4	4	4	3	-	-	-
Subtotal annually funded positions	27,432	27,834	28,059	27,843	27,374	26,660	26,665	27,160	27,885	27,802
Capital project funded positions	848	1,776	1,857	1,875	1,567	1,597	1,588	1,628	1,750	1,519
Total annually funded positions	28,280	29,610	29,916	29,718	28,941	28,257	28,253	28,788	29,635	29,321

Source: Controller, City and County San Francisco

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

Operating Indicators by Function – Last Ten Fiscal Years

Function	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public Protection									
Fire and Emergency Communications									
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	N/A	N/A	N/A	8:09	7:59	8:01	8:04	7:36	7:06
Police									
Average time from dispatch to arrival on scene for highest priority calls [(1)]	2:34	2:36	2:45	2:58	3:07	3:09	3:15	4:08	3:49
Number of homicides per 100,000 population [(2)]	N/A	N/A	N/A	10.8	9.8	12.8	9.6	12.0	8.2
Percentage of San Franciscans who report feeling safe or very safe crossing the street [(3)]	34%	42%	45%	45%	51%	N/A	48%	N/A	56%
Public Works, Transportation, and Commerce									
General Services Agency - Public Works									
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good [(4)]	38%	45%	N/A	52%	49%	N/A	49%	N/A	50%
Number of blocks of City streets repaved	252	324	292	154	186	267	243	334	310
Municipal Transportation Agency									
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) [(3)]	2.70	2.92	3.21	3.20	3.13	N/A	2.84	N/A	2.98
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points [(5)]	55.4%	69.9%	70.4%	68.8%	71.0%	69.2%	70.8%	70.6%	74.4%
Percentage of scheduled service hours delivered [(6)]	94.4%	96.3%	96.5%	97.2%	95.3%	94.2%	94.3%	95.9%	96.9%
Airport									
Percent change in air passenger volume	-3.6%	-20.1%	-5.9%	5.3%	5.5%	1.5%	2.8%	8.4%	-0.8%
Human Welfare and Neighborhood Development									
Environment									
Percentage of total solid waste materials diverted in a calendar year	42%	46%	52%	63%	67%	67%	69%	70%	72%
Culture and Recreation									
Recreation and Park									
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good [(3)]	65%	64%	67%	67%	60%	N/A	57%	NA	65%
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	N/A	N/A	N/A	83%	86%	88%	89%
Public Library									
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	76%	77%	79%	81%	76%	N/A	75%	N/A	79%
Circulation of materials at San Francisco libraries	5,409,585	6,259,092	6,793,335	6,755,843	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160
Asian and Fine Arts Museums									
Number of visitors to City-owned art museums [(7)]	962,090	453,117	727,437	763,242	696,271	1,546,617	1,879,868	1,739,096	2,693,469

Source: Controller, City and County of San Francisco

(1) Measure changed from median time to average time in FY 2008. Values for FY 2001 through FY 2007 reflect median time, FY 2008 reflects average time.
(2) Value for FY 2009 is based on a different source for population data than prior fiscal years.
(3) Value for FY 2005 has been restated to be consistent with City Survey data.
(4) Value for FY 2002 has been restated to be consistent with City Survey data.
(5) Values for FY 2002 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(6) Values for FY 2002 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(7) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO

Capital Asset Statistics by Function – Last Ten Fiscal Years

Function	Fiscal Year 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Police protection (1)										
Number of stations	10	11	11	11	10	10	10	10	10	10
Number of police officers	2,229	2,321	2,449	2,388	2,170	2,180	2,070	2,304	2,455	2,356
Fire protection (2)										
Number of stations	45	45	45	45	45	45	48	42	42	42
Number of firefighters	1,654	1,804	1,800	1,795	1,690	1,675	1,333	1,012	978	809
Public works										
Mile of street (3)	989	989	1,044	1,252	1,050	1,050	1,051	1,051	1,291	1,318
Number of streetlights (4)	41,052	41,066	42,363	41,042	41,031	41,431	41,571	42,029	42,957	43,492
Water (4)										
Number of services	171,978	174,427	174,873	175,278	165,122	175,000	176,351	176,758	177,648	178,029
Average daily consumption (million gallons)	253.2	255.3	249.4	247.0	273.9	247.0	239.4	250.8	248.1	238.3
Mile of water mains	1,440	1,520	1,520	1,503	1,455	1,475	1,485	1,485	1,485	1,485
Sewers (4)										
Mile of collecting sewers	900	900	900	903	903	903	903	903	960	993
Mile of transport/storage sewers	16.5	16.5	15.0	15.0	15.0	15.0	15.0	15.0	17.0	17.0
Recreation and cultures										
Number of parks (5)	227	228	230	230	209	210	220	209	222	222
Number of libraries (6)	27	27	27	27	27	27	27	28	28	28
Number of library volumes (million) (6)	2.1	2.2	2.2	2.3	2.1	2.4	2.6	2.7	2.8	2.9
Public school education (7)										
Attendance centers	116	116	113	118	118	119	117	112	112	112
Number of classrooms	2,698	3,200	3,428	3,418	3,439	3,434	3,390	3,256	3,269	2,723
Number of teachers, full-time equivalent	2,671	3,260	3,272	3,362	3,138	3,171	3,103	3,103	3,113	3,167
Number of students	63,895	62,569	60,421	59,521	57,805	57,144	56,236	55,497	56,259	55,272

Sources:
(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following is a summary of certain provisions contained in the Trust Agreement, the Lease, and the Facilities Lease (collectively, the "Legal Documents"). This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to each of the Legal Documents.

DEFINITIONS

The following are definitions of certain terms used in this Summary of Certain Provisions of the Legal Documents to which reference is hereby made. The following definitions are equally applicable to both the singular and plural forms of any of the terms defined in the Trust Agreement and the Lease.

"Additional Rental" means the amounts specified in the Lease.

"Annual Debt Service," when used in connection with any series of Bonds, means, for each Fiscal Year, the sum of (1) the interest falling due on such series of Bonds in such twelve-month period, assuming that the Bonds of such series are retired as scheduled; and (2) the principal amount of such series of Bonds, if any, falling due by their terms in such twelve-month period, whether at maturity or through mandatory sinking fund redemption.

"Assignment Agreement" means the Assignment Agreement, dated as of July 1, 2010, by and between the Corporation and the Trustee, as the same may be amended from time to time.

"Base Rental" means all amounts payable to the Corporation by the City as Base Rental pursuant the Lease (but excluding Additional Rental).

"Bondowner," "Owner," "Holder," and "Bondholder" mean the Person in whose name such Bond is registered.

"Bonds" means the Series 2010-R1 Bonds and all Parity Bonds issued in accordance with the Trust Agreement and the Lease.

"Bond Insurer" means any municipal bond insurance company that has issued an unconditional guarantee of the principal of and interest on any series of Bonds.

"Bond Financed Facilities Component" means a component of the Project that is part of the Facilities.

"Business Day" means any day other than (a) a Saturday or a Sunday, (b) a day on which banking institutions are authorized or required by law or executive order to be closed in the State for commercial banking purposes, (c) a day on which trading on the New York Stock Exchange is suspended for more than four hours, or (d) a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificate," "Certificate of the Corporation," or "Certificate of the City"; "Statement," "Statement of the Corporation," or "Statement of the City"; "Request," "Request of the Corporation," or "Request of the City"; and "Requisition," "Requisition of the Corporation," or "Requisition of the City" mean, respectively, a written certificate, statement, request, or requisition signed in the name of the Corporation by an Authorized Representative of the Corporation or in the name of the City by an Authorized Representative of the City, or such other Person as may be designated in writing to the Trustee and authorized to sign for the Corporation or the City, as applicable. Any such instrument and supporting opinions or representations, if any, may be, but need not be, combined in a single instrument with any other instrument, opinion, or representation, and the two or more so combined shall be read and construed as a single instrument.

Any Certificate or Statement of the Corporation or the City, as applicable, may be based, insofar as it relates to legal, accounting, or engineering matters, upon the opinion or representation of counsel, accountants, or engineers, unless the officer signing such certificate or statement knows, or in the exercise of reasonable care should have known, that the opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. The same officer of the Corporation or the City, or the same counsel, accountant, or engineer, as the case may be, need not certify to all of the matters required to be certified under any provision of the Trust Agreement, but different officers, counsel, accountants, or engineers may certify to different matters.

"Charter" means the Charter of the City as the same may be amended from time to time.

"Continuing Disclosure Certificate" means the certificate by that name under the Lease.

"Credit Facility" means any letter of credit, line of credit, insurance policy, surety bond, or other credit source deposited with the Trustee pursuant to the Trust Agreement. Any Credit Facility in the form of a letter of credit or line of credit shall be provided by any entity which maintains a rating of at least equal to the rating on the applicable series of the Bonds from Moody's and S&P and any Credit Facility in the form of an insurance policy, surety bond, or other credit source shall be provided by an entity which maintains a rating of "Aaa" from Moody's, "AAA" from Fitch, and "AAA" from S&P, such ratings to be in effect at the time of provision of such letter of credit, line of credit, insurance policy, surety bond, or other credit source.

"Facilities" means the facilities described in and subject to the Lease, as such facilities may be revised pursuant to the terms of the Lease, and includes the Site.

"Facilities Lease" means the Facilities Lease, dated as of July 1, 2010, by and between the City, as lessor, and the Corporation, as lessee, as the same may be amended or supplemented from time to time.

"Fiscal Year" means the period beginning July 1 of each year and ending on the next succeeding June 30 or such other 12-month period selected by the City and the Corporation and indicated to the Trustee in writing.

"Fitch" means Fitch Ratings and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Government Certificates" means evidences of indebtedness of ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying Government Obligations; (ii) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (iii) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any Person claiming through the custodian, or any Person to whom the custodian may be obligated.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation that constitute interest strips) if held by a custodian on behalf of the Trustee or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and "pre-refunded" municipal obligations rated in the highest rating category by Moody's and S&P.

"Independent Certified Public Accountant" means any certified public accountant or public accountant or firm of such accountants retained and paid by the Corporation or the City, and who, or each of whom:

(1) is in fact independent, and not under domination of the Corporation or the City;

(2) does not have any substantial interest, direct or indirect, with the Corporation or the City; and

(3) is not connected with the Corporation or the City as a member of the Board of Directors of the Corporation or as a member of the Board of Supervisors of the City, or as an officer or employee of the Corporation or the City, but who may be regularly retained to make annual or similar audits of any of the books of the Corporation or the City.

"Insurance and Eminent Domain Proceeds Fund" means the fund by that name created pursuant to the Trust Agreement.

"Interest Payment Date" means each April 1 and October 1, commencing on October 1, 2010, or, with respect to Parity Bonds, commencing on such date as provided in a Parity Bond Instrument.

"Lease" means the Master Lease, dated as of July 1, 2010, by and between the Corporation, as lessor, and the City, as lessee, providing for the lease of the Facilities from the Corporation to the City, as the same may be amended or supplemented, including as amended or supplemented in connection with the issuance of Parity Bonds.

"Maximum Annual Debt Service" means the largest Annual Debt Service during the period from the date of such determination through the final maturity date of any Outstanding Bonds.

"Moody's" means Moody's Investors Service and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Opinion of Bond Counsel" means a written opinion of an attorney at law, or a firm of such attorneys, in each case designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the City or the Corporation) retained by the City or the Corporation. Any opinion of counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Corporation, upon a certificate or opinion of, or representation by, an officer or officers of the City or the Corporation, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based is erroneous.

"Outstanding", when used as of any particular time with reference to the Bonds, means (subject to the Trust Agreement) all Bonds theretofore executed, issued, and delivered by the Corporation under the Trust Agreement or any Parity Bond Instrument except:

(1) Bonds canceled by the Trustee or surrendered to the Trustee for cancellation or Bonds that have been discharged in accordance with the Trust Agreement in accordance with any Parity Bond Instrument;

(2) Bonds, the payment or redemption for which funds in the necessary amount shall have been deposited theretofore with the Trustee or escrow agent (whether upon or prior to the maturity or redemption date of such Bonds), provided, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in the Trust Agreement or some other provision satisfactory to the Trustee shall have been made for the giving of such notice; and

(3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued, and delivered by the Corporation pursuant to the Trust Agreement.

"Parity Bond Instrument" means any trust agreement, indenture, resolution, or other instrument, including an agreement supplemental to the Trust Agreement or an agreement supplemental to the Lease, pursuant to which Parity Bonds are issued.

"Parity Bonds" means Parity Bonds issued in accordance with the Trust Agreement and the Lease.

"Permitted Encumbrances" means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the Assignment Agreement; (iii) the Facilities Lease and the Lease; (iv) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law; (v) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions that exist of record as of the date of initial execution of the Lease or a related supplement thereto; and (vi) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established following the date of recordation of the Lease and to which the Corporation, the City, and the Trustee consent in writing. In giving such consent, the Trustee may conclusively rely on a Certificate of the City to the effect that such encumbrance will not materially impair the beneficial use of the Facilities by the City.

"Permitted Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the City or the Corporation:

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FmHA) - Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration - Participation Certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") guaranteed mortgage-backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration - Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) - Project notes and local authority bonds; and

(vii) any other agency or instrumentality of the United States of America;

(c) Bonds, debentures, notes, or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System - Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae - mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities that are valued greater than par on the portion of the unpaid principal);

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") - Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) - Only the interest component of REFCORP strips that have been stripped by request to the Federal Reserve Bank of New York in book-entry form;

(vi) Federal Farm Credit System - Consolidated systemwide bonds and notes; and

(vii) any other agency or instrumentality of the United States of America;

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of "AAAm-G" or "AAAm" and by Moody's of "Aaa"; including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee provide investment advisory or other management services;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and fully insured by the FDIC, which may include the Trustee and its affiliates, or that have a maturity of not greater than three hundred sixty-five (365) days and have the highest short-term letter and numerical ratings of Moody's and S&P;

(f) Savings accounts or money market deposits that are fully insured by the FDIC;

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated in the highest rating category by Moody's and S&P at the time of provision of such agreement, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates.

(h) Commercial paper of "prime" quality rated at the time of purchase in the highest rating category by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States.

(i) Bonds or notes issued by any state or municipality that are rated by Moody's and S&P in one of the two highest long-term rating categories assigned by such agencies;

(j) Federal funds or banker's acceptances that are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P, which may include the Trustee and its affiliates, provided that the maturity cannot exceed two hundred seventy (270) days;

(k) Repurchase agreements with maturities of either (a) thirty (30) days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated "A" or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(l) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission, or instrumentality thereof) and (i) rated in the highest rating category by Moody's and S&P, including "pre-funded" municipal obligations or (ii) if all Bonds are insured by one or more policies of municipal bond insurance, approved in writing by such Bond Insurer(s);

(m) The Local Agency Investment Fund administered by the State of California; and

(n) Any investment (i) with the consent of the Bond Insurer if any Bonds are insured by a policy of municipal bond insurance or (ii) with confirmation from the Rating Agencies that the ratings on the Bonds will not be lowered as a result of such investment if any Bonds are not insured by a policy of municipal bond insurance.

In connection with the purchase of Permitted Investments, the City, the Corporation, and/or the Trustee may enter into agreements, including forward purchase agreements, for the purchase thereof.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee located in San Francisco, California, or such other office that the Trustee may designate in writing to the City from time to time as the corporate trust office for purposes of the Trust Agreement; provided, however, that for purposes of the transfer, registration, exchange, payment, and surrender of Bonds, the term "Principal Corporate Trust Office" means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Principal Payment Date" means April 1, 2011, and each April 1 thereafter on which the principal of the Bonds is scheduled to be paid.

"Project" means the projects financed or refinanced with the proceeds of the Bonds, including the Refunded Bonds Project and any project financed or refinanced with the proceeds of Parity Bonds.

"Project Costs" means, with respect to a Bond Financed Facilities Component, the amounts paid or to be paid to or at the direction of any contractor or the Corporation or the City for the acquisition, construction, installation, improvement, or equipping of the Bond Financed Facilities Component, including, but not limited to, the reimbursement to the Corporation or the City for any payments made for or in connection with the improvement to the Bond Financed Facilities Component by the Corporation or the City.

"Project Fund" means the fund by that name created pursuant to the Trust Agreement.

"Rebate Fund" means the Rebate Fund established pursuant to the Trust Agreement.

"Refunded Bonds Project" mans the acquisition, construction, installation and equipping of a structure or structures, communications, telecommunications and data processing equipment and software, and related facilities and furnishings comprising the City's 911 Information and Communications System.

"Reserve Fund" means the fund by that name created pursuant to the Trust Agreement.

"Reserve Fund Requirement" means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original principal amount of a series of Bonds, (ii) Maximum Annual Debt Service, or (iii) one hundred twenty-five percent (125%) of average Annual Debt Service.

"Revenue Fund" means the fund by that name created pursuant to the Trust Agreement.

"Revenues" means proceeds of the Bonds, if any, deposited in the Revenue Fund and the Reserve Fund, that portion of the Base Rentals set forth in the Lease that is received by the Trustee for the benefit of the Owners of the Bonds, other amounts received by the Trustee for the benefit of the Owners of the Bonds, and all other revenues, proceeds, charges, income, rents, receipts, profits, and benefits derived by the Corporation as lessor of the Facilities under the Lease or otherwise from the use and operation of the Facilities or arising out of the Facilities (other than Additional Rental) and payable to the Trustee, including interest or profits from the investment of money in any fund or account created under the Trust Agreement (other than the Rebate Fund), any contributions from whatever source, and all rentals received by the Corporation as lessor of the Facilities from any additions or extensions of the Facilities hereafter acquired or constructed.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Series 2010-R1 Bonds" means the City and County of San Francisco Finance Corporation Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communications System Refinancing).

"Site" means the real property described in the Lease as such may be amended or revised from time to time as provided in the Lease.

"Sinking Account Payment" means the payment for the mandatory sinking fund redemption of Bonds as provided in the Trust Agreement or in any Parity Bond Instrument.

"Sinking Account Payment Date" means a date on which Sinking Account Payments for any series of Bonds are scheduled to be paid as provided in Article XI of the Trust Agreement or in any Parity Bond Instrument.

"Tax Certificate" means the Tax Exception Certificate executed and delivered by the City and the Corporation in connection with the issuance of the Series 2010-R1 Bonds setting forth certain conditions, covenants, expectations, and elections with respect to the Series 2010-R1 Bonds in accordance with the Code.

"Trust Agreement" means the Master Trust Agreement, dated as of July 1, 2010, by and between the Corporation and the Trustee, as it may from time to time be amended or supplemented by any supplemental trust agreement adopted or entered into pursuant to the provisions of the Trust Agreement.

THE TRUST AGREEMENT

Allocation of Revenues

Upon receipt thereof, the Trustee shall deposit all Revenues in the Revenue Fund. The Trustee shall apply all moneys in the Revenue Fund as set forth in the Trust Agreement either to pay debt service on the Bonds or to make a deposit in the Reserve Fund, which the Trustee shall establish, maintain, and hold in trust. Such Revenues shall be so applied in the order of priority set forth below, each such requirement to be satisfied before any payment subsequent in priority.

The Trustee acknowledges in the Trust Agreement that the City is entitled to receive credits against Base Rental payments under certain circumstances as provided in the Lease.

(a) Interest Payments. The Trustee, on each Interest Payment Date, shall first apply amounts on deposit in the Revenue Fund to pay the aggregate amount of interest then due and payable on the Outstanding Bonds on such Interest Payment Date.

(b) Principal Payments. The Trustee, on each Principal Payment Date and on each Sinking Account Payment Date, after making the payments required on such date by subsection (a) above, shall next apply amounts on deposit in the Revenue Fund to pay the principal of the Bonds then due or required to be paid on such Principal Payment Date or Sinking Account Payment Date with respect to the Bonds in accordance with the terms of the Trust Agreement.

(c) Reserve Fund. On each Interest Payment Date, after making all payments required by subsections (a) and (b) above, the Trustee shall deposit in the Reserve Fund such amounts as may be necessary to maintain on deposit in the Reserve Fund an amount equal to the Reserve Fund Requirement; provided, however, that failure to so maintain such amounts on deposit in the Reserve Fund (because such amounts have been used for the purpose for which the Reserve Fund has been established) shall not constitute an Event of Default, but only if and to the extent Revenues are not available for such purpose.

Moneys in (or available to) the Reserve Fund shall be applied solely for the purpose of paying the interest on the Bonds as the same shall become due and payable, including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to the Trust Agreement, or for the purpose of paying the principal of the Bonds as the same become due (in both instances, however, only to the extent that there are insufficient moneys available for such purposes in the Revenue Fund); provided that, at the direction of the City, separate accounts may be established in the Reserve Fund relating to an individual series of the Bonds or separate reserve funds may be held under Parity Bond Instruments so long as such account or fund is funded in an amount equal to the Reserve Fund Requirement, as applied to the applicable series of the Bonds. Any moneys in excess of the Reserve Fund

Requirement in the Reserve Fund shall be transferred to the Revenue Fund or, subject to any limitations in the Tax Certificate, to such other fund or account under this Trust Agreement as directed in a Request of the City.

Notwithstanding anything to the contrary within the Trust Agreement, at the option of the City, amounts required to be held in the Reserve Fund may be substituted, in whole or in part, by the deposit of a Credit Facility with the Trustee; provided that with respect to any such substitution, (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Corporation shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an Opinion of Bond Counsel stating that such substitution will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall, subject to any limitations in the Tax Certificate, be transferred to another fund under the Trust Agreement as directed by the City in a Request of the City.

(d) Insurance and Eminent Domain Proceeds Fund. The net proceeds resulting from any insurance claim or eminent domain proceedings and payable to the Trustee pursuant to the Assignment Agreement or any assignment agreement with respect to Parity Bonds shall be deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in the Trust Agreement, as applicable.

Events of Default

Any one or more of the following events are an "Event of Default" under the Trust Agreement:

(i) a default shall occur under the Lease; or

(ii) the Corporation shall fail to observe or perform any covenant, condition, or agreement on its part to be observed or performed under the Trust Agreement, other than such failure as may constitute an Event of Default under clause (i) above, for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the Corporation by the Trustee, or to the Corporation and the Trustee by the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding; provided, however, that failure to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Trust Agreement; provided further, however, if the failure stated in the notice cannot be corrected within such period, then such period will be extended so long as corrective action is instituted by the Corporation within such period and diligently pursued until the default is corrected, but only if such extension would not materially adversely affect the interest of any Owner.

Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in (i) above, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding and upon being indemnified to its satisfaction by such Owners shall proceed) to exercise the remedies set forth in the Lease to the extent an event of default has occurred under the Lease.

Notice of Events of Default. If an Event of Default occurs under the Trust Agreement, the Trustee shall, unless such Event of Default is immediately remedied, promptly give notice, at the expense of the Corporation, of such Event of Default to the Owners. Such notice shall state that a default has occurred and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interest of the Owners. The notice shall be given by first-class mail, postage prepaid, to the Owners within thirty (30) days of the occurrence of such Event of Default.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under the Trust Agreement is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in the Trust Agreement or by law.

Waiver; No Additional Waiver Implied by One Waiver. The Trustee may in its discretion waive any Event of Default and its consequences and shall also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding; provided, however, that no default in the payment of the principal of, premium, if any, or interest on any Bond shall be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the Corporation, the City, and the Owners shall be restored to their former positions and rights, respectively, but such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Trust Agreement.

Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default, the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding may institute a suit, action, mandamus, or other proceeding in equity or at law for the protection or enforcement of any right under the Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or in the Trust Agreement or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Bond or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default. Except to the extent necessary, first, to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and, second, to pay all principal of and interest then due and unpaid on all Outstanding Bonds, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Trust Agreement or the Lease shall be deposited by the Trustee into the Revenue Fund and used first to pay interest on the Bonds and then to pay the principal of the Bonds. If the amount deposited into the Revenue Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Revenue Fund is not sufficient to pay all overdue payments of principal, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Revenue Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Trust Agreement shall be applied as follows in the order of priority indicated:

(1) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Fund Requirement; and

(2) any remaining amounts shall be deposited into and retained in the Revenue Fund for application to the payments due with respect to the Bonds on the next succeeding payment dates thereof.

Modification or Amendment

Amendments Permitted. The Trust Agreement and the rights and obligations of the Corporation and of the Owners of the Bonds may be modified or amended at any time by a supplement or amendment that shall become effective when the written consents of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided under the Trust Agreement (provided that for any series of Bonds insured by a policy of municipal bond insurance that is in full force and effect such consent may be given by the Bond Insurer and without written consent of the Owners of such Bonds), shall have been filed with the Trustee. No such supplement or amendment shall (1) extend the fixed maturity of any Bonds or reduce the interest rate thereon or extend the time of payment of interest, or reduce the amount of principal thereof or reduce any premium payable upon the redemption thereof, without the express consent of the Owner of such Bond, or (2) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Trust Agreement, or (3) modify any of the rights or obligations of the Trustee without the written assent thereto by the Trustee.

Certain Amendments Permitted Without Bondholder Consent. The Trust Agreement and the rights and obligations of the Corporation and of the Owners of the Bonds may also be modified or amended at any time, without the consent of any Bondowners, but only to the extent permitted by law and only for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Corporation in the Trust Agreement contained, other covenants and agreements thereafter to be observed, or to surrender any right or power therein reserved to or conferred upon the Corporation, which in any case shall not adversely affect the interests of the Owners of the Bonds;

(ii) to cure, correct, or supplement any ambiguous or defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement, as the Corporation may deem necessary or desirable and not inconsistent with the Trust Agreement, and which shall not adversely affect the interests of the Owners of the Bonds;

(iii) to modify, amend, or supplement the Trust Agreement in such manner as to permit the qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said Act or similar federal statute, and which shall not materially adversely affect the interests of the Owners of the Bonds;

(iv) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes;

(v) to modify any of the provisions of the Trust Agreement in any other respect, including the substitution of a Credit Facility, and the modification of the Trustee's fee letter provided that such modifications shall not have a material adverse effect on the interests of the Owners of the Bonds;

(vi) (1) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting, or supplementing any defective provision contained in the Lease or the Facilities Lease, (2) in regard to questions arising under the Lease or the Facilities Lease that the City and the Corporation may deem necessary or desirable and not inconsistent with the Lease or the Facilities Lease, as applicable, and that shall not adversely affect the interests of the Owners of the Bonds then Outstanding, or (3) to effect any substitution of the Facilities or any portion thereof in accordance with the Lease or the Facilities Lease, provided such modification or amendment does not adversely affect the interests of the Owners of the Bonds then Outstanding; provided that the City and the Corporation may rely in entering into any such amendment or modification thereof, upon the Opinion of Counsel stating that the requirements of this sentence have been met with respect to such amendment or modification; or

(vii) in connection with the issuance of any Parity Bonds pursuant to the Trust Agreement.

Disqualified Bonds. Bonds owned or held by or for the account of the Corporation or the City or by an obligor on the Bonds, or by any Person directly or indirectly controlled or controlled by, or under direct or indirect common control with the Corporation or the City (except any Bonds held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver, or other action or any calculation of Outstanding Bonds provided for in the Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement. Upon request of the Trustee, the City and the Corporation shall specify in a certificate to the Trustee the Bonds disqualified and the Trustee may conclusively rely on such certificate.

Effect of Supplement or Amendment. From and after the time any supplement or amendment to the Trust Agreement becomes effective, the Trust Agreement shall be deemed to be modified and amended in accordance therewith, the respective rights, duties, and obligations under the Trust Agreement of the Corporation and all Owners of Bonds Outstanding shall thereafter be determined, exercised, and enforced subject in all respects to such modification and amendment, and all the terms and conditions of any such supplement or amendment shall be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

Endorsement or Replacement of Bonds Issued After Amendments. The Corporation may determine that Bonds issued and delivered after the effective date of any action taken as provided in the Trust Agreement shall bear a notation, by endorsement or otherwise, in form approved by the Corporation, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of the Bond for the purpose at the office of the Corporation or at such other office as the Corporation may select and designate for that purpose, a suitable notation shall be made on such Bond. The Corporation may determine that new Bonds so modified as in the opinion of the Corporation necessary to conform to such Bondowners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner and at the expense of the Corporation, for a Bond of the same character then outstanding, upon surrender of such Bond.

Amendatory Endorsement of Bonds. The provisions of the Trust Agreement shall not prevent any Bondowner from accepting any amendment as to the particular Bonds held by him, provided that due notification thereof is made on such Bonds.

Reliance on Opinion. The Corporation and the Trustee may rely, in entering into any amendment or modification of, or supplement to, the Trust Agreement, on an Opinion of Counsel (which opinion may rely upon the opinions of other experts, consultants, or advisors) stating that the requirements of the Trust Agreement have been met with respect to such amendment, modification, or supplement.

Discharge of Trust Agreement

Discharge of Trust Agreement. If the Corporation shall pay and discharge the entire indebtedness on all Bonds Outstanding in any one or more of the following ways:

- by paying or causing to be paid the principal of (including redemption premiums, if any) and interest on all Bonds Outstanding, as and when the same become due and payable;
- by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust, at or before maturity, money in the necessary amount to pay or redeem all Bonds Outstanding;
- by delivering to the Trustee, for cancellation by it, all Bonds Outstanding; or
- by depositing with the Trustee, or with an independent escrow agent for the benefit of the Trustee, in trust, Government Obligations not subject to call prior to the date they would be used to pay the Bonds in such amount as will, together with the income or increment to accrue thereon, be fully sufficient, in the opinion of an Independent Certified Public Accountant, to pay and discharge the indebtedness on all Bonds at or before their respective maturity dates;

and if the Corporation shall also pay or cause to be paid all other sums payable by the Corporation including, without limitation, all fees and expenses of the Trustee due under, the Trust Agreement, including reasonable attorneys' fees, then and in that case, at the election of the Corporation (evidenced by a Certificate of the Corporation signifying its intention to pay and discharge all such indebtedness and that the Trust Agreement and all other obligations of the Corporation under the Trust Agreement shall cease and terminate, which Certificate of the

Corporation shall be filed with the Trustee), and notwithstanding that any Bonds shall not have been surrendered for payment, the pledge of the Revenues provided for in the Trust Agreement and all other obligations of the Corporation under the Trust Agreement shall cease and terminate, except as otherwise provided and except for the obligation of the Corporation to pay or cause to be paid to the Owners of the Bonds not so surrendered and paid all sums due on the Bonds. The discharge of the obligations of the Corporation under the Trust Agreement shall be without prejudice to the rights of the Trustee to charge for and be reimbursed by the Corporation for any expenditures that it may thereafter incur in connection with the Trust Agreement.

The Corporation may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Corporation may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Discharge of Bonds

Upon the deposit with the Trustee, in trust, at or before maturity, of money or Government Obligations in the necessary amount to pay or redeem Outstanding Bonds (whether upon or prior to their maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to their maturity, notice of such redemption shall have been given as provided in the Trust Agreement or other provision satisfactory to the Trustee shall have been made for the giving of such notice, all liability of the Corporation in respect of such Bonds shall cease, terminate, and be completely discharged and the Owners shall thereafter be entitled only to payment out of the money or Government Obligations deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of the Trust Agreement.

In the event that debt service on the Bonds is not paid in full by June 15, 2044 due solely to abatement occurring under the Lease, the Bonds will be deemed discharged and no longer outstanding, and the Corporation shall cease to have any liability thereunder.

Payment of Bonds After Discharge of Trust Agreement. Notwithstanding any provisions of the Trust Agreement, any moneys deposited with the Trustee in trust for the payment of the principal of, or interest or premium on, any Bonds and remaining unclaimed for two (2) years after the principal of or interest on any of the Outstanding Bonds has become due and payable (whether at maturity or upon call for redemption or by declaration as provided in the Trust Agreement) shall then be repaid to the Corporation, and the Owners of such Bonds shall thereafter be entitled to look only to the Corporation for payment, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Corporation as aforesaid, the Trustee may cause to be mailed to the registered Owners of such Bonds at their addresses as they appear on the registration books of the Trustee, a notice, in such form as may be deemed appropriate by the Trustee, with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Corporation of the moneys held for the payment of such Bonds. In the event of the repayment of any such moneys to the Corporation as aforesaid, the Owners of the Bonds in respect of which such moneys were deposited shall thereafter be deemed to be general creditors of the Corporation for amounts equivalent to the respective amounts deposited for the payment of such Bonds and so repaid to the Corporation (without interest thereon).

Amounts Remaining in Funds and Accounts. Notwithstanding any other provision of the Trust Agreement, it is agreed by the parties hereto that after payment in full of (i) the Bonds, or after provision for such payment shall have been made as provided in the Trust Agreement, (ii) the fees, charges, and expenses of the Trustee in accordance with the Trust Agreement, and (iii) all other amounts required to be paid under the Trust Agreement, any amounts remaining in any fund or account held by the Trustee under the Trust Agreement (other than amounts held in the Rebate Fund) shall belong to the City, and shall be paid to the City by the Trustee.

Investment of Moneys in Funds

Any moneys in any of the funds established by the Trustee pursuant to the Trust Agreement, upon the Request of the City, shall be invested in Permitted Investments (subject in each case to the limitations as to maturities in the Trust Agreement). The Trustee shall notify the City not less than two (2) Business Days prior to the date moneys held under the Trust Agreement will be available for investment requesting that the City deliver to the Trustee a Request of the City specifying the Permitted Investments to be acquired by the Trustee with such moneys. The City, in issuing such Request, shall comply with the restrictions and instructions set forth in the Tax Certificate. Moneys in all funds and accounts held under the Trust Agreement shall be invested in obligations that will, as nearly as practicable, mature on or before the date on which the invested moneys are estimated by the City to be required for expenditure.

If an Authorized Representative of the City shall fail to provide the Trustee with written direction with respect to any moneys subject to investment, the Trustee shall, on the date when moneys will be available for investment, provide the City, in writing, three investments available for investment within the Permitted Investments listed in clause (a) that would mature on the day prior to the next Interest Payment Date by not later than 12:00 p.m. (Eastern Standard Time) on the date of such investment. The Trustee shall invest in Permitted Investments as directed in a Request of the City or the Corporation; provided that such Request is received by the Trustee by 1:00 p.m. (Eastern Standard Time) on such date. If such Request is not received by the Trustee by such time, the Trustee shall instead invest such moneys in Permitted Investments listed in clause (d) that would mature on the day prior to the next Interest Payment Date. Such Request must be received for each specific investment and a blanket Request shall have no effect. All Requests must be express and in writing and signed by an Authorized Representative of the City or the Corporation.

The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not invest any moneys held under the Trust Agreement in Permitted Investments held by the Trustee or its affiliates unless (1) authorized by the City, and (2) all fees charged are reasonable.

The Trustee may sell or present for redemption any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment on the Bonds, and the Trustee shall not be liable or responsible for any loss resulting from such sale or redemption.

Any interest, profit, or other income on such investment of moneys (i) in the Project Fund shall be retained therein unless otherwise directed by the City pursuant to the Trust Agreement, and (ii) in the Revenue Fund shall be deposited in the Revenue Fund unless otherwise directed by the City in a Request of the City, subject to any limitations in the Tax Certificate. Any interest, profit, or other income on such investment of moneys in the Reserve Fund in excess of the Reserve Requirement shall be applied in accordance with the Trust Agreement.

The Trustee or any of its affiliates may act as sponsor, advisor, or manager in connection with any investments made by the Trustee under the Trust Agreement.

Eminent Domain

If all or any portion of the Facilities is taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), then the provisions described below under the caption "THE LEASE – Eminent Domain" shall apply. Notwithstanding the provisions of the Lease, the City shall, within ninety (90) days of making its decision whether or not such Facilities will be replaced or the Bonds redeemed, notify the Trustee in writing whether or not such Facilities will be replaced or the Bonds redeemed. The proceeds of any condemnation award shall as soon as possible be deposited with the Trustee and be held by the Trustee in the Insurance and Eminent Domain Proceeds Fund and made available for and, to the extent necessary, shall be applied to redeem Bonds, transferred to the Rebate Fund, or applied to the cost of replacement of the Facilities, in any case upon receipt of a Request of the City. Pending such application, such proceeds may be invested by the Trustee as directed by the City in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after the Facilities have been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the redemption, or provision for the redemption, of Bonds, in each case as evidenced by a Certificate of the City to such effect, shall be deposited into the accounts of the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement. Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence shall, if there is first delivered to the Trustee a Certificate of the City to the effect that the annual fair rental value of the replacement Facilities is at least equal to the maximum amount of Base Rental payments and Additional Rental becoming due under the Lease in the then current Fiscal Year or any subsequent Fiscal Year and subject to any limitations, restrictions and instructions in the Tax Certificate, be transferred as directed by the City or paid to the City as directed by the City in a Request of the City. If the City cannot deliver the certificate described in the preceding sentence, then any excess amounts shall be used to redeem Bonds.

THE LEASE

Fair Rental Value

The payments of the Base Rental and Additional Rental during the term of the Lease shall constitute the total rental for the City's use and occupancy of the Facilities for the Fiscal Year in which such payments are scheduled to be made, and the parties to the Lease have agreed and determined that such total rental represents the fair rental value of the Facilities. In making such determination, consideration has been given to the uses and purposes that may be served by the Facilities, and the benefits that will accrue to the Corporation, the City, and the general public therefrom.

Defaults and Remedies

(a) The City shall be deemed to be in default under the Lease:

(i) if it shall (A) fail to pay any Base Rental payable under the Lease, within five (5) calendar days after the same becomes due and payable, time being expressly agreed to be of the essence in the Lease, (B) fail to pay any Additional Rental payable under the Lease, within thirty (30) calendar days after the same becomes due and payable, time being expressly agreed to be of the essence in the Lease, or (C) fail to keep, observe, or perform any other term, covenant, or condition contained in the Lease to be kept or performed by the City; or

(ii) upon the happening of any of the events specified in subsection (b), below.

The Corporation may exercise any and all remedies available pursuant to law (other than those specifically waived in the Lease) or granted pursuant to the Lease upon the occurrence of any default. The City shall not be in default in the observance or performance of any covenant, condition, or agreement in the Lease on its part to be observed or performed under clause (i)(C) of the preceding sentence unless the City shall have failed, for a period of thirty (30) days or such additional time as is reasonably required, to correct any such default after notice by the Corporation to the City properly specifying wherein the City has failed to perform any such covenant, condition, or agreement.

Upon any such default, the Corporation, in addition to all other rights and remedies it may have at law, shall have the option to do any of the following:

(1) Without terminating the Lease, (i) to collect each installment of rent as it becomes due and enforce any other terms or provision of the Lease to be kept or performed by the City, or (ii) to exercise a right of entry or re-entry, and to re-let the Facilities (any such re-let of the Facilities shall be for public purposes in accordance with the Charter). If the Corporation does not elect to terminate the Lease in the manner provided for in subparagraph (2) below, the City shall remain liable under the Lease and agrees to keep or perform all covenants and conditions in the Lease contained to be kept or performed by the City; provided, however, that for so long as the Facilities are not re-let, the Corporation shall not prevent the City from using, occupying, and enjoying the Facilities, subject only to entry or re-entry by the Corporation to perform maintenance, make repairs or alterations, or engage in such other activities as may be desirable in furtherance of an attempt to preserve or re-let the Facilities. If the Facilities are not re-let, the City shall pay the full amount of the rent to the end of the term of the Lease as it becomes due, or, in the event that the Facilities are re-let, to pay any resulting deficiency in rent as such rent becomes due; and further agrees to pay said rent or rent deficiency punctually at the same time and in the same manner as provided in the Lease for the payment of rent, notwithstanding the fact that the Corporation may have received in previous years or may receive in subsequent years rental in excess of the rental specified by the Lease, and notwithstanding any entry

or re-entry by the Corporation or suit in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Facilities. Should the Corporation elect to re-enter as provided by the Lease, the City hereby irrevocably appoints the Corporation as the agent and attorney-in-fact of the City to re-let the Facilities, or any part thereof, from time to time, either in the Corporation's name or otherwise, upon such terms and conditions and for such use and period (not to exceed one year, unless approved in writing by the City) as the Corporation may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and to place such personal property in storage in any warehouse or other suitable place in the City, for the account of and at the expense of the City, and the City hereby exempts and agrees to hold harmless the Corporation from any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon and re-letting of the Facilities and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions of the Lease. The City agrees that the terms of the Lease constitute full and sufficient notice of the right of the Corporation to re-let the Facilities in the event of such re-entry without effecting a surrender of the Lease, and further agrees that no acts of the Corporation in effecting such re-letting shall constitute a surrender or termination of the Lease irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise, but that, on the contrary, in the event of such default by the City the right to terminate the Lease shall vest in the Corporation to be effected in the sole and exclusive manner provided for in subparagraph (2) below. The City further agrees to pay the Corporation the cost of any alterations or additions to the Facilities necessary to place the Facilities in condition for re-letting immediately upon notice to the City of the completion and installation of such additions or alterations, to the extent such liability does not constitute a debt or an indebtedness within the meaning of Section 18 of Article XVI of the California Constitution.

(2) To terminate the Lease in the manner provided in the Lease on account of default by the City, notwithstanding any re-entry or re-letting of the Facilities or any component thereof as provided in the Lease for in subparagraph (1) above, and to re-enter the Facilities and remove all persons in possession thereof and all personal property whatsoever situated upon the Facilities and place such personal property in storage in any warehouse or other suitable place in the City; provided, however, that before exercising such remedy, the Corporation shall have received an Opinion of Bond Counsel to the effect that the exercise of such remedy shall not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds. In the event of such termination, the City agrees to immediately surrender possession of the Facilities, without let or hindrance, and to pay the Corporation all damages recoverable at law (other than as specifically waived in the Lease) that the Corporation may incur by reason of default by the City, including, without limitation, any costs, loss, or damage whatsoever arising out of, in connection with, or incident to any such re-entry upon the Facilities and removal and storage of such property by the Corporation or its duly authorized agents in accordance with the provisions in the Lease. Neither notice to pay rent or to deliver up possession of the Facilities given pursuant to law nor any entry or re-entry by the Corporation nor any proceeding in unlawful detainer, or otherwise, brought by the Corporation for the purpose of effecting such re-entry or obtaining possession of the Facilities nor the appointment of a receiver upon initiative of the Corporation to protect the Corporation's interest under the Lease shall of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City shall be or become effective by operation of law or acts of the parties hereto, or otherwise, unless and until the Corporation shall have given written notice to the City of the election on the part of the Corporation to terminate the Lease. The City covenants and agrees that no surrender of the Facilities or of the remainder of the term of the Lease or any termination of the Lease shall be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

The City waives any and all claims for damages caused or which may be caused by the Corporation in re-entering and taking possession of the Facilities as provided in the Lease and all claims for damages that may result from the destruction of or injury to the Facilities and all claims for damages to or loss of any property belonging to the City, or any other person, that may be in or upon the Facilities. Notwithstanding anything to the contrary contained in the Lease, the Corporation shall not re-enter or re-let the Facilities upon an event of default unless the Corporation or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to the Facilities, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder. Further, any re-letting of the Facilities shall be for library purposes as provided in the Charter.

(b) The City shall be deemed to be in default under the Lease with respect to that portion or portions of the Facilities to which the default relates if (1) the City's interest in the Lease or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Corporation as provided for by the Lease; or (2) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or Request of the Corporation, or if the City shall make a general or any assignment for the benefit of the City's creditors; or (3) the City shall abandon or vacate any portion or portions of the Facilities.

(c) Except with respect to a failure to pay any Base Rent payable under the Lease as described in (a)(i)(A) above, the City shall in no event be in default in the performance of any of its obligations under the Lease or imposed by any statute or rule of law unless and until the City shall have failed to perform such obligations within thirty (30) days or such additional time as is reasonably required to correct any such default after notice by the Corporation to the City properly specifying wherein the City has failed to perform any such obligation.

(d) In addition to the other remedies set forth in this section, upon the occurrence of an event of default as described in the Lease, the Corporation and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Corporation and its assignee by the Lease or by law except as specifically waived in the Lease. The provisions of the Lease and the duties of the City and of elected officials, officers, or employees shall be enforceable by the Corporation or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Corporation and its assignee shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its Board of Supervisors, officers, and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the Corporation or its assignee.

(iii) Mandamus. By mandamus or other suit, action, or proceeding at law or in equity to enforce the Corporation's or its assignee's rights against the City (and its Board of Supervisors, officers, and employees) and to compel the City to perform and carry out its duties and obligations under the law and the Charter and its covenants and agreements with the City.

Each and all of the remedies given to the Corporation under the Lease or by any law now or hereafter enacted or the Charter are cumulative and the single or partial exercise of any right, power, or privilege under the Lease shall not impair the right of the Corporation to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. The term "re-let" or "re-letting" as used in the Lease shall include, but not be limited to, re-letting by means of the operation by the Corporation of the Facilities. If any statute or rule of law validly shall limit the remedies given to the Corporation under the Lease, the Corporation nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived in the Lease. Under no circumstances, shall the Corporation or the Trustee have the remedy of acceleration.

If the Corporation shall prevail in any action brought to enforce any of the terms and provisions of the Lease, the City agrees to pay a reasonable amount as and for attorney's fees incurred by the Corporation or its assignees in attempting to enforce any of the remedies available to the Corporation under the Lease.

Notwithstanding anything to the contrary contained in the Lease, in no event shall the Corporation re-let the Facilities or any component thereof to any lessee that is not itself a governmental entity without first obtaining an

Opinion of Bond Counsel that such re-letting shall not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Prohibition Against Encumbrance or Sale.

The Corporation and the City will not create or suffer to be created any mortgage, pledge, lien, charge, or encumbrance upon the Facilities, or upon any real or personal property essential to the operation of the Facilities, except Permitted Encumbrances. The Corporation and the City will not sell or otherwise dispose of the Facilities or any property essential to the proper operation of the Facilities.

Eminent Domain

If the entire Facilities (or portions of the Facilities such that the remainder is not usable for public purposes by the City) are taken under the power of eminent domain, the term of the Lease will cease as of the day that possession is so taken. If less than the entire Facilities are taken under the power of eminent domain and the remainder is usable for public purposes by the City at the time of such taking, then the Lease will continue in full force and effect as to such remainder, and in such event there shall be a partial abatement of the rental due under the Lease in an amount to be agreed upon by the City and the Corporation, but, subject to the provisions described above under the caption "THE LEASE – Fair Rental Value", in no event shall the rental be less than the amount required for scheduled payment of the principal and interest with respect to the remaining Bonds. So long as any of the Bonds are Outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion of the Facilities must be paid to the Trustee and applied as provided in the Trust Agreement and any Parity Bond Instrument. Any such award made after all of the rentals have been fully paid, or provision for payment in full has been made, shall be paid to the Corporation and to the City as their respective interests may appear.

Substitution, Release, and Addition of Leased Property

Whenever the City determines that the annual fair rental value of proposed Substitute Facilities is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid under the Lease and that the Substitute Facilities are complete and are available for beneficial use and occupancy by the City, the City may amend the Lease to substitute such Substitute Facilities for all or a portion of the Facilities leased under the Lease upon compliance with certain conditions including providing certain certifications, an opinion of counsel and a title insurance policy. After a substitution, all or a portion of the Facilities originally leased under the Lease are to be released from the leasehold under the Lease, as appropriate. The Corporation and the City shall also make any amendments needed to be made to the Lease, and shall enter into or amend or supplement any necessary site, ground or facilities leases, including, without limitation, the Facilities Lease, in connection with such substitution. Such amendments may be made without the consent of the Trustee or Bondowners. The City must cause the Lease, as so amended, to be recorded in the official records of the City.

The City may remove from the Lease any portion of the Facilities or the Site, as applicable, if the City satisfies certain conditions including (a) the absence of an event of default under the Lease, (b) filing of certain certifications with the Trustee and the Corporation, (c) filing of appropriate amendments to the Lease with the Trustee and the Corporation, and (d) recording of the amended Lease or a memorandum thereof in the Office of the Recorder of the City.

In addition to the financing of additional Bond Financed Facilities Components, the City may, without the issuance of Parity Bonds, at any time it deems it necessary or advisable, amend the Lease, and enter into or amend or supplement any necessary or advisable site or ground lease, to add additional property to the property originally leased under the Lease upon compliance with certain conditions including providing an opinion of counsel and a title insurance policy, making appropriate amendments to the Lease and recording the amended Lease or a memorandum thereof in the Office of the Recorder of the City.

THE FACILITIES LEASE

The City will lease to the Corporation the Facilities, including the Site, as set forth in the Facilities Lease, subject (i) to the terms of the Facilities Lease and (ii) to Permitted Encumbrances. The City also grants to the Corporation such rights of ingress and egress to the Facilities as the Corporation may require in order to fulfill its obligations under the Facilities Lease and under the Lease.

The City represents that it is the sole owner of and holds fee title to the Facilities, subject to Permitted Encumbrances.

So long as the Lease is in effect and there has been no event of default under the Lease, the Corporation shall not assign, mortgage, hypothecate, or otherwise encumber the Facilities Lease or any rights under the Facilities Lease, or the leasehold created hereby, by trust agreement, indenture, or deed of trust or otherwise or sublet the Facilities unless first approved by the City by written instrument executed and approved in the same manner as the Facilities Lease, except that the City expressly approves and consents to the Lease.

The Corporation agrees, upon the expiration of the Facilities Lease, to quit and surrender the Facilities; it being the understanding of the parties hereto that upon termination of the Facilities Lease title to the Facilities shall vest in the City free and clear of any interest of the Corporation or any assignee of the Corporation.

In the event that the Corporation or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of the Facilities Lease, the City may exercise any and all remedies granted by law, except that no merger of the Facilities Lease and of the Lease shall be deemed to occur as a result thereof, provided, however, that the City shall have no power to terminate the Facilities Lease by reason of any default on the part of the Corporation or its assignee so long as any Bonds are Outstanding. So long as any such assignee of the Corporation or any successor in interest to the Corporation shall duly perform the terms and conditions of the Facilities Lease, such assignee shall be deemed to be and shall become the tenant of the City under the Facilities Lease and shall be entitled to all of the rights and privileges granted under any such assignment.

No elective or appointive board, commission, member, officer, or other agent of the City shall be personally liable to the Corporation, or its successors and assigns, in the event of any default or breach by the City or for any amount which may become due to the Corporation, or its successors and assigns, or for any obligation of the City under the Facilities Lease.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1
(EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the bonds captioned above (the "Bonds"). The Bonds are issued pursuant to that certain Master Trust Agreement (the "Trust Agreement"), dated as of July 1, 2010, between the City and County of San Francisco Finance Corporation (the "Corporation") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to Section 9.08 of that certain Master Lease (the "Lease"), dated as of July 1, 2010, by and between the Corporation and the City, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Bonds or to dispose of ownership of any Bonds; or (b) is treated as the owner of any Bonds for federal income tax purposes.

"Dissemination Agent" shall mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Holder" shall mean either the registered owners of the Bonds, or, if the Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Effective July 1, 2009 and until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at http://emma.msrb.org.

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2009-10 Fiscal Year (which is due not later than March 27, 2011), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report shall contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the *ad valorem* property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City;

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of Holders.
4. Optional, contingent or unscheduled bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on debt service reserves reflecting financial difficulties.
9. Unscheduled draws on credit enhancements reflecting financial difficulties.
10. Substitution of credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of property securing repayment of the Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(a)(4) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Trust Agreement.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount the Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: ________.

CONTINUING DISCLOSURE CERTIFICATE EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Bond Issue:	CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION LEASE REVENUE REFUNDING BONDS, SERIES 2010-R1 (EMERGENCY COMMUNICATIONS SYSTEM REFINANCING)
Date of Delivery:	______

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By:____[to be signed only if filed]_
Title __________

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APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the Corporation takes no responsibility for the completeness or accuracy thereof. The Corporation cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the 2010 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the 2010 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the 2010 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC. As used in this Appendix, "Securities" means the 2010 Bonds, "Issuer" means the Corporation, and "Agent" means the Paying Agent.

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the issuer or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the issuer or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the issuer or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF OPINIONS OF CO-BOND COUNSEL

[Closing Date]

City and County of San Francisco Finance Corporation
1 Dr. Carleton B. Goodlett Place
San Francisco, California 94102

City and County of San Francisco
1 Dr. Carleton B. Goodlett Place
San Francisco, California 94102

Gentlemen:

We have acted as co-bond counsel and in that capacity have examined a certified copy of the record of proceedings of the City and County of San Francisco Finance Corporation (the "**Corporation**") and a certified copy of the record of proceedings of the City and County of San Francisco (the "**City**"), together with various accompanying certificates, pertaining to the issuance today by the Corporation of $___________ aggregate principal amount of its Lease Revenue Refunding Bonds, Series 2010-R1 (Emergency Communications System Refinancing) (the "**Series 2010 Bonds**"). The record of proceedings includes a Resolution adopted by the Board of Directors of the Corporation on June 22, 2010 (the "**Corporation Resolution**"), providing for the issuance of the Series 2010 Bonds, a Resolution adopted by the Board of Supervisors of the City on June 15, 2010 (the "City Resolution"), authorizing the execution and delivery and approving the forms of the Facilities Lease and the Master Lease (defined below), a Master Trust Agreement, dated as of July 1, 2010 (the "**Trust Agreement**"), from the Corporation to The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), providing for the issuance of the Series 2010 Bonds, a Facilities Lease, dated as of July 1, 2010 (the "**Facilities Lease**"), between the Corporation and the City, a Master Lease, dated as of July 1, 2010 (the "**Master Lease**"), between the Corporation and the City, an Assignment Agreement, dated as of July 1, 2010 (the "**Assignment Agreement**"), between the Corporation and the Trustee, and certificates of officers of the Corporation, the City and the purchasers of the Series 2010 Bonds as to various factual matters. The Trust Agreement, the Facilities Lease, the Master Lease and the Assignment Agreement are referred to collectively as the "**Transaction Agreements**". Capitalized terms used and not otherwise defined in this opinion have the same meanings as in the Trust Agreement.

Pursuant to the Facilities Lease, the City has leased the Facilities to the Corporation, and pursuant to the Master Lease, the Corporation has leased the Facilities back to the City. The City is obligated under the Master Lease to pay the Base Rental payments from any source of legally available funds, subject to provisions in the Master Lease providing for abatement of Base Rental payments in certain circumstances. A portion of each Base Rental payment is designated as interest. The Corporation has assigned its rights to receive Base Rental payments and certain other rights in the Master Lease to the Trustee pursuant to the Assignment Agreement.

The Series 2010 Bonds are being issued for the purposes of (i) providing a portion of the funds needed to refund the Refunded Bonds and (ii) paying Costs of Issuance. Certain amounts on deposit under the indentures for the Refunded Bonds will be applied in part to refund the Refunded Bonds and will be deposited in part into the Reserve Fund to satisfy the Reserve Fund Requirement.

The Series 2010 Bonds are dated the date of this opinion, and bear interest from their date until paid, payable semi-annually on April 1 and October 1 in each year, with the first interest payment date being October 1, 2010, at the rates per year and mature on April 1 of each of the years and in the principal amounts provided in the Trust Agreement. The Series 2010 Bonds are subject to optional and mandatory sinking fund redemption in advance of their maturity as provided in the Trust Agreement.

Based upon this examination, we are of the opinion that:

1. The Corporation Resolution has been duly and lawfully adopted by the Board of Directors of the Corporation, is in full force and effect, and is valid and binding upon the Corporation. The City Resolution has been duly and lawfully adopted by the Board of Supervisors of the City, is in full force and effect, and is valid and binding upon the City.

2. The Facilities Lease and the Master Lease have each been duly authorized, executed and delivered by the City and the Corporation and constitute the legally valid and binding obligations of the City and the Corporation, enforceable in accordance with their respective terms.

3. The Trust Agreement and the Assignment Agreement have each been duly authorized, executed and delivered by the Corporation. Assuming the due authorization, execution and delivery of the Trust Agreement and the Assignment Agreement by the Trustee, the Trust Agreement and the Assignment Agreement are in full force and effect and are valid and binding upon the Corporation. The Series 2010 Bonds are entitled to the benefits and security of the Trust Agreement. The Trust Agreement creates a valid pledge to secure the payment of the principal of, premium, if any, and interest on the Series 2010 Bonds of the Base Rental payments and any other amounts (including the proceeds of the sale of the Series 2010 Bonds) held in any fund or account established pursuant to the Trust Agreement, other than the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Trust Agreement.

4. The Assignment Agreement creates a valid assignment to the Trustee, for the benefit of the owners from time to time of the Series 2010 Bonds, of certain rights of the Corporation in the Master Lease, including the right to receive payments from the City (to the extent and as more particularly described in the Assignment Agreement).

5. The Series 2010 Bonds are valid and legally binding limited obligations of the Corporation. The Series 2010 Bonds, together with any Parity Bonds which may be issued in the future, have a claim for payment, as to principal, redemption premium, if any, and interest, solely from the Base Rental payments and any other amounts (including the proceeds of the sale of the Series 2010 Bonds and of any Party Bonds) held in any fund or account established pursuant to the Trust Agreement, other than the Rebate Fund, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth in the Trust Agreement. Neither the faith and credit nor the taxing power of the State of California, the City or any political subdivision thereof is pledged to the payment of the principal or redemption price of or interest on the Series 2010 Bonds.

6. Interest on the Series 2010 Bonds under present law is not included in "gross income" for federal income tax purposes and thus is exempt from federal income taxes based on gross income. This opinion is subject to (a) compliance of the City with its covenant in the Master Lease to comply with all requirements which must be met, and (b) compliance by the Corporation with its covenant in the Trust Agreement to comply with all requirements which must be met, in order for interest on the Series 2010 Bonds not to be included in gross income for federal income tax purposes under present law. The Corporation and the City each has the power to comply with its respective covenant. If the Corporation or the City were to fail to comply with these requirements, interest on the Series 2010 Bonds could be included in gross income for federal income tax purposes retroactive to the date the Series 2010 Bonds are issued. Interest on the Series 2010 Bonds is not an item of tax preference for calculation of an alternative minimum tax for individuals or corporations under present law and is not taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations and in computing the "branch profits tax" imposed on certain foreign corporations. Ownership of the Series 2010 Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Series 2010 Bonds.

7. Interest on the Series 2010 Bonds is exempt from present California personal income taxes under present California law.

The rights of registered owners of the Series 2010 Bonds and the enforceability of provisions of the Series 2010 Bonds, the Corporation Resolution, the City Resolution and the Transaction Agreements may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights. Enforcement of provisions of the Series 2010 Bonds, the Corporation Resolution, the City Resolution or the Transaction

Agreements by an equitable or similar remedy is subject to general principles of law or equity governing such a remedy, including the exercise of judicial discretion whether to grant any particular form of relief. Enforcement of provisions of the Series 2010 Bonds, the Corporation Resolution, the City Resolution or the Transaction Agreements is also subject to statutes, public policy considerations and court decisions that may limit legal remedies imposed in actions against governmental entities in the State of California.

We advise you that we have not made or undertaken any investigation of the state of title to the Facilities or of the accuracy or sufficiency of the description of the Facilities contained in the Facilities Lease and the Master Lease, and we express no opinion with respect to such matters.

This opinion is based upon facts known or certified to us and laws in effect on its date and speaks as of that date. The opinions stated in this letter are expressions of professional judgment based upon such facts and law and are not a guaranty of a result if the validity or tax-exempt status of the Series 2010 Bonds are challenged. We have not undertaken any obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention after the date of this opinion or any changes in law that may occur after that date. In addition, we have not undertaken any obligation to assist the City or the Corporation in complying with those requirements described in paragraph 6 above which the City or the Corporation must meet after the date of this opinion in order for interest on the Series 2010 Bonds not to be included in gross income for federal income tax purposes under present law.

Respectfully yours,

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APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER – INVESTMENT POLICY

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

As of April 2010

1.0 Policy:

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide investment return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope:

This investment policy applies to all investments that the Treasurer's Office manages.

3.0 Prudence:

Investments shall be made with judgment and care—under circumstances then prevailing— which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by investment officials shall be the "prudent person" and/or "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with state and local law and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective:

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To attain this objective, the Treasurer's Office will diversify its investments by investing funds among a variety of securities offering independent returns and financial institutions.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet all operating requirements which might be reasonably anticipated.

4.3 Return on Investments: The Treasurer's Office investment portfolio shall be designed with the objective of generating a favorable rate of return in investments without undue compromise of the first two objectives.

5.0 Delegation of Authority:

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1.

Any modification made by the Treasurer to this Investment Policy shall be ratified by the County Treasury Oversight Committee within five working days to stay in effect.

6.0 Authorized Broker/Dealer Firms:

All broker/dealer firms must be (a) Primary Government Securities Dealers or top-ten largest in U.S. dollars banking underwriters of U.S. agencies (according to Bloomberg Underwriter Rankings, or a similar ratings service), or (b) operating at least one office in San Francisco and approved by the Treasurer based on the capitalization, tenure, profitability, reputation, and expertise of the company involved. All broker/dealer firms must review and abide by this Investment Policy.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

Annually, each firm will be sent a copy of this Policy and a list of those persons authorized to execute investment transactions. Each firm must acknowledge receipt of such materials and compliance with this Policy to qualify as an Authorized Dealer.

Each firm authorized to do business with the Treasurer's Office shall, at least annually, supply the Treasurer with financial statements.

7.0 Authorized & Suitable Investments:

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited. The following policy shall govern unless a variance is specifically authorized by the Treasurer and ratified by the Treasury Oversight Committee pursuant to Section 5.0.

<u>7.1 Public Time Deposits</u> (Term Certificates Of Deposit):

Deposits will be made only in approved financial institutions having at least one full service branch office within the geographical boundaries of the City and County of San Francisco.

All said deposits shall be negotiated to yield a minimum of .125% higher than equal maturity Treasuries, except in special circumstances specifically authorized by the Treasurer.

Deposits will be insured by the Federal Deposit Insurance Corporation (FDIC) up to the current deposit insurance limit. (See glossary definition for terms of insurance). Deposits in excess of the FDIC limit will be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). All Public Time Deposits will have a maximum maturity of one year with interest disbursed quarterly.

The Treasurer's Office will not use money broker deposits.

Commercial bank deposits will also be made on a competitive basis with risk exposure based on financial statements and related information gathered on each individual bank.

<u>7.2 Public Demand Accounts:</u>

The Treasurer's Office will accept the following collateralization:

Collateral of Eligible Securities, per California Government Code Section 53651(a) through (i), with a market value that is equal to or exceeds 110% of the daily ledger balance.

<u>7.3 Negotiable Certificates Of Deposit:</u>

Negotiable Certificates of Deposit shall be limited to the five largest domestic commercial banks that have demonstrated profitability in their most recent audited financial statements at the time of purchase. The portfolio may hold up to but not more than 30% in these instruments.

<u>7.4 Securities and Money Market Instruments:</u>

All securities shall be purchased and sold in a competitive environment.

7.5 U.S. Treasury Instruments:

Debt obligations of the U.S. Government sold by the Treasury Department in the forms of bills, notes and bonds. Bills are short-term obligations that mature in one year or less and are sold at a discount. Notes are fixed-interest instruments that may or may not pay a coupon and mature between 1 and 10 years. Bonds are fixed-interest instruments that may or may not pay a coupon and at time of issuance mature in more than 10 years.

Maximum Maturity	5 Years
Maximum Par Value	N/A
Maximum % of Portfolio	100%

7.6.0 Federal Agencies

Investments in U.S. Federal Agencies are appropriate in the following entities listed in Section 7.6. Up to 60% of the portfolio in market value may be held U.S. Agencies instruments subject to the following constraints, regardless of receivership status.

7.6.1 U.S. Agencies under U.S. Government Receivership

Constraints at time of purchase (par value)

Acronym	Name	Max % of Portfolio
FANNIE MAE	Federal National Mortgage Association	30
FREDDIE MAC	Federal Home Loan Mortgage Corporation	30

7.6.2 U.S. Agencies not under U.S. Government Receivership

Investments in these Agency Securities shall not have a weighted average maturity in excess of 270 days. If the weighted average maturity exceeds 270 days then the total investments of these securities shall be restricted to 30% of the total par amount of the portfolio.

Constraints at time of purchase (par value)

Acronym	Name	Max % of Portfolio
F.H.L.B.	Federal Home Loan Bank	30
F.F.C.B.	Federal Farm Credit Bank	30
Farmer Mac	Federal Agricultural Mortgage Association	10
RTC	Resolution Trust Funding Corporation	5
TVA	Tennessee Valley Authority	10

7.7 Commercial Paper:

The Treasurer's Office shall purchase only domestic Commercial Paper with maturities not to exceed 270 days. Issuer must be rated A-1 or P-1, without regard to plusses or minuses, or the equivalent rating then in place, by at least one of the national rating agencies (Moody's Investors Service, Standard & Poor's Ratings Services or Fitch Ratings). The maximum allowable investment in Commercial Paper is 25% at time of purchase.

7.8 Bankers Acceptances:

Purchases of Bankers Acceptances shall be limited to 40% of the portfolio (at the time of purchase).

7.9 Repurchase Agreements:

The Treasurer's Office shall selectively utilize this investment vehicle with terms not to exceed 30 days, secured solely by government securities and said collateral will be delivered to a third party, so that recognition of ownership of the City and County of San Francisco is perfected.

7.10 Reverse Repurchase Agreements:

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Financial Futures or Options Contracts:

These investment vehicles shall not be used unless specifically authorized in writing by amendment of these policies.

7.12.0 Medium Term Notes:

Not considered a prudent investment vehicle for this portfolio at this time, except as provided in Section 7.12.1.

7.12.1 TLGP (Treasury Liquidity Guarantee Program)

TLGP bonds, which are backed by the FDIC, with a final maturity of less than 5 years, shall be limited to 30% of the portfolio.

7.13 Notes, Bonds or Other Obligations Secured by Valid First Priority Security Interest:

Not considered prudent investment vehicles for this portfolio at this time.

7.14 Investments In State and Local Government Agencies:

The Treasurer's Office may selectively purchase bonds, notes, warrants, or other evidences of indebtedness of any local agency within California, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

Appropriate investments also include bonds of any of the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a state department, board, agency, or local authority.

These instruments may comprise 20% or less of the portfolio at the time of purchase.

7.15 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

8.0 Interest and Expense Allocations:

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody:

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds:

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration of the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities:

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission.

Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(1)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting:

In accordance with the provisions of California Government Code Section 53646, which requires quarterly reports, a monthly report on the status of the investment portfolio will be submitted to the Board of Supervisors, Controller and Mayor. The report will include investment types, issuer, maturity, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a citation of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility:

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns:

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses.

Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments:

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low-income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans.

Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances:

All depository institutions are to be advised of applicable city contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee:

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00.

The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code Section 27137.)

APPENDIX I
Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASKED: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold city moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (1) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE (10/08/2008): The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds.

FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance also covers the Treasury Liquidity Guarantee Program (TLGP). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities.

There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic.

To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.

Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner**
Joint Accounts (two or more persons) $250,000 per co-owner**
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**

* These deposit insurance coverage limits refer to the total of all deposits that an accountholder (or accountholders) has at each FDIC-insured bank. The listing above shows only the most common ownership categories that apply to individual and family deposits, and assumes that all FDIC requirements are met.

** The legislation authorizing the increase in deposit insurance coverage limits makes the change effective October 3, 2008, through December 31, 2009.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC): A federal agency that insures bank deposits, currently up to $250,000 per deposit.

FEDERAL FUNDS RATE: The rate of interest at which Fed funds are traded. This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE 15C3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TLGP: Treasury Liquidity Guarantee Program. The FDIC has created the Treasury Liquidity Guaranty Program to strengthen confidence and encourage liquidity in the banking system by guaranteeing newly issued senior unsecured debt of banks, thrifts, and certain holding companies. The TLGP is expected to end on June 30, 2012.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

APPENDIX II

Table of Authorized Investments

The following table is for reference purposes only, and where any provision herein conflicts with any provision of the Investment Policy, the Investment Policy controls.

				CCSF Requirements October 2008		
#	**Investment Set**	**Investment Policy Location**	**Investment Type**	**Maximum Maturity in Days**	**Max % of Portfolio**	**Additional Quality Requirements**
1	Bank & Thrift	7.1	Public Time Deposits (Term Certificates Of Deposit) / FDIC, Collateralized	1825	100%	S.F Office., Yield>T +.125%,Collateralized at 110% per code 53651
2	Bank & Thrift	7.2	Public Demand Deposits/ FDIC, Collateralized	1825	100%	Collateralized at 110% per code 53651
3	Bank & Thrift	7.3	Negotiable Certificates of Deposit / not FDIC/Collateralized	1825	30%	Top 5 largest banks
4	Securities and MM Instruments	7.4	Securities and MM Instruments	1825		
5	Treasury	7.5	US Treasury, Fixed Rates	1825	100%	
6	U.S Agencies	7.60	All US Agencies*	1825	60%	
7	U.S Agencies	7.61	FHLMC	1825	30%	
8	U.S Agencies	7.61	FNMA	1825	30%	
9	U.S Agencies	7.62	Farmer Mac	1825	10%	Maturity Constraint
10	U.S Agencies	7.62	FFCB	1825	30%	Maturity Constraint
11	U.S Agencies	7.62	FHLB	1825	30%	Maturity Constraint
12	U.S Agencies	7.62	RTC	1825	5%	Maturity Constraint
13	U.S Agencies	7.62	TVA	1825	10%	Maturity Constraint
14	Commercial Paper	7.7	Commercial Paper - Select Agencies	270		Highest Grade by at least 1 rating agency
15	Commercial Paper	7.7	Commercial Paper - Other Agencies	270		Highest Grade by at least 1 rating agency
16	Bankers' Acceptances	7.8	Bankers' Acceptances	1825	40%	
17	Repo	7.9	Repurchase Agreements	30		
18	Repo	7.10	Reverse Repo & Securities Lending	45		<= $75mm
19	TLGP	7.12.1	Treasury Liquidity Guarantee Program	1825	30%	
20	Valid First Priority Security Interest	7.13	Valid First Priority Security Interest	0	0%	Not considered prudent now
21	State of California	7.14	State of California Obligations	1825	10%	

22	State of California	7.15	Local Agency Investment Fund (LAIF)	1825		

APPENDIX III
California Government Code Section 53601 as of October 14, 2008

This section shall apply to a local agency that is a city, a district, or other local agency that does not pool money in deposits or investments with other local agencies, other than local agencies that have the same governing body. However, Section 53635 shall apply to all local agencies that pool money in deposits or investments with other local agencies that have separate governing bodies. The legislative body of a local agency having money in a sinking fund or money in its treasury not required for the immediate needs of the local agency may invest any portion of the money that it deems wise or expedient in those investments set forth below. A local agency purchasing or obtaining any securities prescribed in this section, in a negotiable, bearer, registered, or nonregistered format, shall require delivery of the securities to the local agency, including those purchased for the agency by financial advisers, consultants, or managers using the agency's funds, by book entry, physical delivery, or by third-party custodial agreement. The transfer of securities to the counterparty bank's customer book entry account may be used for book entry delivery.

For purposes of this section, "counterparty" means the other party to the transaction. A counterparty bank's trust department or separate safekeeping department may be used for the physical delivery of the security if the security is held in the name of the local agency. Where this section specifies a percentage limitation for a particular category of investment, that percentage is applicable only at the date of purchase. Where this section does not specify a limitation on the term or remaining maturity at the time of the investment, no investment shall be made in any security, other than a security underlying a repurchase or reverse repurchase agreement or securities lending agreement authorized by this section, that at the time of the investment has a term remaining to maturity in excess of five years, unless the legislative body has granted express authority to make that investment either specifically or as a part of an investment program approved by the legislative body no less than three months prior to the investment:

(a) Bonds issued by the local agency, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or by a department, board, agency, or authority of the local agency.

(b) United States Treasury notes, bonds, bills, or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(c) Registered state warrants or treasury notes or bonds of this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(d) Registered treasury notes or bonds of any of the other 49 United States in addition to California,, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

(e) Bonds, notes, warrants, or other evidences of indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(f) Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

(g) Bankers' acceptances otherwise known as bills of exchange or time drafts that are drawn on and accepted by a commercial bank. Purchases of bankers' acceptances may not exceed 180 days' maturity or 40 percent of the agency's money that may be invested pursuant to this section. However, no more than 30 percent of the agency's money may be invested in the bankers' acceptances of any one commercial bank pursuant to this section.
This subdivision does not preclude a municipal utility district from investing any money in its treasury in any manner authorized by the Municipal Utility District Act (Division 6 (commencing with Section 11501) of the Public Utilities Code).

(h) Commercial paper of "prime" quality of the highest ranking or of the highest letter and number rating as provided for by a nationally recognized statistical-rating organization (NRSRO). The entity that issues the commercial paper shall meet all of the following conditions in either paragraph (1) or paragraph (2):
(1) The entity meets the following criteria: (A) Is organized and operating in the United States as a general corporation. (B) Has total assets in excess of five hundred million dollars ($500,000,000). (C) Has debt other than commercial paper, if any, that is rated "A" or higher by a nationally recognized statistical-rating organization (NRSRO).
(2) The entity meets the following criteria: (A) Is organized within the United States as a special purpose corporation, trust, or limited liability company. (B) Has programwide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond. (C) Has commercial paper that is rated "A-1" or higher, or the equivalent, by a nationally recognized statistical-rating organization (NRSRO).
Eligible commercial paper shall have a maximum maturity of 270 days or less. Local agencies, other than counties or a city and county, may invest no more than 25 percent of their money in eligible commercial paper. Local agencies, other than counties or a city and county, may purchase no more than 10 percent of the outstanding commercial paper of any single issuer. Counties or a city and county may invest in commercial paper pursuant to the concentration limits in subdivision (a) of Section 53635.

(i) Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Purchases of negotiable certificates of deposit may not exceed 30 percent of the agency's money which may be invested pursuant to this section. For purposes of this section, negotiable certificates of deposit do not come within Article 2 (commencing with Section

53630), except that the amount so invested shall be subject to the limitations of Section 53638. The legislative body of a local agency and the treasurer or other official of the local agency having legal custody of the money are prohibited from investing local agency funds, or funds in the custody of the local agency, in negotiable certificates of deposit issued by a state or federal credit union if a member of the legislative body of the local agency, or any person with investment decisionmaking authority in the administrative office manager's office, budget office, auditor-controller's office, or treasurer's office of the local agency also serves on the board of directors, or any committee appointed by the board of directors, or the credit committee or the supervisory committee of the state or federal credit union issuing the negotiable certificates of deposit.

(j) (1) Investments in repurchase agreements or reverse repurchase agreements or securities lending agreements of any securities authorized by this section, as long as the agreements are subject to this subdivision, including the delivery requirements specified in this section.
(2) Investments in repurchase agreements may be made, on any investment authorized in this section, when the term of the agreement does not exceed one year. The market value of securities that underlay a repurchase agreement shall be valued at 102 percent or greater of the funds borrowed against those securities and the value shall be adjusted no less than quarterly. Since the market value of the underlying securities is subject to daily market fluctuations, the investments in repurchase agreements shall be in compliance if the value of the underlying securities is brought back up to 102 percent no later than the next business day.
(3) Reverse repurchase agreements or securities lending agreements may be utilized only when all of the following conditions are met: (A) The security to be sold on reverse repurchase agreement or securities lending agreement has been owned and fully paid for by the local agency for a minimum of 30 days prior to sale. (B) The total of all reverse repurchase agreements and securities lending agreements on investments owned by the local agency does not exceed 20 percent of the base value of the portfolio. (C) The agreement does not exceed a term of 92 days, unless the agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security. (D) Funds obtained or funds within the pool of an equivalent amount to that obtained from selling a security to a counterparty by way of a reverse repurchase agreement or securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement or securities lending agreement, unless the reverse repurchase agreement or securities lending agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement or securities lending agreement and the final maturity date of the same security.
(4) (A) Investments in reverse repurchase agreements, securities lending agreements, or similar investments in which the local agency sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the governing body of the local agency and shall only be made with primary dealers of the Federal Reserve Bank of New York or with a nationally or state-chartered bank that has or has had a significant banking relationship with a local agency. (B) For purposes of this chapter, "significant banking relationship" means any of the following activities of a bank: (i) Involvement in the creation, sale, purchase, or retirement of a local agency's bonds, warrants, notes, or other evidence of indebtedness. (ii) Financing of a local agency's activities. (iii) Acceptance of a local agency's securities or funds as deposits.
(5) (A) "Repurchase agreement" means a purchase of securities by the local agency pursuant to an agreement by which the counterparty seller will repurchase the securities on or before a specified date and for a specified amount and the counterparty will deliver the underlying securities to the local agency by book entry, physical delivery, or by third-party custodial agreement. The transfer of underlying securities to the counterparty bank's customer book-entry account may be used for book-entry delivery. (B) "Securities," for purpose of repurchase under this subdivision, means securities of the same issuer, description, issue date, and maturity. (C) "Reverse repurchase agreement" means a sale of securities by the local agency pursuant to an agreement by which the local agency will repurchase the securities on or before a specified date and includes other comparable agreements. (D) "Securities lending agreement" means an agreement under which a local agency agrees to transfer securities to a borrower who, in turn, agrees to provide collateral to the local agency. During the term of the agreement, both the securities and the collateral are held by a third party. At the conclusion of the agreement, the securities are transferred back to the local agency in return for the collateral. (E) For purposes of this section, the base value of the local agency's pool portfolio shall be that dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements, securities lending agreements, or other similar borrowing methods. (F) For purposes of this section, the spread is the difference between the cost of funds obtained using the reverse repurchase agreement and the earnings obtained on the reinvestment of the funds.

(k) Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the United States or any state and operating within the United States. Notes eligible for investment under this subdivision shall be rated "A" or better by a nationally recognized rating service. Purchases of medium-term notes shall not include other instruments authorized by this section and may not exceed 30 percent of the agency's money that may be invested pursuant to this section.

(l) (1) Shares of beneficial interest issued by diversified management companies that invest in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). However, notwithstanding these restrictions, a counterparty to a reverse repurchase agreement or securities lending agreement is not required to be a primary dealer of the Federal Reserve Bank of New York if the company's board of directors finds that the counterparty presents a minimal risk of default, and the value of the securities underlying a repurchase agreement or securities lending agreement may be 100 percent of the sales price if the securities are marked to market daily.
(2) Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1 et seq.).
(3) If investment is in shares issued pursuant to paragraph (1), the company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange

Commission with not less than five years' experience investing in the securities and obligations authorized by subdivisions (a) to (j), inclusive, or subdivisions (m) or (n) and with assets under management in excess of five hundred million dollars ($500,000,000).
(4) If investment is in shares issued pursuant to paragraph (2), the company shall have met either of the following criteria: (A) Attained the highest ranking or the highest letter and numerical rating provided by not less than two nationally recognized statistical rating organizations. (B) Retained an investment adviser registered or exempt from registration with the Securities and Exchange Commission with not less than five years' experience managing money market mutual funds with assets under management in excess of five hundred million dollars ($500,000,000).
(5) The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that the companies may charge and shall not exceed 20 percent of the agency's money that may be invested pursuant to this section. However, no more than 10 percent of the agency's funds may be invested in shares of beneficial interest of any one mutual fund pursuant to paragraph (1).

(m) Moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(n) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank that is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with the requirements of the Uniform Commercial Code or federal regulations applicable to the types of securities in which the security interest is granted.

(o) Any mortgage passthrough security, collateralized mortgage obligation, mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable passthrough certificate, or consumer receivable-backed bond of a maximum of five years' maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section.

(p) Shares of beneficial interest issued by a joint powers authority organized pursuant to Section 6509.7 that invests in the securities and obligations authorized in subdivisions (a) to (n), inclusive. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:
(1) The adviser is registered or exempt from registration with the Securities and Exchange Commission.
(2) The adviser has not less than five years of experience investing in the securities and obligations authorized in subdivisions (a) to (n), inclusive.
(3) The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

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