PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 8, 2018

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. 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 registration or qualification under the securities laws of such jurisdiction.

NEW ISSUE — BOOK-ENTRY ONLY

RATINGS: Moody's: Aa1
S&P: AA
Fitch: AA
(See "RATINGS" herein)

In the opinion of Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Series 2018 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2018 Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018), and (ii) interest on the Series 2018 Bonds is exempt from State of California personal income taxes. Interest on the Series 2018 Bonds may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.

$13,205,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018B
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

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

The City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program) (the "Series 2018 Bonds"), will be issued pursuant to a Master Trust Agreement, dated as of March 1, 2009 (the "Master Trust Agreement"), as amended by the First Supplemental Trust Agreement, dated as of August 1, 2018 (the "First Supplemental Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), by and between the City and County of San Francisco Finance Corporation (the "Corporation") and U.S. Bank National Association, as trustee (the "Trustee"), and the Charter of the City and County of San Francisco (the "City"). See "INTRODUCTION – Authority for Issuance." The Series 2018 Bonds are being issued to: (i) redeem all of the Corporation's outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) (the "Refunded Bonds"), and (ii) pay costs associated with the issuance of the Series 2018 Bonds and the redemption of the Refunded Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS." The City owns various real property in the City (the "Sites") and the improvements thereon (together, the "Facilities") that will be leased by the City, as lessor, to the Corporation, as lessee, pursuant to a Facilities Lease, dated as of March 1, 2009 (the "Original Facilities Lease"), as amended by the First Amendment to Facilities Lease, dated as of August 1, 2018 (the "First Amendment to Facilities Lease," and together with the Original Facilities Lease, the "Facilities Lease"). The Facilities will be leased by the Corporation, as lessor, to the City, as lessee, pursuant to a Master Lease, dated as of March 1, 2009 (the "Master Lease"), as amended by the First Amendment to Master Lease, dated as of August 1, 2018 (the "First Amendment to Master Lease," and together with the Master Lease, the "Lease").

The Series 2018 Bonds are primarily payable from rental payments to be made by the City to the Corporation pursuant to the Lease. Under the Lease, so long as the City has beneficial use and occupancy of the Facilities, the City is obligated to make Rental Payments (defined herein), in amounts sufficient, in both time and amount, to pay the principal of and interest on the Series 2018 Bonds. Under the Lease, the City has covenanted to take such action as may be necessary to include all Rental Payments due in its annual budget and to make the necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT – Lease Not a Debt of City; Covenant to Appropriate."

The Series 2018 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 Series 2018 Bonds will be made in book-entry form only, in denominations of $5,000 or any integral multiple thereof. Beneficial Owners of the Series 2018 Bonds will not receive physical delivery of bond certificates. Payments of principal of and interest on the Series 2018 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 Series 2018 Bonds. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM." The Series 2018 Bonds will be dated and bear interest from their date of delivery. Interest on the Series 2018 Bonds will be payable on June 15 and December 15 of each year, commencing December 15, 2018. **The Series 2018 Bonds are subject to redemption prior to their respective stated maturities.** See "THE SERIES 2018 BONDS – Redemption Provisions."

THE SERIES 2018 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 HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION 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)

Bids for the purchase of the Series 2018 Bonds will be received by the Corporation at 9:00 a.m. California time on August 20, 2018, as provided in the Official Notice of Sale inviting bids dated August 8, 2018, unless postponed as set forth in such Official Notice of Sale. See "Sale of the Series 2018 Bonds" herein.

This cover page contains certain information for general reference only. It is not a summary of this issue. Investors should read this entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2018 Bonds are offered when, as, and if issued by the Corporation and accepted by the purchaser, subject to the approval of legality by Squire Patton Boggs (US) LLP, San Francisco, California, and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, Dannis Woliver Kelley, San Diego, California, and the City by the City Attorney and Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Series 2018 Bonds will be available for delivery in book-entry form through the facilities of DTC in New York, New York, on or about August 29, 2018.

Dated: August __, 2018.

* Preliminary, subject to change.

$13,205,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018B
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

MATURITY SCHEDULE

Maturity Date (June 15)	Principal Amount	Interest Rate	Initial Reoffering Price or Yield**	CUSIP*** (_________)
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				

* Preliminary, subject to change.

** Reoffering prices/yields furnished by the initial purchaser. Neither the Corporation nor the City takes any responsibility for the accuracy thereof.

*** CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Corporation take any responsibility for the accuracy of such numbers.

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$13,205,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018B
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

The City and County of San Francisco Finance Corporation will receive electronic bids for the above-referenced bonds at the place and up to the time specified below:

SALE DATE:	August 20, 2018 (Subject to postponement, cancellation, modification or amendment in accordance with this Official Notice of Sale)
TIME:	9:00 a.m., California time
PLACE:	Controller's Office of Public Finance City and County of San Francisco 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102
DELIVERY DATE:	August 29, 2018*

*Preliminary, subject to change.

NOTICE IS HEREBY GIVEN that bids will be received in the manner described below through Ipreo at www.newissuehome.i-deal.com and the Parity electronic bid submission system ("**Parity**"), by the City and County of San Francisco Finance Corporation (the "**Issuer**") for the purchase of $13,205,000* aggregate principal amount of City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program) (the "**Bonds**"). Bidding procedures and sale terms are as follows:

Issue:	The Bonds are described in the Issuer's Preliminary Official Statement for the Bonds dated August 8, 2018 (the "**Preliminary Official Statement**").
Time:	Bids for the Bonds must be received by the Issuer by 9:00 a.m., California time, on August 20, 2018.
Place:	Bidders must submit bids in the manner and subject to the terms and conditions described under "TERMS OF SALE - Form of Bids; Delivery of Bids" below, but no bid will be received after the time for receiving bids specified above.

THE RECEIPT OF BIDS ON AUGUST 20, 2018, 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 ISSUER THROUGH THOMSON REUTERS AND/OR BLOOMBERG BUSINESS NEWS (COLLECTIVELY, THE "NEWS SERVICES") AND/OR PARITY (AS DESCRIBED IN "TERMS OF SALE - FORM OF BIDS; DELIVERY OF BIDS" BELOW) 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 and/or the News Services 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 from either of the Issuer's Municipal Advisors: (i) Kitahata & Company, 137 Joost Avenue, San Francisco, California 94131; telephone (415) 337-1950, Attention: Gary Kitahata (email: gkitahata@gmail.com); or (ii) Backstrom McCarley Berry & Co., LLC, 115 Sansome St., Mez. A, San Francisco, CA 94104; telephone (415) 857-6101, Attention: Vincent McCarley; (email: VMcCarley@bmcbco.com) (the "Co-Municipal Advisors"), provided, however, 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 Issuer reserves the right to modify or amend this Official Notice of Sale in any respect, including, without limitation, increasing or decreasing the principal amounts; provided, that any such modification or amendment will be communicated to potential bidders through the News Services and/or 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. Bidders are required to bid upon the Bonds as so modified or amended. See "TERMS OF SALE - Right to Modify or Amend."

Bidders are referred to the Preliminary Official Statement, for additional information regarding the Issuer, the City and County of San Francisco (the "City"), the Bonds, the security for the Bonds and other matters. See "CLOSING PROCEDURES AND DOCUMENTS - Official Statement." Capitalized terms used and not defined in this Official Notice of Sale shall have the meanings ascribed to them in the Preliminary Official Statement.

This Official Notice of Sale will be submitted for posting to Parity (as described in "TERMS OF SALE - Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Bonds posted on 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 AUTHORITY FOR ISSUANCE, PURPOSES, PAYMENT OF PRINCIPAL AND INTEREST, REDEMPTION, DEFEASANCE, SOURCES AND USES OF FUNDS, SECURITY AND SOURCES OF PAYMENT, FORM OF LEGAL OPINIONS OF CO-BOND COUNSEL AND OTHER INFORMATION REGARDING THE BONDS ARE PRESENTED IN 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 OF THE BONDS CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Issue. The Bonds will be issued as fully registered bonds without coupons in book-entry form in denominations of $5,000 or any integral multiple of that amount, as designated by the successful bidder (the "**Purchaser**"), all dated the date of delivery, which is expected to be **August 29, 2018***. If the sale is postponed, notice of the new date of the sale will also set forth the new expected date of delivery of the Bonds.

Book-Entry Only. The Bonds will be registered in the name of a nominee of The Depository Trust Company ("**DTC**"), New York, New York. DTC will act as securities depository for the Bonds. Individual purchases will be made in book-entry form only, and the Purchaser will not receive certificates representing its interest in the Bonds purchased. As of the date of award of the Bonds, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest on the Bonds will be payable on December 15, 2018 and semiannually thereafter on June 15 and December 15 of each year (each an "**Interest Payment Date**"). Interest shall 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:

* Preliminary; subject to change.

(i) each interest rate specified in any bid for the Bonds 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 10% per annum;

(iii) the minimum interest rate bid for any Bond maturing on or after June 15, 2025 shall be 4% per annum;

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

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

(vi) no term Bond shall require mandatory sinking fund payments prior to June 15, 2025; and

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

See the Preliminary Official Statement – "THE SERIES 2018 BONDS – General."

Par and Premium Bids; No Net Discount Bids. All bids for the Bonds shall be for par or more, but shall not exceed 120% of the par amount. No net discount bids for the Bonds will be accepted. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.

Principal Payments. The Bonds shall be serial and/or term Bonds, as specified by each bidder, and principal shall be payable on June 15 of each year, commencing on June 15, 2019 as shown below. Subject to the Issuer's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), the final maturity of the Bonds shall be June 15, 2028. 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. 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 Bonds is shown below for information purposes only. **Bidders for the Bonds will provide bids for all of the Bond Principal Amounts.** Subject to the Issuer's right to modify or amend this Notice of Sale (see "TERMS OF SALE—Right to Modify or Amend"), and to adjustment as provided in this Notice of Sale (see "—Adjustment of Principal Payments"), 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 (June 15)	Principal Amount*
2019	$1,170,000
2020	1,095,000
2021	1,145,000
2022	1,200,000
2023	1,265,000
2024	1,325,000
2025	1,390,000
2026	1,465,000
2027	1,535,000
2028	1,615,000
Total	$13,205,000

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the Issuer with respect to the likely interest rates of the winning bid and the premium contained in the winning bid. **The Issuer reserves the right to change the principal payment schedule set forth above after the determination of the successful 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 Issuer. Any such adjustment will not change the average per Bond dollar amount of the underwriter's discount. If there is any such adjustment, no rebidding or recalculation of the bids submitted will be required or permitted and no successful bid may be withdrawn.**

See also "TERMS OF SALE - Right to Modify or Amend," regarding the Issuer's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto.

A BIDDER AWARDED THE BONDS BY THE ISSUER WILL NOT BE PERMITTED TO WITHDRAW ITS BID, CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS ISSUE PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF SUCH BONDS IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Redemption.

(i) Optional Redemption of the Bonds. The Bonds maturing on or before June 15, 2024 will not be subject to optional redemption prior to their respective stated maturity dates. The Bonds maturing on or after June 15, 2025 will be subject to optional redemption prior to their respective stated maturity dates, at the option of the Issuer, from any source of available funds, as a whole or in part on any date (with the maturities to be redeemed to be determined by the Issuer and by lot within a maturity), on or after June 15, 2024, at the redemption price equal to the

* Preliminary, subject to change.

principal amount of the Bonds redeemed, together with accrued interest to the date fixed for redemption, without premium. See the Preliminary Official Statement – "THE SERIES 2018 BONDS—Redemption Provisions—Optional Redemption."

(ii) Mandatory Redemption. The Bonds will not be subject to redemption prior to their respective stated maturity dates from mandatory sinking fund payments prior to June 15, 2025. Term Bonds, if any, are subject to redemption prior to their respective stated maturity dates, in part, by lot from mandatory sinking fund payments, on each June 15 on or after June 15, 2025, designated by the successful bidder as a date upon which a mandatory sinking fund payment is to be made, 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. See the Preliminary Official Statement – "THE SERIES 2018 BONDS—Redemption Provisions—Mandatory Redemption."

Legal Opinions and Tax Matters. Upon delivery of the Bonds, Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel to the Issuer ("**Co-Bond Counsel**"), will deliver their legal opinions that, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, subject to the matters described in "TAX MATTERS" in the Preliminary Official Statement; and (ii) interest on the Bonds is exempt from present State of California personal income taxes.

A complete copy of the proposed form of opinion of Co-Bond Counsel is set forth in Appendix F to the Preliminary Official Statement. Copies of the opinions of Co-Bond Counsel will be furnished to the Purchaser upon delivery of the Bonds.

See the Preliminary Official Statement – "TAX MATTERS."

TERMS OF SALE

Par and Premium Bids; No Net Discount Bids. **All bids for the Bonds shall be for par or more, but shall not exceed 120% of the par amount. No net discount bids for the Bonds will be accepted. Individual maturities of the Bonds may be reoffered at par, a premium or a discount.**

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) unconditional, and (3) submitted via Parity, along with a facsimile transmission by the winning bidder after the verbal award, of the completed and signed Official Bid Form, attached hereto as Exhibit A and signed by the bidder, conforming to the Parity bid, with any adjustments made by the Issuer pursuant hereto, by not later than 11:00 a.m., California time, on the sale date. All bids must conform to the procedures established by Parity. No bid submitted to the Issuer shall be 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 for the Bonds shall be rejected. No bid submitted to the Issuer shall be subject to withdrawal or modification by the bidder. No bid will be accepted after the time for receiving bids. The Issuer retains absolute discretion

to determine whether any bidder is a responsible bidder and whether any bid is timely, legible and complete and conforms to this Official Notice of Sale. The Issuer 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.

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-Municipal Advisors at the numbers provided above or Parity at: (212) 404-8107.

Warnings Regarding Electronic Bids. Bids for the Bonds must be submitted electronically via Parity. None of the Issuer, Issuer's Counsel, the City, the City Attorney, the Co-Municipal Advisors or Co-Bond Counsel assumes any responsibility for any error contained in any bid submitted through Parity 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.

Each 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 by the Issuer through Parity and/or the News Services, 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 Issuer will not have any duty or obligation to provide or assure access to Parity to any bidder, and the Issuer 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 Issuer is permitting use of Parity as a communication mechanism, and not as an agent of the Issuer, to facilitate the submission of bids for the Bonds; Parity is acting as an independent contractor, and is not acting for or on behalf of the Issuer; (5) the Issuer is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the Issuer 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 Issuer, 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 Issuer 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 to the Issuer. The true interest cost 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 the Bonds plus the amount of any net premium. For the purpose of calculating the true interest cost, mandatory sinking fund payments for any term Bonds specified by a 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 true interest cost, the Issuer will determine by lot which bidder will be awarded the Bonds. Bid evaluations or rankings made by Parity are not binding on the Issuer.

Estimate of True Interest Cost. Each bidder is requested, but not required, to supply an estimate of the true interest cost based upon its bid, which will be considered as informative only and not binding on either the bidder or the Issuer.

Multiple Bids. If multiple bids with respect to the Bonds are received from a single bidder by any means or combination thereof, the Issuer shall be entitled to accept the bid representing the lowest true interest cost to the Issuer, and each bidder agrees by submitting multiple bids to be bound by the bid representing the lowest true interest cost to the Issuer.

Good Faith Deposit. To secure the Issuer from any loss resulting from the failure of the apparent winning bidder to comply with the terms of its bid, a good faith deposit in the amount of $132,000.00 (the "**Good Faith Deposit**") must be provided to the Issuer by the apparent winning bidder.

Upon the determination by the Issuer of the apparent winning bidder of the Bonds, the Co-Municipal Advisors will (i) provide to the apparent winning bidder of the Bonds the wire transfer information and (ii) request the apparent winning bidder to immediately wire the Good Faith Deposit to the Issuer. No later than 90 minutes after the time the Co-Municipal Advisors request the apparent winning bidder to wire the Good Faith Deposit to the Issuer, the apparent winning bidder of the Bonds must wire the Good Faith Deposit to the Issuer and provide the Federal wire reference number of such Good Faith Deposit to the Co-Municipal Advisors. In the event that the apparent winning bidder does not wire the Good Faith Deposit to the Issuer or does not provide the Federal wire reference number of such Good Faith Deposit to the Co-Municipal Advisors within the time specified above, the Issuer may reject the bid of the apparent winning bidder and award the Bonds to a responsible bidder that submitted a conforming bid that represents the next lowest true interest cost to the Issuer.

No interest will be paid upon the Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the Issuer. The Good Faith Deposit will be held and invested for the exclusive benefit of the Issuer. 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 Issuer 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 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 a successful bidder, the Issuer 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 Issuer.

Reoffering Prices, Establishment of Issue Price and Certificate.

(a) The winning bidder for the Bonds shall assist the Issuer in establishing the issue price of such Bonds and shall execute and deliver to the Issuer at Closing an "issue price" or similar certificate setting forth the reasonably expected initial offering price to the public or, if the competitive sale requirements (defined below) are not satisfied and the parties agree that the 10% test shall apply to the Bonds the sales price or prices of each maturity of the Bonds, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of each winning bidder, the Issuer and Co-Bond Counsel.

(b) The Issuer intends that Treasury Regulation Sections 1.148-1(f)(3)(i) and 1.148-1(f)(2)(iii) (providing a special rule for competitive sales and defining the term "competitive sale" for purposes of establishing the issue price of the Bonds) will apply to the initial sale of each Bonds (the "**competitive sale requirements**") because:

(1) the Issuer shall disseminate this Official Notice of Sale to potential underwriters in a manner that is reasonably designed to reach potential underwriters;

(2) all bidders shall have an equal opportunity to bid;

(3) the Issuer may receive bids for each Bonds from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds; and

(4) the Issuer anticipates awarding the sale of each Bonds to the bidder who submits a firm offer to purchase such Bonds at the highest price (or lowest interest cost), as set forth in this Official Notice of Sale.

Any bid submitted pursuant to this Official Notice of Sale shall be considered a firm offer for the purchase of the Bonds, as specified in the bid**.**

(c) In the event that the competitive sale requirements are not satisfied for the Bonds, the Issuer shall so advise the winning bidder. The Issuer may determine to treat (i) the first price at which 10% of any maturity of the Bonds (the "**10% test**") is sold to the public as the issue price of that maturity and/or (ii) the initial offering price to the public as of the sale date of any maturity of the Bonds as the issue price of that maturity (the "**hold-the-offering-price rule**"), in each case applied on a maturity-by-maturity basis. The winning bidder shall advise the Issuer if any maturity the Bonds satisfies the 10% test as of the date and time of the award of the Bonds. The Issuer shall promptly advise the winning bidder, at or before the time of award of the Bonds, which maturities of the Bonds shall be subject to the 10% test or shall be subject to the hold-the-offering-price rule.

Bids will <u>not</u> be subject to cancellation in the event that the Issuer determines to apply the hold-the-offering-price rule to any maturity of the Bonds. Bidders should prepare their bids on the assumption that some or all of the maturities of the Bonds will be subject to the hold-the-offering-price rule in order to establish the issue prices of the Bonds. For purposes of this section, Bonds maturing on the same date but having different interest rates (and CUSIP numbers) shall be treated as separate maturities of the Bonds.

(d) By submitting a bid for the Bonds, the winning bidder shall (i) confirm that the underwriters have offered or will offer such Bonds to the public on or before the date of award at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in the bid submitted by the winning bidder and (ii) agree, on behalf of the underwriters participating in the purchase of the Bonds, that the underwriters will neither offer nor sell unsold Bonds of any maturity to which the hold-the-offering-price rule shall apply to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

(1) the close of the fifth (5^{th}) business day after the sale date; or

(2) the date on which the underwriters have sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The winning bidder shall promptly advise the Issuer when the underwriters have sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

(e) If the competitive sale requirements are not satisfied, then until the 10% test has been satisfied as to each maturity of the Bonds, the winning bidder agrees to promptly report to the Issuer the prices at which the unsold Bonds of that maturity have been sold to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Bonds of that maturity or until all Bonds of that maturity have been sold.

(f) The Issuer acknowledges that, in making the representation set forth above, the winning bidder will rely on (i) the agreement of each underwriter to comply with the hold-the-offering-price rule, as set forth in an agreement among underwriters and the related pricing wires, (ii) in the event a selling group has been created in connection with the initial sale of such Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the hold-the-offering-price rule, as set forth in a selling group agreement and the related pricing wires, and (iii) in the event that an underwriter is a party to a retail distribution agreement that was employed in connection with the initial sale of such Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the hold-the-offering-price rule, as set forth in the retail distribution agreement and the related pricing wires. The Issuer further acknowledges that each underwriter shall be solely liable for its failure to comply with its agreement regarding the hold-the-offering-price rule and that no underwriter shall be liable for the failure of any other underwriter, or of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a retail distribution agreement to comply with its corresponding agreement regarding the hold-the-offering-price rule as applicable to the Bonds.

(g) By submitting a bid for the Bonds, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each retail distribution agreement (to which the bidder is a party) relating to the initial sale of such Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such retail distribution agreement, as applicable, to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder that either the 10% test has been satisfied as to such Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder and as set forth in the related pricing wires, and (ii) any agreement among underwriters relating to the initial sale of such Bonds to the public, together with the related pricing wires, contains or will contain language obligating each underwriter that is a party to a retail distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such retail distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allotted to it until it is notified by the winning bidder or such underwriter that either the 10% test has been satisfied as to such Bonds of that maturity or all Bonds of that maturity have been sold to the public and (B) comply with the hold-the-offering-price rule, if applicable, in each case if and for so long as directed by the winning bidder or such underwriter and as set forth in the related pricing wires.

(h) Sales of any Bonds to any person that is a related party to an underwriter shall not constitute sales to the public for purposes of this Official Notice of Sale. Further, for purposes of this Official Notice of Sale:

(i) "public" means any person other than an underwriter or a related party,

(ii) "underwriter" means (A) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the public),

(iii) a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "sale date" means the date that the Bonds are awarded by the Issuer to the winning bidder.

Electronic Bids; Delivery of Form of Bids. If the Issuer accepts a bidder's bid that was submitted through Parity, the successful bidder shall submit a signed, completed and conforming Official Bid Form by facsimile transmission to Director of Public Finance, fax: (415) 554-4864, as soon as practicable, but not later than one hour after the verbal award of the Bonds.

Right of Rejection and Waiver of Irregularity. The Issuer 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. Other than with respect to postponement or cancellation as described in this Official Notice of Sale, and in addition to the Issuer's right to adjust the payment amounts of the Bonds as provided in "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments" the Issuer reserves the right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity or mandatory sinking fund payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund payment dates, along with corresponding principal amounts with respect thereto; provided, that, subject to the terms of this Notice of Sale (see "TERMS RELATING TO THE BONDS - Adjustment of Principal Payments") any such modification or amendment will be communicated to potential bidders through Parity and/or the News Services 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 Issuer 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 and/or the News Services as soon as practicable following such postponement or cancellation. If a sale is postponed, notice of a new sale date will be given through Parity and/or the News Services 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 Issuer will take official action awarding the Bonds or rejecting all bids with respect to the Bonds not later than 30 hours after the time for receipt of bids for the Bonds, 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 Issuer 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, Room 800, San Francisco, California 94102; telephone: (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 August 29, 2018*.** Payment for the Bonds (including any premium) must be made at the time of delivery in immediately available funds to the U.S. Bank National Association, as trustee for the Bonds (the "Trustee"). Any expense for making payment in immediately available funds shall be borne by the Purchaser. The Issuer will deliver to the Purchaser, dated as of the delivery date, the legal opinions with respect to the Bonds described in APPENDIX F – "PROPOSED FORM OF OPINION OF CO-BOND COUNSEL" to the Preliminary Official Statement.

Qualification for Sale. The Issuer will furnish such information and take such action not inconsistent with law as the Purchaser may request and the Issuer 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 Issuer 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 Issuer will deliver a certificate stating that no litigation of any nature is pending, or to the knowledge of the officer of the Issuer executing such certificate, threatened, restraining or enjoining the sale, issuance or delivery of the Bonds or any part thereof, or the entering into or performance of any obligation of the Issuer, or concerning the validity of the Bonds, the corporate existence of the Issuer, or the entitlement of any officers of the Issuer who will execute the Bonds to their respective offices.

Right of Cancellation. The Purchaser will have the right, at its option, to cancel this contract if the Issuer fails to execute the Bonds and tender the same for delivery within 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 of the Bonds to accept delivery of and pay for such 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 is a registered trademark

* Preliminary; subject to change.

of American Bankers Association. CUSIP data is provided by CUSIP Global Services managed by Standard & Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP 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. The Issuer takes no responsibility for the accuracy of such CUSIP numbers. CUSIP numbers are provided only for the convenience of the Purchaser of the Bonds.

Expenses of the Successful Bidder. CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees (under California Government Code Section 8856), Depository Trust Company charges and all other expenses of the successful bidder will be the responsibility of the successful bidder. 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-Municipal Advisors. (The contact information for the Co-Municipal Advisors is set forth above in this Official Notice of Sale.) In accordance with Rule 15c2-12 of the Securities and Exchange Commission, as amended ("**Rule 15c2-12**"), the Issuer deems the Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Bonds, the Purchaser of the Bonds will be furnished with a reasonable number of copies (not to exceed 50) of the final Official Statement, without charge, for distribution in connection with the resale of the Bonds. The Purchaser of the Bonds must notify the Issuer in writing within two (2) days of the sale of the Bonds if the Purchaser requires additional copies of the final 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 of the Bonds 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 to the Purchaser, including, without limitation, the delivery of a final Official Statement, including any supplements, to each investor who purchases Bonds.

The form and content of the final Official Statement is within the sole discretion of the Issuer. The name of a Purchaser of the Bonds will not appear on the cover of the final 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 Issuer, confirming to the Purchaser that (i) such authorized representative has determined that, to the best of such authorized representative's knowledge and belief, the final Official Statement (excluding reoffering information, information relating to The Depository Trust Company and its book-entry system, as to which no view will be expressed) did not as of its date, and does not as of the date of closing, 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, (ii) such authorized representative knows of no material adverse change in the condition or affairs of the Issuer that would make it unreasonable for such Purchaser of the Bonds to rely upon the final Official Statement in connection with the resale of the Bonds, and (iii) the Issuer authorizes the Purchaser of the Bonds to distribute copies of the final Official Statement in connection with the resale of the Bonds.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Bonds, the Purchaser of the Bonds will be required to execute and deliver to the Issuer, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the Issuer the initial reoffering prices or yields on the Bonds as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Bonds to the public at the prices and yields so shown.

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement and has not notified the Issuer of the need to modify or supplement the final Official Statement.

(iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. To assist bidders in complying with Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information, operating data and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. See “CONTINUING DISCLOSURE” and APPENDIX D – “FORM OF CONTINUING DISCLSORE CERTIFICATE” in the Preliminary Official Statement.

Additional Information. Prospective bidders should read the entire Preliminary Official Statement, copies of which may be obtained in electronic form from the Issuer.

Sales Outside of the United States. The Purchaser must undertake responsibility for compliance with any laws or regulations of any foreign jurisdiction in connection with any sale of the Bonds to persons outside the United States.

Insurance. No bids with municipal bond insurance will be accepted.

Dated: August 8, 2018.

EXHIBIT A

BID TIME: 9:00 a.m. (California time) August 20, 2018

OFFICIAL BID FORM FOR THE PURCHASE OF

$13,205,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018B (BRANCH LIBRARY IMPROVEMENT PROGRAM)

BIDDING FIRM'S NAME:

____

City and County of San Francisco Finance Corporation
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) 554-4862; Fax Number: (415) 554-4864

Subject to the provisions and in accordance with the terms of the Official Notice of Sale, dated August 8, 2018, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to, among other things, the above-referenced Bonds (the "Bonds") and hereby offer to purchase all 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 $132,000.00 by wire transfer; and to pay therefor the price of $__________ (such amount being the "Purchase Price"), which is equal to the aggregate principal amount of the Bonds, plus a net original issue premium of $__________. The Bonds shall mature and be subject to mandatory sinking fund redemption (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 schedules below.

Maturity Schedule*
(Check one) [(1)]

Principal Payment Date (June 15)	Principal Payment[†]	Serial Maturity	Mandatory Sinking Fund Redemption	Interest Rate
2019	$1,170,000	_____	_____	_____
2020	1,095,000	_____	_____	_____
2021	1,145,000	_____	_____	_____
2022	1,200,000	_____	_____	_____
2023	1,265,000	_____	_____	_____
2024	1,325,000	_____	_____	_____
2025	1,390,000	_____	_____	_____
2026	1,465,000	_____	_____	_____
2027	1,535,000	_____	_____	_____
2028	1,615,000	_____	_____	_____

[†] Subject to adjustment in accordance with the Official Notice of Sale.
[(1)] Circle the final maturity of each term bond specified. No term bond shall require mandatory sinking fund payments prior to June 15, 2025.

____
Authorized Signatory
Title: ______________________________
Phone Number: ______________________________
Fax Number: ______________________________

True Interest Cost (optional and not binding): ________________

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, ILLEGIBLE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE ISSUER 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 THE DELIVERY METHOD PROVIDED IN THE NOTICE OF SALE.

The Issuer reserves the right to modify or amend this Bid Form, in any respect, including, without limitation, increasing or decreasing the principal amount at any serial maturity or mandatory sinking fund by payment for the Bonds and adding or deleting serial or term maturity and mandatory sinking fund and payment dates, along with corresponding principal amounts with respect thereto as provided in "TERMS RELATING TO THE BONDS—Adjustment of Principal Payments" and "TERMS OF SALE—Right to Modify or Amend" in the Official Notice of Sale.

* Preliminary, subject to change.

EXHIBIT B

[FORM OF ISSUE PRICE CERTIFICATE]

$13,205,000*
City and County of San Francisco Finance Corporation
Refunding Lease Revenue Bonds, Series 2018B
(Branch Library Improvement Program)

Dated [Closing Date]

_____________ (the "Initial Purchaser"), as underwriter for the bonds identified above (the "Issue"), issued by the City and County of San Francisco Finance Corporation (the "Issuer"), based on its knowledge regarding the sale of the Issue, certifies as of this date as follows:

[If the competitive sale meets the definition in Regulations § 1.148-1(f)(3) by attracting at least three bids from underwriters that have established industry reputations for underwriting new issuances of tax-exempt obligations and as reflected in the representations below):

(1) **Issue Price**.

(A) As of the Sale Date, the reasonably expected initial offering prices of the Issue to the Public by the Initial Purchaser are the prices listed in the final Official Statement, dated [August 20, 2018], for the Issue (the "Expected Offering Prices"). The Expected Offering Prices are the prices for the Maturities of the Issue used by the Initial Purchaser in formulating its bid to purchase the Issue. Attached as Schedule A is a true and correct copy of the bid provided by the Initial Purchaser to purchase the Issue.

(B) The Initial Purchaser was not given the opportunity to review other bids prior to submitting its bid.

(C) The bid submitted by the Initial Purchaser constituted a firm offer to purchase the Issue.

(D) The aggregate of the Expected Offering Prices of each Maturity is $__________ (the "Issue Price").]

* Preliminary, subject to change.

[**If the competitive sale fails to attract at least three bids from underwriters that have established industry reputations for underwriting new issuances of tax-exempt obligations and the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):**

(1) **Issue Price**.

(A) The Initial Purchaser offered, on or before the Sale Date, each Maturity of the Issue to the Public for purchase at the respective initial offering prices listed in the final Official Statement, dated **[**August 20, 2018**]**, for the Issue (the "Initial Offering Prices"). A copy of the pricing wire or equivalent communication for the Issue is attached to this certificate as Schedule A. The aggregate of the Initial Offering Prices of each Maturity is $**[_______]** (the "Issue Price").

(B) As set forth in the Notice of Sale and bid award, the Initial Purchaser has agreed in writing that, (i) for each Maturity of the Issue, it would neither offer nor sell any portion of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the "hold-the-offering-price rule"), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Issue at a price that is higher than the respective Initial Offering Price for that Maturity of the Issue during the Holding Period.**]**

(C) Definitions.

"Holding Period" means, for each Hold-the-Offering-Price Maturity of the Issue, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (**[**August 27, 2018**]**), or (ii) the date on which the Initial Purchaser has sold at least 10% of such Maturity of the Issue to the Public at a price that is no higher than the Initial Offering Price for such Maturity.

"Maturity" means bonds of the Issue with the same credit and payment terms. Bonds of the Issue with different maturity dates, or bonds of the Issue with the same maturity date but different stated interest rates, are treated as separate Maturities.

"Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term "related party" for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

"Sale Date" means the first day on which there is a binding contract in writing for the sale of a Maturity of the Issue. The Sale Date of the Issue is **[**August 20, 2018**]**.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Issue to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Issue to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Issue to the Public).

All capitalized terms not defined in this Certificate have the meaning set forth in the Issuer's Tax Compliance Certificate or in Attachment A to it.

(2) **Yield.** The Yield on the Issue is **______**%, being the discount rate that, when used in computing the present worth of all payments of principal and interest to be paid on the Issue, computed on the basis of a 360-day year and semi-annual compounding, produces an amount equal to the Issue Price of the Issue as stated in paragraph (1) [and computed with the adjustments stated in paragraphs (5) and (6)**]**.

(3) **Weighted Average Maturity.** The weighted average maturity (defined below) of the Issue is **_________** years, and the remaining weighted average maturity of the Current Refunded Bonds is **____** years. The weighted average maturity of an issue is equal to the sum of the products of the issue price of each maturity of the issue and the number of years to the maturity date of the respective maturity (taking into account mandatory but not optional redemptions), divided by the issue price of the entire issue.

(4) **Initial Purchaser's Discount**. The Initial Purchaser's discount is $**___________**, being the amount by which the aggregate Issue Price (as set forth in paragraph (1)) exceeds the price paid by the Initial Purchaser to the Issuer for the Issue.

[(5) **Discount Maturities Subject to Mandatory Early Redemption**. No Maturity that is subject to mandatory early redemption has a stated redemption price that exceeds the [Sale][Initial Offering][Expected Offering] Price[, as applicable,] of such Maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of years to its weighted average maturity date.**]**

[Or]

[(5) **Discount Maturities Subject to Mandatory Early Redemption**. The stated redemption price at maturity of the Maturities that mature in the year[s] 20__, which Maturities are the only Maturities of the Issue that are subject to mandatory early redemption [revise as appropriate], exceeds the [Sale][Initial Offering][Expected Offering] Price[, as applicable,] of such Maturities by more than one-fourth of 1% multiplied by the product of the stated redemption price at maturity and the number of years to the weighted average maturity date of such Maturities. Accordingly, in computing the Yield on the Issue stated in paragraph (2), those Maturities were treated as redeemed on each mandatory early redemption date at their present value rather than at their stated principal amount.**]**

[(6) **Premium Maturities Subject to Optional Redemption**. No Maturity of the Issue:

- Is subject to optional redemption within five years of the Issuance Date of the Issue.
- That is subject to optional redemption has a[n] [Sale][Initial Offering][Expected Offering] Price[, as applicable,] that exceeds its stated redemption price at maturity by more than one-fourth of 1% multiplied by the product of its stated redemption price at maturity and the number of complete years to its first optional redemption date.**]**

[Or]

[(6) **Premium Maturities Subject to Optional Redemption**. The Maturities that mature in the year[s] 20__ are the only Maturities that are subject to optional redemption before maturity and have a[n] [Sale][Initial Offering][Expected Offering] Price[, as applicable,] that exceeds their stated redemption price at maturity by more than one fourth of 1% multiplied by the product of their stated redemption price at maturity and the number of complete years to their first optional redemption date. Accordingly, in computing the Yield on the Issue stated in paragraph (2), each such Maturity was treated as retired on its optional redemption date or at maturity to result in the lowest yield on that Maturity. No Maturity is subject to optional redemption within five years of the Issuance Date of the Issue.]

[Or]

[(7) **No Discount or Premium Maturities**. No Maturity was sold at an original issue discount or premium.]

[(6 or 8) **No Stepped Coupon Maturities**. No Maturity bears interest at an increasing interest rate.]

The signer is an officer of the Initial Purchaser and duly authorized to execute and deliver this Certificate of the Initial Purchaser. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents the Initial Purchaser's interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Compliance Certificate and with respect to compliance with the federal income tax rules affecting the Issue, and by Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, as co-bond counsel to the Issuer, in connection with rendering their opinions that the interest on the Issue is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that co-bond counsel may give to the Issuer from time to time relating to the Issue.

Dated: [August 29, 2018]

INITIAL PURCHASER

By:_______________________________________

Title:______________________________________

If the competitive sale requirements are met:

SCHEDULE A
COPY OF INITIAL PURCHASER’S BID

(*Attached*)

If the issue price is determined using only the hold-the-offering-price rule in Regulations § 1.148-1(f)(2)(ii):

SCHEDULE A
INITIAL OFFERING PRICES OF THE ISSUE
(*Attached*)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(Attached)

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

No dealer, broker, salesperson or other person has been authorized by the City or the Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City 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 Series 2018 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchaser or purchasers of the Series 2018 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

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

This Official Statement is submitted in connection with the sale of the Series 2018 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City and the Corporation. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions. All capitalized terms used herein, unless noted otherwise, shall have the meanings prescribed in the Trust Agreement.

In connection with the offering of the Series 2018 Bonds, the purchasers may over-allot or effect transactions which stabilize or maintain the market price of the Series 2018 Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time. The purchasers may offer and sell the Series 2018 Bonds to certain dealers and dealer banks at prices lower than the initial public offering prices stated on the inside cover hereof. Such initial public offering prices may be changed from time to time by the purchasers.

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

The issuance and sale of the Series 2018 Bonds have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

The City maintains a website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Series 2018 Bonds. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION

Board of Directors

Bree Mawhorter, *President*
Bill Madison, *Chief Financial Officer*
Christine Carr, *Secretary*

CITY AND COUNTY OF SAN FRANCISCO

London N. Breed, *Mayor*

Board of Supervisors

Malia Cohen, *Board President, District 10*

Sandra Lee Fewer, *District 1*
Catherine Stefani, *District 2*
Aaron Peskin, *District 3*
Katy Tang, *District 4*
Vallie Brown, *District 5*

Jane Kim, *District 6*
Norman Yee, *District 7*
Rafael Mandelman, *District 8*
Hillary Ronen, *District 9*
Ahsha Safai, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

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Benjamin Rosenfield, *Controller*
Anna Van Degna, *Director of Public Finance*

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SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

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$13,205,000*
CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION
REFUNDING LEASE REVENUE BONDS, SERIES 2018B
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

INTRODUCTION

This Official Statement, which includes the cover page and appendices hereto (this "Official Statement"), provides certain information concerning the issuance of $13,205,000* of the City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program) (the "Series 2018 Bonds"). Any capitalized term not defined herein will have the meaning given to such term as set forth in the Trust Agreement or the Lease (each as defined herein), as applicable. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – DEFINITIONS." The references to any legal documents, instruments and the Series 2018 Bonds in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions. Copies of all legal documents are available at the principal office of the Trustee.

Authority for Issuance

The Series 2018 Bonds are issued pursuant to Ordinance No. 135-18, passed by the Board of Supervisors (the "Board of Supervisors") of the City and County of San Francisco (the "City") on June 5, 2018 and signed by the Mayor on June 14, 2018, Resolution No. 2018-1 adopted by the Board of Directors of the City and County of San Francisco Finance Corporation (the "Corporation") on May 18, 2018, the Master Trust Agreement, dated as of March 1, 2009 (the "Master Trust Agreement"), as amended by the First Supplemental Trust Agreement, dated as of August 1, 2018 (the "First Supplemental Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), each by and between the Corporation and U.S. Bank National Association as trustee (the "Trustee"), and the Charter of the City and County of San Francisco (as amended from time to time, the "Charter").

On June 7, 1994, the voters of the City passed Proposition E, creating the Library Preservation Fund. The Library Preservation Fund, which established a dedicated fund to be used exclusively by the Library Department to provide library services in accordance with Section 16.109 of the Charter, was set to expire in fiscal year 2008-09. At an election held on November 6, 2007, the voters of the City adopted Proposition D, amending the Charter by extending the Library Preservation Fund for 15 years starting with fiscal year 2008-09, and further expanding the purpose of the Library Preservation Fund to repay debt issued by the City to construct, maintain and operate library facilities, all as codified in Section 16.109 of the Charter.

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 county-wide 1% property tax levy in an amount equal to two and one-half cents ($0.025) for each $100 of 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 commenced in Fiscal Year 2008-09 and extends through July 1, 2024.

The City's Rental Payments (as defined below) are payable from any legally available funds of the City and may include funds in the Library Preservation Fund or other legally available funds appropriated by the Board of Supervisors for such purpose.

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* Preliminary, subject to change.

Purpose

The Series 2018 Bonds are being sold to provide funds to: (i) redeem all of the Corporation's outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) (the "Refunded Bonds") which financed various library projects of the City, currently outstanding in the aggregate principal amount of $25,975,000, and (ii) pay costs associated with the issuance of the Series 2018 Bonds and the redemption of the Refunded Bonds. See "PLAN OF REFUNDING" and "ESTIMATED SOURCES AND USES OF FUNDS."

Security and Sources of Payment

Pursuant to the Trust Agreement, the Corporation previously issued $34,265,000 in aggregate principal amount of the Refunded Bonds. All of the outstanding Refunded Bonds will be redeemed upon the issuance of the Series 2018 Bonds. The Corporation may in the future issue additional bonds pursuant to the Master Trust Agreement secured on a parity with the Series 2018 Bonds (the "Parity Bonds"). The Series 2018 Bonds and any Parity Bonds are referred to collectively as the "Bonds." See "SECURITY AND SOURCES OF PAYMENT – Parity Bonds."

The City owns various real property (each a "Site" and collectively, the "Sites") together with the improvements thereon (together, the "Facilities") that the City, as lessor, has leased to the Corporation, as lessee, pursuant to a Facilities Lease, dated as of March 1, 2009 (the "Original Facilities Lease"), as amended by the First Amendment to Facilities Lease, dated as of August 1, 2018 (the "First Amendment to Facilities Lease," and together with the Original Facilities Lease, the "Facilities Lease"). The Facilities will be leased by the Corporation, as lessor, to the City, as lessee, pursuant to a Master Lease, dated as of March 1, 2009 (the "Master Lease"), as amended by the First Amendment to Master Lease, dated as of August 1, 2018 (the "First Amendment to Master Lease," and together with the Master Lease, the "Lease"). Pursuant to the Lease, the City is required to pay to the Corporation specified Base Rental payments in amounts sufficient to pay, when due, the principal of and interest on the Bonds, and to pay certain Additional Rental payments (together with the Base Rental payments, the "Rental Payments") for use and possession of the Facilities. The City will pay (but only after payment of Base Rental) as Additional Rental under the Lease such amounts of taxes, assessments administrative costs, insurance premiums, reasonable administrative costs of the Corporation related to the Facilities and other such costs as defined in the Lease. See "SECURITY AND SOURCES OF PAYMENT – Rental Payments."

Under the Lease, the City has covenanted to take such action as may be necessary to include all Rental Payments due in its annual budget and to make the necessary annual appropriations therefor. The Lease provides that such covenants of the City are deemed by the City to be and will be construed to be duties imposed by law. See "SECURITY AND SOURCES OF PAYMENT – Lease Not a Debt of City; Covenant to Appropriate" and "CERTAIN RISK FACTORS – State Law Limitations on Appropriations."

No Reserve Fund has been established for the Series 2018 Bonds. The Trust Agreement allows a Reserve Fund to be established for additional Bonds.

Pursuant to an Assignment Agreement, dated as of August 1, 2018 (the "Assignment Agreement"), the Corporation has assigned to the Trustee, for the benefit of the Owners of the Series 2018 Bonds, substantially all of its rights under the Lease, including its right to receive and collect the Base Rental payments from the City under such Lease and its rights as may be necessary to enforce payment of the Base Rental payments.

THE SERIES 2018 BONDS ARE LIMITED OBLIGATIONS OF THE CORPORATION PAYABLE SOLELY FROM RENTAL PAYMENTS MADE BY THE CITY TO THE CORPORATION PURSUANT TO THE LEASE AND ANY OTHER AMOUNTS HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT.

THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT OF THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION 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.

The City

For certain financial information with respect to the City, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES" and APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

The Corporation

The Corporation is a non-profit 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. See "THE CORPORATION."

Risk Factors

For a discussion of certain risk factors associated with the City's ability to make Rental Payments under the Lease and in making an investment in the Series 2018 Bonds, see "CERTAIN RISK FACTORS."

Continuing Disclosure

The City has covenanted on behalf of the Corporation and for the benefit of the Owners of the Series 2018 Bonds to provide certain financial information and operating data relating to the City 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 the 2017-18 Fiscal Year (the "Annual Report"), and to provide notices of the occurrence of certain enumerated events. See "CONTINUING DISCLOSURE."

THE SERIES 2018 BONDS

General

The Series 2018 Bonds will be issued in the aggregate principal amount of $13,205,000* only as one fully registered Series 2018 Bond for each maturity. The Series 2018 Bonds will be delivered only in denominations of $5,000 or an integral multiple thereof and interest thereon will be payable on each June 15 and December 15, commencing December 15, 2018 as long as any Series 2018 Bonds are Outstanding (each an "Interest Payment Date"). Interest on the Series 2018 Bonds will be computed on the basis of a 360-day

* Preliminary, subject to change.

year composed of twelve months of 30 days each. Interest on the Series 2018 Bonds will accrue from the date of delivery thereof at the rates per annum set forth on the inside cover page hereof. The principal of the Series 2018 Bonds will be payable, subject to redemption, as described below, in each year of the designated years and in the principal amounts set forth on the inside cover page hereof.

The Series 2018 Bonds will be registered initially in the name of "Cede & Co.," as nominee of The Depository Trust Company, New York, New York ("DTC"), which has been appointed as securities depository for the Series 2018 Bonds. Beneficial ownership interests in the Series 2018 Bonds will be available in book-entry form only, in denominations of $5,000 or integral multiples thereof. Purchasers of beneficial ownership interests in the Series 2018 Bonds ("Beneficial Owners") will not receive physical certificates representing their interests in the Series 2018 Bonds purchased. While held in book-entry only form, all payments of principal, premium and interest will be made by wire transfer to DTC or its nominee as the sole registered owner of the Series 2018 Bonds. Payments to Beneficial Owners are the sole responsibility of DTC and its Participants. See APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Transfer and Exchange

The Series 2018 Bonds will be issued only as fully-registered bonds, with the privilege of transfer or exchange for Series 2018 Bonds of other denominations as set forth in the Trust Agreement. All such transfers and exchanges will be without charge to the owner, with the exception of any taxes, fees or other governmental charges. While the Series 2018 Bonds are in book-entry only form, beneficial ownership interests in the Series 2018 Bonds may only be transferred through Direct Participants and Indirect Participants as described in APPENDIX E – "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Redemption Provisions

Extraordinary Mandatory Redemption. The Series 2018 Bonds are subject to extraordinary mandatory redemption, as a whole, or in part by lot within any maturity if less than all of the Series 2018 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 Series 2018 Bonds maturing on or before June 15, 2024 are *not* subject to optional redemption prior to maturity. The Series 2018 Bonds maturing on or after June 15, 2025 are subject to optional redemption prior to maturity on or after June 15, 2024 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 from any funds available therefor, at a redemption price equal to 100% of the principal amount of Series 2018 Bonds to be redeemed plus accrued but unpaid interest to the date fixed for redemption.

Optional redemption of the 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 Rentals remaining under the Lease after the proposed redemption will be sufficient to pay when due the principal of and interest on the Bonds remaining Outstanding after such proposed redemption.

Mandatory Redemption.[*] The Series 2018 Bonds maturing on June 15, 20__ will be subject to redemption prior to their stated maturity date, in part, by lot, from mandatory sinking fund payments, on each June 15, as shown in the table below, at a redemption price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

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[*] Preliminary, subject to change.

Mandatory Sinking Fund Redemption Date (June 15)	Sinking Fund Payment Principal Amount
†	

† Maturity

Notice of Redemption. The Trustee is required to mail notice of redemption by first class mail, postage prepaid, at least 30 but no more than 45 days prior to the redemption date, to the Owners of the Series 2018 Bonds to be redeemed, to DTC and to the Information Services.

So long as the Series 2018 Bonds are in book-entry only form through the facilities of DTC, notice of redemption will be provided to Cede & Co., as the registered owner of the Series 2018 Bonds, and not directly to the Beneficial Owners.

Neither failure to receive any redemption notice nor any defect in such redemption notice so given will affect the sufficiency of the proceedings for redemption of the Series 2018 Bonds.

Cancellation of Redemption. Notwithstanding any other provision of the Trust Agreement, in the event that any Series 2018 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 Series 2018 Bonds proposed to be redeemed on the date fixed for redemption, on such date, the redemption will be cancelled and in each and every such case, the Corporation, the Trustee and the Owners, as the case may be, will be restored to their former positions and rights under the Trust Agreement. A cancellation of a redemption does not constitute a default under the Trust Agreement nor an event that with the passage of time of giving of notice or both will constitute a default under the Trust Agreement and the Trustee, the Corporation and the City will have no liability from such cancellation.

Selection of Series 2018 Bonds for Redemption. For purposes of selecting the Series 2018 Bonds for redemption, the Series 2018 Bonds will be deemed to be composed of $5,000 portions or any integral multiple thereof. Whenever less than all the Outstanding Series 2018 Bonds maturing on any one date are called for optional redemption pursuant to the provisions of the Trust Agreement at any one time, the Trustee will select the Series 2018 Bonds or portions thereof to be redeemed from the Outstanding Series 2018 Bonds maturing on such date not previously selected for redemption, by lot in any manner which the Trustee deems appropriate. If less than all the Outstanding Series 2018 Bonds are called for redemption pursuant to the Trust Agreement at any one time, the City will specify to the Trustee a principal amount in each maturity to be redeemed, provided that if the City specifies the Series 2018 Bonds to be redeemed in a manner that results in other than approximately equal annual debt service on the Series 2018 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 payments and Additional Rental payable during the remaining term of the Lease will not exceed the fair rental value of the Facilities during each subsequent Fiscal Year. If less than all of the Outstanding Series 2018 Bonds are called for extraordinary mandatory or optional redemption pursuant to the terms of the Trust Agreement, the City will designate the maturity or maturities of the Series 2018 Bonds to be redeemed.

Partial Redemption of Series 2018 Bonds. Upon the surrender of any Series 2018 Bond redeemed in part only, the Trustee will authenticate and deliver to the Owners thereof, at the expense of the City, a new Series 2018 Bond or Series 2018 Bonds of authorized denominations equal to the unredeemed portion of the Series 2018 Bond surrendered and of the same series, interest rate and maturity. Such partial redemption will be 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.

Effect of Notice of Redemption. Series 2018 Bonds to be redeemed will be due and payable on the date of redemption set forth in the redemption notice with respect thereto. If on the scheduled redemption date money for the redemption of all the Series 2018 Bonds to be redeemed, together with interest to such redemption date, and if a redemption notice is given as described herein, then, from and after such redemption date, no additional interest will become due on the Series 2018 Bonds to be redeemed. All money held by or on behalf of the Trustee for the redemption of the Series 2018 Bonds will be held in trust for the account of the Owners thereof.

Purchase in Lieu of Redemption of Series 2018 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 Series 2018 Bonds that would otherwise be subject to redemption from such moneys upon the delivery of such Series 2018 Bonds to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select the Series 2018 Bonds for redemption. The purchase price of any Series 2018 Bonds purchased by the Corporation under the Trust Agreement will not exceed the applicable redemption price of the Series 2018 Bonds that would be redeemed but for the operation of this provision. Any such purchase must be completed prior to the time notice would otherwise be required to be given to redeem the related Series 2018 Bonds. All Series 2018 Bonds so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to redeem such Series 2018 Bonds from such moneys.

SECURITY AND SOURCES OF PAYMENT

Authority for Issuance

The Series 2018 Bonds are being issued under the authority of, and in compliance with, the Charter, the Trust Agreement, and the statutes of the State of California (the "State") as made applicable pursuant to the Charter.

Source of Payment

The Series 2018 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 Bonds, if any, deposited in the Revenue Fund and the Reserve Fund, that portion of the Base Rental payments made by the City which are 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 acquired or constructed.

The obligation of the City to make Rental Payments under the Lease is an obligation payable from any legally available funds of the City, and may include funds in the Library Preservation Fund or other legally available funds appropriated by the Board of Supervisors for such purpose. 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 FISCAL YEAR ENDED JUNE 30, 2017."

THE SERIES 2018 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 HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

Rental Payments

Under the Lease, Base Rental and Additional Rental payments are to be made by the City to the Corporation with respect to the Facilities. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Lease regarding abatement.

Base Rental. The City has covenanted in the Lease that, so long as the City has the use and occupancy of the Facilities, it will make Base Rental payments to the Corporation from any legally available funds of the City. The Base Rental payments are calculated to be adequate for the Corporation to pay scheduled debt service on all outstanding Bonds in each year. Base Rental payments are due and payable by the City on June 1 and December 1 of each year during the term of the Lease, commencing December 1, 2018, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Facilities. In the event that during any such period the City does not have use and occupancy of all or a portion of the Facilities due to material damage to, destruction of or condemnation of or defects in the title to the Facilities, Base Rental payments are subject to abatement. See "Base Rental Payments and Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City and the City has covenanted in the Lease to take such action as may be necessary to include all Rental Payments due under the Lease in its annual budget and to make necessary annual appropriations for all such Rental Payments. Neither the full faith and credit nor the taxing power of the City or the State or any of its political subdivisions is pledged to make Rental Payments under the Lease.

Pursuant to the Assignment Agreement, the Corporation assigns to the Trustee all its rights, title and interest under the Lease, including, without limitation, the rights to receive the Base Rental payments that are made by the City pursuant to the Lease. Pursuant to the Trust Agreement, the Trustee will deposit the Base Rental payments in the Revenue Fund to be used: *first*, for the payment of the aggregate amount of interest then due and payable on the Outstanding Bonds, *second*, for the payment of principal on the Bonds then due or required to be paid, and *third*, for replenishment of any Reserve Fund in the event its balance is less than the Reserve Fund Requirement. No Reserve Fund has been established for the Series 2018 Bonds. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Trust Agreement – Allocation of Revenues."

Additional Rental. The City has agreed in the Lease to pay Additional Rental to the Corporation, but only after payment of Base Rental, to cover: (i) all taxes, assessments, or governmental charges of any type or nature charged to the Corporation or affecting the Facilities or the respective interests or estates of the Corporation or the City therein or affecting the amount available to the Corporation from rentals received thereunder for the payment of debt service on the Bonds (including taxes, assessments or governmental charges assessed or levied by any governmental agency or district having power to levy taxes, assessments or governmental charges); (ii) all reasonable administrative costs of the Corporation relating to the Facilities including, but not limited to, all expenses and compensation of the Trustee or any trustee, fiscal agent or paying agent under any Parity Bond Instrument payable by the Corporation under the Trust Agreement or any Parity Bond Instrument, fees of auditors, rebate analysts, accountants, attorneys, or engineers, 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 Series 2018 Bonds, any Parity Bonds, the Trust Agreement, or any Parity Bond Instrument or to defend the Corporation and its members, officers, agents and employees; (iii) any amounts required to be deposited by the Corporation pursuant to the Trust Agreement or under any similar provision contained in any Parity Bond Instrument that are not otherwise available to the Corporation under the Trust Agreement; (iv) insurance premiums for all insurance required pursuant to the Lease and not obtained by the City, but only to the extent such City obligation is not otherwise satisfied under the terms specified in the Lease; and (v) all fees, costs, expenses, and other amounts due to any municipal bond insurance company that has provided an insurance policy guaranteeing the payment of the principal of and interest on any series of Bonds.

Pledge of Revenues; Revenue Fund

Under the Trust Agreement, the Corporation pledges and assigns to the Trustee and grants to the Trustee a lien on and security interest in all right, title and interest of the Corporation in and to all of the following, which lien and security interest, except as otherwise expressly set forth in the Trust Agreement, will be prior in right to any other pledge, lien or security interest created by the Corporation therein: (i) the Revenues, (ii) all moneys and investments (excluding moneys on deposit in the Rebate Fund) held from time to time by the Trustee under the Trust Agreement, (iii) earnings on amounts included in provisions (i) and (ii), and (iv) any and all other funds, assets, rights, property or interests therein, of every kind or description which may from time to time after the date of the Trust Agreement, by delivery or by writing of any kind, be sold, transferred, conveyed, assigned, pledged, mortgaged, granted or delivered to or deposited with the Trustee as additional security under the Trust Agreement, for the equal and proportionate benefit and security of the Bonds, all of which, regardless of the series, time or times of their authentication and delivery or maturity, will be, with respect to the security provided thereby, of equal rank without preference, priority or distinction as to any Bond over any other Bond or Bonds, except as to the timing of payment of the Bonds. The Revenues will not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Revenues there may be apportioned and paid such sums, for such purposes, as are expressly permitted by the provisions of the Trust Agreement with respect to the allocation of Revenues to special funds.

Except as otherwise provided in the Trust Agreement with respect to investment of moneys in funds, all Revenues to which the Corporation may at any time be entitled will be paid directly to the Trustee and all of the Revenues collected or received by the Corporation will be deemed to be held in trust and to have been collected or received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time will be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof, and all such Revenues will thereupon be deposited by the Trustee upon the receipt thereof in a special fund, designated as the "Revenue Fund," which fund is created under the Trust Agreement. The Revenue Fund will be maintained by the Trustee, separate and apart from all other funds, so long as any of the Bonds remain Outstanding. All moneys at any time deposited in the Revenue Fund will be held by the Trustee in trust for the benefit of the Owners from time to time of the Bonds and will be disbursed, allocated and applied solely for the uses and purposes specified in the Trust Agreement.

No Reserve Fund

No Reserve Fund has been established for the Series 2018 Bonds. The Trust Agreement allows a Reserve Fund to be established for additional Bonds.

Lease Not a Debt of City; Covenant to Appropriate

The obligation of the City to pay Base Rental payments when due is an obligation of the City payable from any legally available funds of the City and does not constitute a debt of the City for which the City is obligated to pledge its general fund. Under the Lease, the City has agreed to take such action as is necessary to include in its annual budget and to appropriate funds sufficient to meet all Rental Payments due under the Lease. The tax rate limitation imposed by the initiative constitutional amendment known as the Jarvis-Gann Amendment (Article XIII A) effectively eliminates the ability of the City to impose new property taxes for new obligations such as payment of Rental Payments to the Corporation for debt service on the Series 2018 Bonds. For information concerning the City's revenues and expenditures see APPENDIX A – "THE CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES."

Insurance

The Corporation is required to maintain or cause the City to maintain 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 Facilities 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; and (ii) all risk property insurance on all structures constituting any part of the Facilities 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 Facilities caused by perils covered by the insurance required by the Lease; 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.

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 Series 2018 Bonds (to the extent commercially available) or the replacement cost of the Facilities; 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 current market conditions and the recommendation of the Risk Manager of the City, it has been determined not to be required to obtain earthquake insurance 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.

Base Rental Payments and Abatement

The Trustee will collect and receive all of the Base Rental payments, and any Base Rental payments collected or received by the Corporation must immediately be paid by the Corporation to the Trustee. All payments of Base Rental received by the Trustee under the Lease will be deposited into the Revenue Fund.

The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in the Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Lease regarding abatement.

Except to the extent of amounts available to the City under the Lease, including without limitation, amounts available pursuant to the Trust Agreement or any Parity Bond Instrument, from any Parity Bond reserve fund, and except as otherwise specifically provided in the Lease, during any period in which by reason of material damage to or destruction of the Facilities, or condemnation of or defects in the title of the Facilities, there is substantial interference with the right to the use and occupancy by the City of any portion of the Facilities, Rental Payments due under the Lease will be abated proportionately and the Lease will continue in full force and effect. In the case of abatement relating to the Facilities, the amount of abatement will be equal to that amount by which the Rental Payments exceed the fair rental value of the Facilities. 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 such damage or destruction of Facilities and ending with the substantial completion of the work of repair or replacement of the Facilities 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 June 15, 2044.

The City has the option, but not the obligation, to deliver Substitute Facilities (defined under "Substitution of Property") for all or a portion of the Facilities pursuant to the substitution provisions of the Lease during any period of abatement. Any abatement of Base Rental payments could affect the Corporation's ability to pay debt service on the Series 2018 Bonds, although the Lease requires the City to maintain rental interruption insurance. See "CERTAIN RISK FACTORS – Abatement." During any period of abatement with respect to all or any part of the Facilities, the Corporation is required to use the proceeds of the required rental interruption insurance and the moneys on deposit in any Reserve Funds established with respect to any Parity Bonds to make debt service payments on the Series 2018 Bonds.

Remedies on Default

The Lease provides that the Trustee will exercise any available remedies on default. The Trustee is required to exercise the rights and remedies under the Trust Agreement with the same care and skill that a prudent person would exercise under the circumstances in the conduct of his or her own affairs. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental when due, or in the event that the City breaches any other terms, covenants, conditions or agreements contained in the Lease (and does not remedy such breach within 30-days' notice thereof) the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of Series 2018 Bonds then Outstanding, shall proceed), without any further notice (i) to re-enter the Facilities and without terminating the Lease, re-let the Facilities for library purposes in accordance with the Charter as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable; or (ii) to enforce all of its rights and remedies under the Lease, including the right to recover Base Rental payments as they become due, by pursuing any remedy available in law or in equity. See "CERTAIN RISK FACTORS – Limited Recourse on Default" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Lease – Defaults and Remedies."

Maintenance and Utilities; Changes to the Facilities

Throughout the term of the Lease, as part of the consideration for rental payments of the Facilities, all improvement, repair, landscaping and maintenance of the Facilities 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 Facilities and will pay or otherwise arrange for payment of the cost of the repair and replacement of the Facilities resulting from ordinary wear and tear or want of care on the part of the City or any assignee or sublessee thereof.

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

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 Facilities 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 Facilities originally leased under the Lease will be released from the leasehold thereunder, as appropriate. The Corporation and the City will also make any amendments needed to be made to the Lease, and will 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.

No substitution will take place under the Lease until the City delivers to the Corporation and the Trustee the following:

(i) A Certificate of the City stating that: (a) the annual fair rental value of the Substitute Facilities as of the date of Substitution is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Lease at the time of such Substitution; (b) the City will, at the time of the Substitution, have beneficial use and occupancy of the Substitute Facilities, and (c) the useful life of the Substitute Facilities is equal to or greater than that of the Facilities being replaced;

(ii) An Opinion of Counsel to the effect that the amendment to the Lease has been duly authorized, executed, and delivered and the Lease as so amended represents a valid and binding obligation of the City and the Corporation, and an Opinion of Bond Counsel to the effect that the Substitution will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State personal income tax; and

(iii) A CLTA standard form policy of title insurance in substantially the same form as delivered in connection with the issuance and delivery of the Series 2018 Bonds in at least the amount of the aggregate principal amount of outstanding Bonds at the time of the Substitution insuring the City's leasehold interest in the Substitute Facilities under the Lease, together with an endorsement to the policy making such policy payable to the Trustee for the benefit of the Owners and to each trustee of Parity Bonds for the benefit of the Owners thereof.

Parity Bonds

Under the Trust Agreement and the Lease, the Corporation may issue additional bonds (the "Parity Bonds") payable from Base Rental on a parity with the Series 2018 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 to provide funds for the acquisition, construction, reconstruction, rehabilitation, or improvement or completion of 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 will 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 Facilities 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 will be June 15 and December 15 and the principal payment date for such Parity Bonds will be June 15; and

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

If Parity Bonds are issued, they will be entitled, subject to the requirements of 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 Series 2018 Bonds.

Under the Trust Agreement, the Corporation may issue Bonds to finance construction of a component of the Facilities (as further described in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions," the "Bond Financed Facilities Component"). Prior to the delivery of a Certificate of Substantial Completion (as defined in the Lease) relating to such Bond Financed Facilities Component, such Bonds are referred to in the Trust Agreement and the Lease as "Pre-Parity Bonds." After the delivery of the Certificate of Substantial Completion and the fulfillment of certain other conditions, such Pre-Parity Bonds will 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. See APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Lease – Parity and Pre-Parity Bonds."

City Budget and Finances

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." The information contained in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017" is presented for informational purposes only.

City Investment Policy

For a discussion of the City's investment policy regarding pooled cash, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Investment of City Funds" and APPENDIX G – "CITY AND COUNTY OF SAN FRANCISCO – INVESTMENT POLICY."

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds of the Series 2018 Bonds are expected to be applied as follows:

Sources of Funds:
- Series 2018 Bond Proceeds
- Transfer from Prior Reserve Fund
- Transfer from Prior Debt Service Fund
- Other City Funds
- Plus: Net Original Issue Premium
  - Total Sources

Uses of Funds:
- Deposit to Revenue Fund [1]
- Deposit to Costs of Issuance Fund[2]
- Purchaser's Discount
  - Total Uses

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(1) Amounts deposited in the Revenue Fund will be used to redeem the Refunded Bonds on the date of delivery of the Series 2018 Bonds.

(2) Includes amounts for legal fees, Trustee fees, Municipal Advisor fees, rating agency fees, printing costs, other issuance costs and rounding amounts.

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DEBT SERVICE SCHEDULE

The Lease requires the City to make Base Rental payments on each June 1 and December 1 during the term of the Lease, commencing December 1, 2018. Base Rental will be for the use and occupancy of the Facilities for the Fiscal Year in which such June 1 or December 1 occurs, provided that the Base Rental paid on any June 1 or December 1 will be only for that portion of the applicable period and to the extent that the City has use and occupancy of the Facilities.

The Trust Agreement requires that Base Rental payments be deposited in the Revenue Fund maintained by the Trustee. Pursuant to the Trust Agreement, on June 15 and December 15 of each year, commencing on December 15, 2018, the Trustee will apply such amounts in the Revenue Fund as are necessary to make principal and interest payments with respect to the Series 2018 Bonds as the same will become due and payable, in the following table:

Debt Service Schedule
City and County of San Francisco Finance Corporation
Lease Revenue Bonds, Series 2018B
(Branch Library Improvement Program)

Payment Date	Principal	Interest	Total	Fiscal Year Total
12/15/2018				
6/15/2019				
12/15/2019				
6/15/2020				
12/15/2020				
6/15/2021				
12/15/2021				
6/15/2022				
12/15/2022				
6/15/2023				
12/15/2023				
6/15/2024				
12/15/2024				
6/15/2025				
12/15/2025				
6/15/2026				
12/15/2026				
6/15/2027				
12/15/2027				
6/15/2028				
Total				

PLAN OF REFUNDING

The Corporation will apply a portion of the proceeds of the Series 2018 Bonds to redeem in full the Refunded Bonds, currently outstanding in the aggregate principal amount of $25,975,000, on the date of delivery of the Series 2018 Bonds. The proceeds of the Refunded Bonds were used to finance the design, construction, renovation and installation of the following Projects:

Anza Branch Library

Anza Branch Library, built in 1932, is located at 550 37th Avenue (Supervisorial District 1) in the Outer Richmond neighborhood of the City. The Project consisted of renovation of this two-story building include making it seismically safe, fully accessible, and technologically updated.

Bayview/Anna E. Waden Branch Library

The Bayview Branch Library is located at 5075 3rd Street (Supervisorial District 10) in the Bayview Hunters Point neighborhood of the City. The Project consisted of purchasing an adjacent property, demolishing the then-existing building, and building a new one-story, approximately 8,000 – 9,500 square-foot, branch library building.

Golden Gate Valley Branch Library

The Golden Gate Valley Branch Library, built in 1917, is located at 1801 Green Street (Supervisorial District 2) in the Pacific Heights neighborhood of the City. The Project consisted of renovation of the one-story building with a basement, making it seismically safe, fully accessible, and technologically updated.

Merced Branch Library

The Merced Branch Library, built in 1958, is located at 155 Winston Drive (Supervisorial District 7) in the Stonestown neighborhood of the City. The Project consisted of renovating this one-story building to make the branch seismically safe, fully accessible, and technologically updated.

North Beach Branch Library

The North Beach Branch Library Project consisted of building a new two-story library of approximately 8,500 – 8,900 square feet.

Ortega Branch Library

The Ortega Branch Library is located at 3223 Ortega Street (Supervisorial District 4) in the Sunset neighborhood of the City. The Project consisted of demolishing the then-existing building and building a new one-story library of approximately 9,000 square feet.

THE FACILITIES

The Facilities consist of portions of the San Francisco Main Library building (consisting of approximately 45,851 square feet of usable space on the sixth floor) located at Civic Center Plaza, which is owned by the City. The City estimates the fair market value of the Facilities to be $20 million and the annual fair rental value to be $2,063,295, based on an examination of market rents for comparable office space, and assuming neighborhood-appropriate zoning and normal time frames for approval of development plans.

The City will lease the Facilities to the Corporation pursuant to the Facilities Lease, and the Corporation will lease the Facilities back to the City pursuant to the Lease. The Facilities include easements of access necessary and convenient to the use of the leased portion of the Main Library building. The City has covenanted in the Lease that it will use the Facilities, or cause them to be used, for library purposes throughout the term of the Lease.

Construction of the Main Library building was completed in 1996 at a cost of approximately $110 million, funded principally from a special general obligation bond measure approved by the voters of the City in 1988. The Main Library is the principal operating library and information resources facility of the City's library system. The Main Library housed 1,957,049 books and other materials in fiscal year 2016-17 and provides library services to over 1.5 million in-person visitors, in addition to remote users, every year. The Main Library is operated by the Library Commission, which oversees the Library Department.

Pursuant to the Lease, the City may substitute other real property for part of the Facilities from time to time upon making certain filings with the Corporation and the Trustee. See "SECURITY AND SOURCES OF PAYMENT – Substitution of Property."

Seismic Issues

Generally, within the State, some level of seismic activity occurs on a regular basis. Periodically, the magnitude of a single seismic event can cause significant ground shaking and potential for damage to the property located at or near the center of such seismic activity. Each of the Facilities was designed to the seismic standards existing at the later of the time of original construction or renovation. The Lease only requires the City to maintain earthquake insurance with respect to the Facilities if such insurance is obtainable in reasonable amounts at reasonable costs. See also "SECURITY AND SOURCES OF PAYMENT – Insurance," "CERTAIN RISK FACTORS – Abatement" and "– Seismic Risks."

CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law, which limit the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the State Constitution, known as Proposition 13, was approved by State voters in June 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 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: (i) any indebtedness approved by the voters prior to July 1, 1978; (ii) 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 (iii) 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.

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 disabled persons 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 of the California Constitution 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.

See APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017" for information on the City's appropriations limit.

Articles XIII C and XIII D of the California Constitution

Proposition 218, 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. 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 either have been 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 not approve initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Other City Tax Revenues" for a discussion of other City taxes that could be affected by Proposition 218.

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 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 matters, 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, (ii) that any new or increased special purpose tax (defined as taxes levied for other than general governmental purposes) be approved by a two-thirds vote of the voters, and (iii) that the revenues from a special tax be used for the purposes or for the services for which the special tax was imposed.

In *Santa Clara County Local Transportation Authority v. Guardino*, 11 Cal. 4th 220 (1995) (the "*Santa Clara* decision"), the California Supreme Court upheld a Courts 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 or not it should be applied retroactively. In *McBrearty v. City of Brawley* (1997) 59 Cal. App. 4th 1441, the Fourth District Court of Appeal 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 certain provisions of Proposition 62 do not apply to charter cities. See, *Fiedler v. City of Los Angeles* (1993) 14 Cal. App. 4th 137 and *Fisher v. County of Alameda* (1993) 20 Cal. App. 4th 120.

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, Proposition 62 is subordinate to the authority of charter cities, derived from the State Constitution, to impose taxes. Proposition 218, however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution. For a discussion of taxes affected by Proposition 218 see "Articles XIII C and XIII D of the California 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. 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 a requirement in 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. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Other City Tax Revenues."

Proposition 1A

Proposition 1A, proposed by the State Legislature in connection with the State's Fiscal Year 2004-05 Budget, 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. Proposition 1A generally prohibits the State from shifting to schools or community colleges any share of property tax revenues allocated to local governments for any fiscal year, as set forth under the laws in effect as of November 3, 2004. Any change in the allocation of property tax revenues among local governments within a county must be approved by a two-thirds vote of both houses of the State 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 a two-thirds vote of both houses of the State Legislature and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate currently in effect, 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, beginning July 1, 2005, 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 spending on other State programs or other action, some of which could be adverse to the City.

Proposition 22

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

Proposition 26

Proposition 26 ("Proposition 26"), which was approved by California voters in November 2010, revises the California Constitution to expand the definition of "taxes." Proposition 26 re-categorizes many State and local fees as taxes.

Proposition 26 requires the approval of two-thirds of both houses of the State Legislature for any proposed change in State statutes, which would result in any taxpayer paying a higher tax. Proposition 26 eliminates the previous practice whereby a tax increase coupled with a tax reduction that resulted in an overall neutral fiscal effect was subject only to a majority vote in the State Legislature. Furthermore, pursuant to Proposition 26, any increase in a fee above the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require such two-thirds vote of approval to be effective. In addition, for State imposed fees and charges, any fee or charge adopted after January 1, 2010 with a majority vote of approval of the State Legislature which would have required a two-thirds vote of approval of the State Legislature if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

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

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

Future Initiatives

Article XIII A, Article XIII B, Article XIII C and Article XIII D of the State Constitution, Proposition 62, Proposition 1A, Proposition 22 and Proposition 26 were all adopted pursuant to the State's initiative process. The limitations imposed upon the City by these provisions hinder the City's ability to raise revenues through taxes or otherwise and may therefore prevent the City from meeting increased expenditure requirements. The City expects that other initiative measures will be adopted, some of which may place further limitations on the ability of the State, the City or local districts to increase revenues or to spend money or which could have other financially adverse effects such as requiring the City to undertake new responsibilities. Such other initiatives could have a material adverse effect on the City's financial condition.

California law permits citizens to effect changes to the State's Constitution and statutes, without involvement by the legislature, through the initiative process. Under this process, initiative supporters submit petitions to State election officials, who are required to submit the initiative to voters if the petitions meet statutory requirements. Many provisions of State law have been added or affected by initiatives. Some of these types of initiatives have materially adversely affected the City's ability to raise revenues or spend money.

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

CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Series 2018 Bonds. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Series 2018 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 Series 2018 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 pay Base Rental 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. The obligation of the City to pay Rental Payments from any legally available funds of the City 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.

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 Series 2018 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 – Overlapping Debt," "– Tax Supported Debt Service," 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 FISCAL YEAR ENDED JUNE 30, 2017."

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 Facilities. The obligation of the City to make Base Rental payments may be abated in whole or in part if the City does not have full use and right of occupancy of the Facilities.

In the event Base Rental payments are abated, no assurances can be given that moneys on deposit in the Revenue Fund or that the proceeds of rental interruption insurance will be sufficient to pay the debt service on the Series 2018 Bonds.

The amount of Base Rental payments due under the Lease will be abated proportionately 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 Facilities 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 Facilities. Such abatement will continue for the period commencing with the date of such damage or destruction of Facilities and ending with the substantial completion of the work of repair or replacement of the Facilities 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 June 15, 2044. The Trustee may use proceeds of rental interruption insurance to make payments with respect to the Series 2018 Bonds in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest on the Series 2018 Bonds as such amounts become due; however, there can be no assurance that such amounts will be sufficient to pay debt service on the Series 2018 Bonds.

If damage, destruction, condemnation or title defect with respect to the Facilities or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with any moneys in a Reserve Fund for Parity Bonds and available insurance proceeds, are insufficient to make all payments with respect to the Series 2018 Bonds during the period that the Facilities, or a portion thereof, are being restored, then such payments may not be made in full 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 Series 2018 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. See "SECURITY AND SOURCES OF PAYMENT – Insurance" and " – Maintenance and Utilities; Changes to Facilities" for additional provisions governing damage to the Facilities.

It is not possible to predict the circumstances under which an abatement of Base Rental may occur. In addition, there is no statute, case law or other law specifying how such an abatement of Base 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. If the latter, it may be that the value of the Facilities is substantially higher or lower than its value at the time of issuance of the Series 2018 Bonds. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Series 2018 Bonds.

Notwithstanding the provisions of the Lease and the Trust Agreement specifying the extent of abatement 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 that portion of the remaining principal and interest with respect to the Series 2018 Bonds.

Limited Recourse on Default

The Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may take possession of and re-let the Facilities, provided that the Facilities may only be re-let for library purposes in accordance with the Charter, which might make such remedy impractical. The amounts received from such re-letting may be insufficient to pay the scheduled principal and interest on the Series 2018 Bonds when due. The enforcement of any remedies provided in the Lease and in the Trust Agreement could prove to be both expensive and time-consuming.

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 Series 2018 Bonds then Outstanding, shall proceed), without any further notice (i) to terminate the Lease, notwithstanding any re-entry or re-letting of the Facilities, and re-enter the Facilities 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 Facilities, provided that any such re-letting is for library 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.

Courts may also be unwilling to enforce any remedies against the City that would compel the City to lease a public facility, such as the Main Library, to a private party, even if for library purposes.

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

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 Facilities, or to retain the Lease and sue the City each year for Base Rental due in the year. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State of California, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Limitations on Remedies and Bankruptcy

The rights of the Owners of the Series 2018 Bonds are subject to certain limitations on legal remedies against counties and other governmental entities in the State, including but not limited to a limitation on enforcement against funds that are otherwise needed to serve the public welfare and interest. Additionally, the rights of the Owners of the Series 2018 Bonds may be subject to (i) bankruptcy, insolvency, reorganization, moratorium, or similar laws limiting or otherwise affecting the enforcement of creditors' rights generally (as such laws are now or hereafter may be in effect), (ii) equity principles (including but not limited to concepts of materiality, reasonableness, good faith and fair dealing) and the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or law, (iii) the exercise by the United States of America of the powers delegated to it by the Constitution, and (iv) 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.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Series 2018 Bonds may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Series 2018 Bonds; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Series 2018 Bonds and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Series 2018 Bonds if the bankruptcy court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The City can provide no assurances about the outcome of any bankruptcy case or the nature of any Adjustment Plan if it were to file for bankruptcy.

In addition, if the Lease was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease, the Trustee, on behalf of the Owners of the Series 2018 Bonds, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Series 2018 Bonds. Moreover, such rejection would terminate the Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Series 2018 Bonds.

Among other qualifications, the legal opinions to be delivered concurrently with the delivery of the Series 2018 Bonds will be qualified, as to the enforceability of the Series 2018 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 joint powers authorities and counties in the State.

Substitution, Release and Addition of Leased Property

The Lease permits the release of portions of the Facilities or the substitution of other real property for all or a portion of the Facilities under specified conditions. See "SECURITY AND SOURCES OF PAYMENT – Substitution of Property" and APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – The Lease – Removal of Leased Property" and "– Addition of Leased Property." Although the Lease requires that the Substitute Facilities have an annual fair rental value upon becoming part of the Facilities 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 Facilities 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 Facilities 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 Facilities could have an adverse effect on the security for the Series 2018 Bonds.

City Long-Term Financial Challenges

The following discussion highlights certain long-term challenges facing the City and is not meant to be an exhaustive discussion of challenges facing the City. Notwithstanding the City's strong economic and financial performance during the recent recovery and despite significant City initiatives to improve public transportation systems, expand access to healthcare and modernize parks and libraries, the City faces several long-term financial challenges and risks described below.

Significant capital investments are proposed in the City's adopted 10-year capital plan. However identified funding resources are below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $11 billion in capital needs are deferred from the capital plan's 10-year horizon. Over two-thirds of these unfunded needs relate to the City's transportation and waterfront infrastructure, where state of good repair investment has lagged for decades.

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

Lastly, while the City has adopted a number of measures to better position its operating budget for future economic downturns, these measures may not be sufficient. Economic stabilization reserves have grown significantly during the last four fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues.

There is no assurance that other challenges not discussed in this Official Statement may become material to investors in the future. For more information, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017."

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

In March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly long-term harm to the City's economy, tax receipts, and residential and business real property values.

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

The Lease requires earthquake insurance only to the extent it is obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies (see "SECURITY AND SOURCES OF PAYMENT – Insurance"). The City does not currently anticipate obtaining earthquake insurance for the Facilities. In addition, in the event any Facilities were damaged or destroyed in an earthquake, the rental interruption insurance would not provide coverage for any abatement of Base Rental. Accordingly, the risk that the Facilities may be damaged or destroyed by an earthquake and that Base Rental payments would consequently be abated in whole or in part should be considered. Further, an earthquake could have a material adverse impact on the finances of the City, which in turn could impair the ability of the City to make Base Rental payments under the Lease.

Climate Change, Risk of Sea Level Rise and Flooding Damage

Numerous scientific studies on global climate change show that sea levels will rise given the increasing temperature of the oceans and growing ocean volume, as land ice melts and runs off into the ocean. Over the past century, the sea level has risen about eight inches around the San Francisco Bay and along the Pacific coast. Such scientific studies also project accelerating sea level rise due to climate change over the coming century. As a result, coastal areas like San Francisco are at risk of substantial flood damage over time and this will affect private development as well as public infrastructure, including roads, utilities, emergency services, schools and parks. The City could lose considerable tax revenues and many residents, businesses and governmental operations along the waterfront could be displaced.

The City, including its Port, Department of the Environment and various other departments and agencies, have been preparing for these impacts for many years and have issued a number of public reports. For example, in March 2016, the City released a report entitled "Sea Level Rise Action Plan," identifying geographic zones at risk of sea level rise and providing a framework for adaption strategies to confront these risks. That study shows an upper range of end-of-century projections for permanent sea level rise plus temporary flooding due to 100-year storm of up to 108 inches above 2015 average high tide. The City is working on a citywide adaption plan that will likely be finalized and released in the summer 2018. The goal of the adaption plan is to establish a long-term comprehensive planning framework, identify funding sources and prioritize investments.

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

The City has already incorporated site specific adaption plans in the conditions of approval for certain large waterfront development projects, such as the Candlestick/Hunters Point Shipyard, Treasure Island, Pier 70 and Mission Rock projects. Also, the City has started the process of planning to fortify the Port's seawall from sea level rise, including an initial investment of about $8 million during 2017-2018 and consideration of financing options. The City expects short term upgrades to cost over $500 million and long term upgrades to cost more than $5 billion.

A scientific report issued in March 2018 by professors at UC Berkeley and the University of Arizona suggests that flooding risk from climate change could be exacerbated in the San Francisco Bay Area due to the sinking of soil, known as subsidence. The risk of subsidence affects certain parts of San Francisco built on landfill as well as the San Francisco International Airport. Under the new projections in this report, damage due to flooding could be worse than estimated under earlier climate change studies.

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

The City has filed a lawsuit against the five largest investor-owned oil companies that is pending in the United States District Court, Northern District of California, Case No. 3:17-cv-06012-WHA, entitled The People of the State of California, acting by and through the San Francisco City Attorney, Dennis J. Herrera, v. BP P.L.C, et al. In that lawsuit, the City Attorney is seeking to have the companies pay into an equitable abatement fund to help fund investment in sea level rise adaptation infrastructure. While the City believes that its claims are meritorious, the City can give no assurance regarding whether it will be successful and obtain the requested relief from the courts or contributions to the abatement fund from the defendant oil companies.

The Lease does not require flood insurance for the Facilities, and the City does not currently anticipate obtaining flood insurance for the Facilities. In the event any Facilities were damaged or destroyed in a flooding event, the rental interruption insurance would not provide coverage for any abatement of Base Rental. Accordingly, the risk that the Facilities may be damaged or destroyed by a flooding event and that Base Rental payments would consequently be abated in whole or in part should be considered.

Cybersecurity

The City, like many other large public and private entities, relies on a large and complex technology environment to conduct its operations, and faces multiple cybersecurity threats including, but not limited to, hacking, viruses, malware and other attacks on its computing and other digital networks and systems (collectively, "Systems Technology"). As a recipient and provider of personal, private, or sensitive information, the City has been the subject of cybersecurity incidents that have resulted in or could have resulted in adverse consequences to the City's Systems Technology and that required a response action to mitigate the consequences. For example, in November 2016, the San Francisco Metropolitan Transportation Agency (the "SFMTA") was subject to a ransomware attack which disrupted some of the SFMTA's internal computer systems. Therefore, the attack did not interrupt Muni train services nor did it compromise customer privacy or transaction information. The SFMTA, however, took the precaution of turning off the ticket machines and fare gates in the Muni Metro subway stations from Friday, November 25 until the morning of Sunday, November 27.

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

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

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

Risk Management and Insurance

The Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Facilities for repair or replacement in the event of damage or destruction to the Facilities. 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 Series 2018 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."

State Law Limitations on Appropriations

Article XIII B of the California 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 State may increase the appropriation limit of counties in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See "CONSTITUTIONAL AND STATUTORY TAX LIMITATIONS ON TAXES, REVENUES AND APPROPRIATIONS – Article XIII B of the California Constitution."

Change in Law

The City cannot provide any assurance that the State Legislature or the City's Board of Supervisors will not enact legislation that will 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" herein.

The security for payment of the principal and interest evidenced and represented by the Certificates also may be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

State of California Financial Condition

The City receives a significant portion of its funding from the State. Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

Federal Funding

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. Changes to or termination or replacement of the Affordable Care Act, for example, could increase costs to the City, and the City's financial condition may also be impacted by the withholding of federal grants or other funds flowing to "sanctuary jurisdictions." The City cannot predict the outcome of future federal administrative actions, legislation or budget deliberations. See APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Government on Local Finances."

Other Events

Seismic events, wildfires, tsunamis, and other natural or man-made events may damage City infrastructure and adversely impact the City's ability to provide municipal services. For example, in August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region. In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City.

THE CITY

For information about the City, see APPENDIX A – "CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES." The City is not obligated to make Rental Payments from the General Fund. Certain financial information with respect to the City is presented for informational purposes only in APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017." The information in these appendices has been supplied by the City.

The Series 2018 Bonds are payable solely from Base Rental payments made by the City pursuant to the Lease and certain other amounts held in certain funds or accounts 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.

NEITHER THE SERIES 2018 BONDS NOR THE OBLIGATION OF THE CITY TO MAKE RENTAL PAYMENTS UNDER THE LEASE CONSTITUTES A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

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. 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
Bree Mawhorter, *President*	May 18, 2018
Bill Madison, *Chief Financial Officer*	May 18, 2018
Christine Carr, *Secretary*	March 25, 2016

Outstanding Debt

In addition to the Series 2018 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 Bonds.

Limited Obligation

THE SERIES 2018 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 HELD IN CERTAIN FUNDS AND ACCOUNTS 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 IN THE TRUST AGREEMENT. THE PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, THE SERIES 2018 BONDS WILL BE PAYABLE ONLY FROM THE FUNDS DESCRIBED IN THE TRUST AGREEMENT AND NEITHER THE CORPORATION NOR ANY MEMBER OF ITS BOARD OF DIRECTORS WILL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION IN RESPECT OF THE ISSUANCE OF THE SERIES 2018 BONDS. THE OBLIGATION OF THE CITY TO MAKE RENTAL

PAYMENTS UNDER THE LEASE DOES NOT CONSTITUTE A DEBT OR GENERAL OBLIGATION OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF THE CONSTITUTION OF THE STATE OR ANY STATUTORY DEBT LIMITATION OR RESTRICTION.

TAX MATTERS

In the opinion of Squire Patton Boggs (US) LLP and Amira Jackmon, Attorney at Law, Co-Bond Counsel, under existing law: (i) interest on the Series 2018 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"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Series 2018 Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018); and (ii) interest on the Series 2018 Bonds is exempt from State of California personal income taxes. Co-Bond Counsel express no opinion as to any other tax consequences regarding the Series 2018 Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the City and the Corporation contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Series 2018 Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Co-Bond Counsel will not independently verify the accuracy of the City's and the Corporation's certifications and representations or the continuing compliance with the City's and the Corporation's covenants.

The opinion of Co-Bond Counsel is based on current legal authority and covers certain matters not directly addressed by such authority. It represents Co-Bond Counsel's legal judgment as to exclusion of interest on the Series 2018 Bonds from gross income for federal income tax purposes but is not a guaranty of that conclusion. The opinion is not binding on the Internal Revenue Service ("IRS") or any court. Co-Bond Counsel express no opinion about (i) the effect of future changes in the Code and the applicable regulations under the Code or (ii) the interpretation and the enforcement of the Code or those regulations by the IRS.

The Code prescribes a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations. Noncompliance with these requirements by the City or the Corporation may cause loss of such status and result in the interest on the Series 2018 Bonds being included in gross income for federal income tax purposes retroactively to the date of issuance of the Series 2018 Bonds. The City and the Corporation have each covenanted to take the actions required of it for the interest on the Series 2018 Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion. After the date of issuance of the Series 2018 Bonds, Co-Bond Counsel will not undertake to determine (or to so inform any person) whether any actions taken or not taken, or any events occurring or not occurring, or any other matters coming to Co-Bond Counsel's attention, may adversely affect the exclusion from gross income for federal income tax purposes of interest on the Series 2018 Bonds or the market value of the Series 2018 Bonds.

Interest on the Series 2018 Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). In addition, interest on the Series 2018 Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations. Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations, and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these and other tax consequences will depend upon the particular tax status or other tax items of the owner of the Series 2018 Bonds. Co-Bond Counsel will express no opinion regarding those consequences.

Payments of interest on tax-exempt obligations, including the Series 2018 Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Series 2018 Bond owner is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Co-Bond Counsel's engagement with respect to the Series 2018 Bonds ends with the issuance of the Series 2018 Bonds, and, unless separately engaged, Co-Bond Counsel are not obligated to defend the City or the Corporation, or the owners of the Series 2018 Bonds regarding the tax status of interest thereon in the event of an audit examination by the IRS. The IRS has a program to audit tax-exempt obligations to determine whether the interest thereon is includible in gross income for federal income tax purposes. If the IRS does audit the Series 2018 Bonds, under current IRS procedures, the IRS will treat the City and the Corporation as the taxpayer and the beneficial owners of the Series 2018 Bonds will have only limited rights, if any, to obtain and participate in judicial review of such audit. Any action of the IRS, including but not limited to selection of the Series 2018 Bonds for audit, or the course or result of such audit, or an audit of other obligations presenting similar tax issues, may affect the market value of the Series 2018 Bonds.

Prospective purchasers of the Series 2018 Bonds upon their original issuance at prices other than the respective prices indicated on the inside cover of this Official Statement, and prospective purchasers of the Series 2018 Bonds at other than their original issuance, should consult their own tax advisors regarding other tax considerations such as the consequences of market discount, as to all of which Co-Bond Counsel express no opinion.

Risk of Future Legislative Changes and/or Court Decisions

Legislation affecting tax-exempt obligations is regularly considered by the United States Congress and may also be considered by the State legislature. Court proceedings may also be filed, the outcome of which could modify the tax treatment of obligations such as the Series 2018 Bonds. There can be no assurance that legislation enacted or proposed, or actions by a court, after the date of issuance of the Series 2018 Bonds will not have an adverse effect on the tax status of interest on the Series 2018 Bonds or the market value or marketability of the Series 2018 Bonds. These adverse effects could result, for example, from changes to federal or state income tax rates, changes in the structure of federal or state income taxes (including replacement with another type of tax), or repeal (or reduction in the benefit) of the exclusion of interest on the Series 2018 Bonds from gross income for federal or state income tax purposes for all or certain taxpayers.

For example, the recent federal tax legislation that was enacted on December 22, 2017 reduces corporate tax rates, modifies individual tax rates, eliminates many deductions, repeals the corporate alternative minimum tax (for taxable years beginning after December 31, 2017) and eliminates tax-exempt advance refunding bonds, among other things. Additionally, investors in the Series 2018 Bonds should be aware that future legislative actions may increase, reduce or otherwise change (including retroactively) the financial benefits and the treatment of all or a portion of the interest on the Series 2018 Bonds for federal income tax purposes for all or certain taxpayers. In all such events, the market value of the Series 2018 Bonds may be affected and the ability of holders to sell their Series 2018 Bonds in the secondary market may be reduced. The Series 2018 Bonds are not subject to special mandatory redemption, and the interest rates on the Series 2018 Bonds are not subject to adjustment, in the event of any such change in the tax treatment of interest on the Series 2018 Bonds.

Investors should consult their own financial and tax advisors to analyze the importance of these risks.

Original Issue Discount and Original Issue Premium

Certain of the Series 2018 Bonds ("Discount Series 2018 Bonds") may be offered and sold to the public at an original issue discount ("OID"). OID is the excess of the stated redemption price at maturity (the principal amount) over the "issue price" of a Discount Series 2018 Bond. The issue price of a Discount Series 2018 Bond is the initial offering price to the public (other than to bond houses, brokers or similar persons acting in the capacity of underwriters or wholesalers) at which a substantial amount of the Discount Series 2018 Bonds of the same maturity is sold pursuant to that offering. For federal income tax purposes, OID accrues to the owner of a Discount Series 2018 Bond over the period to maturity based on the constant yield method, compounded semiannually (or over a shorter permitted compounding interval selected by the owner). The portion of OID that accrues during the period of ownership of a Discount Series 2018 Bond (i) is interest excluded from the owner's gross income for federal income tax purposes to the same extent, and subject to the same considerations discussed above, as other interest on the Series 2018 Bonds, and (ii) is added to the owner's tax basis for purposes of determining gain or loss on the maturity, redemption, prior sale or other disposition of that Discount Series 2018 Bond. The amount of OID that accrues each year to a corporate owner of a Discount Series 2018 Bond is included in the calculation of the corporation's adjusted current earnings for purposes of, and thus may be subject to, the federal corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). A purchaser of a Discount Series 2018 Bond in the initial public offering at the issue price (described above) for that Discount Series 2018 Bond who holds that Discount Series 2018 Bond to maturity will realize no gain or loss upon the retirement of that Discount Series 2018 Bond.

Certain of the Series 2018 Bonds ("Premium Series 2018 Bonds") may be offered and sold to the public at a price in excess of their stated redemption price at maturity (the principal amount). That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Series 2018 Bond, based on the yield to maturity of that Premium Series 2018 Bond (or, in the case of a Premium Series 2018 Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Premium Series 2018 Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Series 2018 Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Series 2018 Bond, the owner's tax basis in the Premium Series 2018 Bond is reduced by the amount of bond premium that is amortized during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes from the sale or other disposition of a Premium Series 2018 Bond for an amount equal to or less than the amount paid by the owner for that Premium Series 2018 Bond. A purchaser of a Premium Series 2018 Bond in the initial public offering who holds that Premium Series 2018 Bond to maturity (or, in the case of a callable Premium Series 2018 Bond, to its earlier call date that results in the lowest yield on that Premium Series 2018 Bond) will realize no gain or loss upon the retirement of that Premium Series 2018 Bond.

Owners of Discount and Premium Series 2018 Bonds should consult their own tax advisors as to the determination for federal income tax purposes of the existence of OID or bond premium, the determination for federal income tax purposes of the amount of OID or bond premium properly accruable or amortizable in any period with respect to the Discount or Premium Series 2018 Bonds, other federal tax consequences in respect of OID and bond premium, and the treatment of OID and bond premium for purposes of state and local taxes on, or based on, income.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Series 2018 Bonds and with regard to the tax status of the interest on the Series 2018 Bonds (see "TAX MATTERS" herein) are subject to the separate legal opinions of Squire Patton Boggs (US) LLP, San Francisco, California and Amira Jackmon, Attorney at Law, Berkeley, California, Co-Bond Counsel. The signed legal opinions of Co-Bond Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Series

2018 Bonds, will be delivered to the initial purchaser of the Series 2018 Bonds at the time of original delivery of the Series 2018 Bonds.

The proposed form of the legal opinions of Co-Bond Counsel is set forth in APPENDIX F hereto. The text of the legal opinions to be delivered may vary if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of the opinions by recirculation of this Official Statement or otherwise will create no implication that Co-Bond Counsel have reviewed or expresses any opinion concerning any of the matters referred to in the opinions subsequent to their date. In rendering their separate opinions, Co-Bond Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Bonds, which Co-Bond Counsel will not have independently verified.

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

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

Hawkins Delafield & Wood LLP has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Series 2018 Bonds, Disclosure Counsel will deliver a letter to the City and the Corporation which advises the City and the Corporation, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to the attention of the lawyers of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Series 2018 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 Series 2018 Bonds, or other person or party other than the City and the Corporation, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

PROFESSIONALS INVOLVED IN THE OFFERING

Backstrom McCarley Berry & Co., LLC, San Francisco, California and Kitahata & Company, San Francisco, California have served as Co-Municipal Advisors to the City with respect to the sale of the Series 2018 Bonds. The Co-Municipal Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Series 2018 Bonds. The Co-Municipal Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Municipal Advisors, Co-Bond Counsel and Disclosure Counsel will all receive compensation from the City for services rendered in connection with the Series 2018 Bonds contingent upon the sale and delivery of the Series 2018 Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the holders and beneficial owners of the Series 2018 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 2017-18, which is due not later than March 27, 2019, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated 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 enumerated events is summarized in APPENDIX D – "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made in order to assist the purchaser of the Series 2018 Bonds in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

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.

NO LITIGATION

The opinions of the Counsel to the Corporation, 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 Series 2018 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 Series 2018 Bonds, 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 Series 2018 Bonds and other documents and certificates in connection therewith.

City

No litigation is pending or threatened concerning the validity of the Series 2018 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 Series 2018 Bonds.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), S&P Global Ratings ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aa1," "AA," and "AA," respectively, to the Series 2018 Bonds. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Series 2018 Bonds. The ratings reflect only the views of each rating agency, and any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.spratings.com; and Fitch, at www.fitchratings.com. The information presented on the website of each rating agency is not incorporated by reference as part of this Official Statement. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price or marketability of the Series 2018 Bonds. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF SERIES 2018 BONDS

The Series 2018 Bonds are scheduled to be sold at competitive bid on August 20, 2018, as provided in the Official Notice of Sale, dated August 8, 2018 (the "Official Notice of Sale"). The Official Notice of Sale provides that all Series 2018 Bonds would be purchased if any were purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the Official Notice of Sale, the approval of certain legal matters by Co-Bond Counsel and certain other conditions. The Purchaser will represent to the City that the Series 2018 Bonds have been reoffered to the public at the price or yield to be stated on the inside cover page hereof.

MISCELLANEOUS

References made herein to certain documents and reports are brief summaries thereof that do not purport to be complete or definitive, and reference is made to such documents and reports for full and complete statements of the contents thereof.

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 purchasers or Owners of any of the Series 2018 Bonds. The preparation and distribution of this Official Statement have been authorized by the City and the Corporation.

The execution and delivery of this Official Statement has been authorized by the Corporation and the City.

CITY AND COUNTY OF SAN FRANCISCO
FINANCE CORPORATION

By: ______________________________________
Bree Mawhorter
President

CITY AND COUNTY OF SAN FRANCISCO

By: ______________________________________
Benjamin Rosenfield
Controller

APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of August 1, 2018.

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

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A, and should not be considered in making a decision to buy the bonds. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to make an informed investment decision.

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CITY GOVERNMENT

City Charter

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

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the “Board of Supervisors”), and a Mayor elected at large who serves as chief executive officer (the “Mayor”). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades 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 to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill’s Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today’s San Francisco International Airport (the “Airport”). In 1969, the City acquired the Port of San Francisco (the “Port”) in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission (“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. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive annually significant General Fund transfers.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. 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

Mayor London Breed is the 45th Mayor of San Francisco and the first African-American woman to serve in such capacity. Mayor Breed won the June 4, 2018 special election to fulfill the remaining term of the late Mayor Edwin Lee, which ends on January 2020. Prior to her election, Mayor Breed served as Acting Mayor, leading San Francisco following the sudden passing of Mayor Lee. Mayor Breed has committed to addressing the most critical issues facing San Francisco residents. She intends to focus on providing care and shelter for the City's homeless population, creating more affordable housing opportunities for residents, improving public safety and supporting the San Francisco's education and public transportation systems. Mayor Breed served as a member of the Board of Supervisors for six years, including the last three years as President of the Board. During her time on the Board, Mayor Breed passed legislation to create more housing along transit corridors and prioritized residents for affordable housing opportunities in their communities. She helped to reform the City's emergency response systems, fought for funding for San Francisco's homelessness support network and enacted the strongest Styrofoam ban in the country.

Board of Supervisors

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

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Sandra Lee Fewer, *District 1*	2016	2021
Catherine Stefani, *District 2*	2018	2019
Aaron Peskin, *District 3*	2015	2021
Katy Tang, *District 4*	2013	2019
Vallie Brown, *District 5*	2018	2020
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2012	2021
Rafael Mandelman, *District 8*	2018	2021
Hillary Rohen, *District 9*	2016	2021
Malia Cohen, Board President, *District 10*	2010	2019
Ahsha Safai, *District 11*	2016	2021

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to a four-year term as City Attorney in November 2015. The City Attorney represents the City in all 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.

Carmen Chu was elected to a four-year term as Assessor-Recorder of the City in November 2014. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Gavin Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2015. 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 then-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 then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. Mr. Rosenfield was recently reappointed by then-Mayor Mark Farrell to a new 10-year term as Controller, and his nomination was confirmed by the Board of Supervisors on May 1, 2018.

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 former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, 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.

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

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

CITY BUDGET

Overview

This section discusses the City's budget procedures.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, and funds such departments and enterprise through its annual budget process. On July 24, 2018, the City adopted its two-year budget. The City's fiscal year 2018-19 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $11.04 billion, of which the City's General Fund accounts for approximately $5.51 billion. In fiscal year 2019-20 appropriated revenues, fund balance, transfers and reserves total approximately $11.10 billion, of which $5.52 billion represents the General Fund budget. For a further discussion of the fiscal years 2018-19 and 2019-20 adopted budgets, see "City Budget Adopted for Fiscal Years 2018-19 and 2019-20" herein.

Each year the Mayor prepares budget legislation for the City departments, which 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 position is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors and other City officials. In addition, the State Constitution limits the City's ability to raise taxes and property-based fees without a two-thirds vote of City residents. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the fiscal year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

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

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

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

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

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

Two-Year Budgetary Cycle

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

1. Fixed two-year budgets are approved by the Board of Supervisors for five departments: the Airport, Child Support Services, the Port, the Public Utilities Commission and MTA. All other departments prepared balanced, rolling two-year budgets.

2. Five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the then-Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on March 21, 2018, for fiscal year 2018-19 through fiscal year 2021-22. See "Five Year Financial Plan" section below.

3. The Controller's Office proposes to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt and financial measures in the case of disaster

recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent fiscal year.

4. The City is required to submit labor agreements for all public employee unions by May 15.

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 Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's 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.

In addition to the five year planning responsibilities discussed above, Charter Section 3.105 directs the Controller to issue periodic or special financial reports during the fiscal year. Each year, the Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The Controller issued the most recent of these reports, the fiscal year 2017-18 Nine Month Report (the "Nine Month Report"), on May 11, 2018. The City Charter also directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 12, 2018 the Controller released the Discussion of the Mayor's fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget (the "Revenue Letter" as described in "Budget Process" above). All of these reports are available from the Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2018-19 and 2019-20 Original Budgets total $5.51 billion and $5.52 billion, respectively, including appropriations, reserves, and transfers out. These amounts do not include expenditures of the 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 2015-16 through 2016-17 and the Original Budgets for fiscal years 2017-18, 2018-19, and 2019-20. 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 2016-17 was issued on December 29, 2017. The fiscal year 2016-17 CAFR reported that as of June 30, 2017, the General Fund balance available for appropriation in subsequent years was $545.9 million (see Table A-4), of which $183.3 million was assumed in the fiscal year 2017-18 Original Budget and $288.2 million was assumed in the fiscal year 2018-19 Original Budget. This represents a $110.7 million increase in available fund balance over the $435 million available as of June 30, 2016 and resulted primarily from greater-than-budgeted additional tax revenue, particularly property, business and transfer tax revenues, partially offset by under performance in sales, hotel and parking tax revenues in fiscal year 2016-17.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2015-16 through 2019-20
(000s)

	2015-16 Final Revised Budget	2016-17 Final Revised Budget	2017-18 Original Budget [2]	2018-19 Original Budget [3]	2019-20 Original Budget
Prior-Year Budgetary Fund Balance & Reserves	$1,236,090	$178,109	$187,182	$249,007	$224,247
Budgeted Revenues					
Property Taxes	$1,291,000	$1,412,000	$1,557,000	$1,728,000	$1,743,000
Business Taxes	634,460	669,450	750,820	879,380	914,710
Other Local Taxes	1,062,535	1,117,245	1,112,570	1,053,390	1,058,420
Licenses, Permits and Franchises	27,163	28,876	29,964	30,833	31,015
Fines, Forfeitures and Penalties	4,550	4,580	4,579	3,125	3,156
Interest and Investment Earnings	10,680	13,970	18,180	27,270	27,540
Rents and Concessions	15,432	16,140	14,088	14,769	15,016
Grants and Subventions	900,997	959,099	1,019,167	1,051,643	1,062,592
Charges for Services	219,628	236,102	242,817	261,294	247,781
Other	31,084	61,334	39,959	41,050	41,356
Total Budgeted Revenues	$4,197,529	$4,518,796	$4,789,144	$5,090,754	$5,144,586
Bond Proceeds & Repayment of Loans	$918	$881	$110	$87	-
Expenditure Appropriations					
Public Protection	$1,211,007	$1,266,148	$1,331,196	$1,403,620	$1,453,652
Public Works, Transportation & Commerce	138,288	166,295	170,949	183,703	170,150
Human Welfare & Neighborhood Development	892,069	978,126	995,230	1,053,814	1,083,329
Community Health	751,416	763,496	884,393	943,631	893,763
Culture and Recreation	125,253	139,473	162,622	165,784	166,575
General Administration & Finance	235,647	252,998	358,588	391,900	418,497
General City Responsibilities[1]	113,672	134,153	152,390	183,159	188,171
Total Expenditure Appropriations	$3,467,352	$3,700,689	$4,055,368	$4,325,611	$4,374,137
Budgetary reserves and designations, net	$9,907	$9,868	$58,730	$21,410	$14,200
Transfers In	$235,416	$246,779	$171,122	$170,671	$153,213
Transfers Out	(962,511)	(857,528)	(1,033,460)	(1,164,612)	(1,134,320)
Net Transfers In/Out	($727,095)	($610,749)	($862,338)	($993,941)	($981,107)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$1,230,182	$376,480	$0	(1,113,075)	($611)
Variance of Actual vs. Budget	296,673	249,475			
Total Actual Budgetary Fund Balance[3]	$1,526,855	$625,955	$0	(1,113,075)	($611)

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

[2] Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.

[3] Fiscal year 2018-19 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, wokers' 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, 2017 was $1.9 billion (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $4.5 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, 2013 through June 30, 2017.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Years 2012-13 through 2016-17
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17[1]
Restricted for rainy day (Economic Stabilization account)	$23,329	$60,289	$71,904	$74,986	$78,336
Restricted for rainy day (One-time Spending account)	3,010	22,905	43,065	45,120	47,353
Committed for budget stabilization (citywide)	121,580	132,264	132,264	178,434	323,204
Committed for Recreation & Parks expenditure savings reserve	15,907	12,862	10,551	8,736	4,403
Assigned, not available for appropriation					
Assigned for encumbrances	$74,815	$92,269	$137,641	$190,965	$244,158
Assigned for appropriation carryforward	112,327	159,345	201,192	293,921	434,223
Assigned for budget savings incentive program (Citywide)	24,819	32,088	33,939	58,907	67,450
Assigned for salaries and benefits	6,338	10,040	20,155	18,203	23,051
Total Fund Balance Not Available for Appropriation	$382,125	$522,062	$650,711	$869,272	$1,222,178
Assigned and unassigned, available for appropriation					
Assigned for litigation & contingencies	$30,254	79,223	131,970	$145,443	$136,080
Assigned for General reserve	21,818	-	-	-	-
Assigned for subsequent year's budget	122,689	135,938	180,179	172,128	183,326
Unassigned for General Reserve	-	45,748	62,579	76,913	95,156
Unassigned - Budgeted for use second budget year	111,604	137,075	194,082	191,202	288,185
Unassigned - Contingency for second budget year	-	-	-	60,000	60,000
Unassigned - Available for future appropriation	6,147	21,656	16,569	11,872	14,409
Total Fund Balance Available for Appropriation	$292,512	$419,640	$585,379	$657,558	$777,156
Total Fund Balance, Budget Basis	$674,637	$941,702	$1,236,090	$1,526,830	$1,999,334
Budget Basis to GAAP Basis Reconciliation					
Total Fund Balance - Budget Basis	$674,637	$941,702	$1,236,090	$1,526,830	$1,999,334
Unrealized gain or loss on investments	(1,140)	935	1,141	343	(1,197)
Nonspendable fund balance	23,854	24,022	24,786	522	525
Cumulative Excess Property Tax Revenues Recognized	(38,210)	(37,303)	(37,303)	(36,008)	(38,469)
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(93,910)	(66,415)	(50,406)	(56,709)	(83,757)
Deferred Amounts on Loan Receivables	(20,067)	(21,670)	(23,212)	-	-
Pre-paid lease revenue	(4,293)	(5,709)	(5,900)	(5,816)	(5,733)
Total Fund Balance, GAAP Basis	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703

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

[1] Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2017 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2017." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO
Audited Statement of Revenues, Expenditures and Changes in General Fund Balances
Fiscal Years 2012-13 through 2016-17 [1]
(000s)

	2012-13	2013-14	2014-15	2015-16	2016-17[2]
Revenues:					
Property Taxes	$1,122,008	$1,178,277	$1,272,623	$1,393,574	$1,478,671
Business Taxes[3]	479,627	562,896	609,614	659,086	700,536
Other Local Taxes	756,346	922,205	1,085,381	1,054,109	1,203,587
Licenses, Permits and Franchises	26,273	26,975	27,789	27,909	29,336
Fines, Forfeitures and Penalties	6,226	5,281	6,369	8,985	2,734
Interest and Investment Income	2,125	7,866	7,867	9,613	14,439
Rents and Concessions	35,273	25,501	24,339	46,553	15,352
Intergovernmental	720,625	827,750	854,464	900,820	932,576
Charges for Services	164,391	180,850	215,036	233,976	220,877
Other	14,142	9,760	9,162	22,291	38,679
Total Revenues	$3,327,036	$3,747,361	$4,112,644	$4,356,916	$4,636,787
Expenditures:					
Public Protection	$1,057,451	$1,096,839	$1,148,405	$1,204,666	$1,257,948
Public Works, Transportation & Commerce	68,014	78,249	87,452	136,762	166,285
Human Welfare and Neighborhood Development	660,657	720,787	786,362	853,924	956,478
Community Health	634,701	668,701	650,741	666,138	600,067
Culture and Recreation	105,870	113,019	119,278	124,515	139,368
General Administration & Finance	186,342	190,335	208,695	223,844	238,064
General City Responsibilities	81,657	86,968	98,620	114,663	121,444
Total Expenditures	$2,794,692	$2,954,898	$3,099,553	$3,324,512	$3,479,654
Excess of Revenues over Expenditures	$532,344	$792,463	$1,013,091	$1,032,404	$1,157,133
Other Financing Sources (Uses):					
Transfers In	$195,272	$216,449	$164,712	$209,494	$140,272
Transfers Out	(646,912)	(720,806)	(873,741)	(962,343)	(857,629)
Other Financing Sources	4,442	6,585	5,572	4,411	1,765
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($447,198)	($497,772)	($703,457)	($748,438)	($715,592)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	$85,146	$294,691	$309,634	$283,966	$441,541
Total Fund Balance at Beginning of Year	$455,725	$540,871	$835,562	$1,145,196	$1,429,162
Total Fund Balance at End of Year -- GAAP Basis [4]	$540,871	$835,562	$1,145,196	$1,429,162	$1,870,703
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End					
-- GAAP Basis	$135,795	$178,066	$234,273	$249,238	$273,827
-- Budget Basis	$240,410	$294,669	$390,830	$435,202	$545,920

Five-Year Financial Plan

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

On March 21, 2018 (the "March 2018 Update"), the Mayor, Budget Analyst for the Board of Supervisors, and the Controller's Office issued an update to the Plan, which projects annual shortfalls of $37.9 million, $99.0 million, $521.0 million, and $651.9 million cumulative for fiscal years 2018-19 through 2021-22, respectively.

The updated Plan projects growth over a four-year period in General Fund revenues of 9%, primarily composed of growth in local tax sources. The revenue growth is offset by projected expenditure increases of 22% over the same period, primarily composed of growth in employee wages and health care costs, citywide operating expenses, and Charter mandated baselines and reserves. The City currently projects growth in General Fund sources of $488.7 million over the Plan period, and expenditure growth of $1.14 billion. Growth in salaries and benefits accounts for 47% or $531.2 million of the cumulative four year shortfall. Growth in citywide operating costs accounts for 25% or $283 million of the cumulative four year shortfall. Growth in Charter mandated baselines and reserves accounts for 17% or $190.7 million of the cumulative four year shortfall. Growth in individual department costs account for 12% or $135.6 million of the cumulative four year shortfall. These figures incorporate the key assumptions from the March 2018 Update, including:

- **Continued Increases in Employer Contribution Rates to City Retirement System**: Consistent with the prior plan, the March 2018 Update anticipates increased retirement costs. The increase in employer contribution rates is due to three main factors: lower than expected actual fiscal year 2016-17 investment earnings; updated demographic assumptions, which show that retirees are living longer and collecting pensions longer than previously expected; and an appellate court ruling against the City which found that voter-adopted changes to the conditions under which retirees could receive a supplemental COLA violated retirees' vested rights.

- **Continued Increases in Wages and Health Care Costs:** The March 2018 Update incorporates the cost of contract extensions for most miscellaneous employees, as negotiated for fiscal years 2017-18 and 2018-19, with most labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit, as projected in the March 2018 Update to the Five-Year Financial Plan, exceeds $200 million.

  The March 2018 Update assumes employer share of health and dental insurance costs for active employees will increase by 6% in fiscal year 2018-19 and 8% in each subsequent fiscal year. This is a significant increase from the proposed Plan projection in December 2014, which anticipated approximately 5% growth in the employer share of health and dental rates. The March 2018 Update also assumes retiree health costs, to increase by 9% in each year of projection.

- **Voter Adopted Revenue and Spending Requirements:** The March 2018 Update continues to assume several new revenue and expenditure requirements adopted by voters in 2016: a Recreation and Parks baseline (June 2016 Proposition B), a Dignity Fund baseline (November

2016 Proposition I), and a Street Tree Maintenance Fund baseline (November 2016 Proposition E). In addition to these spending requirements, the voters adopted an increase to the Real Property Transfer Tax rate (November 2016 Proposition W) and a tax on the distribution of sugar-sweetened beverages (November 2016 Proposition V).

- **In-Home Supportive Services (IHSS) Cost Shift:** IHSS is an entitlement program which provides homecare services to 22,000 elderly and disabled San Franciscans, allowing them to stay in their homes rather than move into more costly nursing facilities or other programs. It is funded by federal, state, and county sources. Due to changes in the fiscal year 2017-18 Enacted State budget, significant costs for this program were shifted from the state to counties. The City's fiscal year 2017-18 and 2018-19 adopted budgets, assumed cost increases of $11.1 million in fiscal year 2017-18 and $16.9 million in fiscal year 2018-19, as compared to prior budget projections. As more detail has been released by the State, the March 2018 Update adds an additional cost of $11.1 million in fiscal year 2017-18, bringing the total cost growth in that year to $22.3 million above prior projections. The cost shift continues to grow in fiscal year 2018-19 to $37.9 million, $60.8 million in fiscal year 2019-20, $74.2 million in fiscal year 2020-21, and $84.8 million in fiscal year 2021-22.

Beyond the IHSS Cost Shift, the March 2018 Update does not assume any losses of federal or state revenues, except for formula-driven reductions. Although proposals that would have significant negative impact on the City budget are pending at the state and federal level, it is unclear which will ultimately be adopted and what the specific impacts will be.

While the projected shortfalls in the March 2018 Update reflect the difference in projected revenues and expenditures over the next four years if current service levels and policies continue, the Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease.

The March 2018 Update does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of economic expansion, and the current economic expansion began over eight years ago.

The recently adopted fiscal year 2018-19 and 2019-20 budget closes the deficits identified in the projections.

City Budget Adopted for Fiscal Years 2018-19 and 2019-20

On July 31, 2018, Mayor Breed signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for the fiscal years ending June 30, 2019 and June 30, 2020. This is the seventh two-year budget for the entire City. The adopted budget closed the $38 million and $99 million General Fund shortfalls for fiscal years 2018-19 and 2019-20 identified in the City's March 31, 2018 update to the Five-Year Financial Plan through a combination of increased revenues and expenditures savings.

The Original Budget for fiscal year 2018-19 and fiscal year 2019-20 totals $11.04 billion and $11.10 billion respectively, representing a year over year increase of $920 million in fiscal year 2018-19 and year over year increase of $59 million in fiscal year 2019-20. The General Fund portion of each year's budget is $5.52 billion in fiscal year 2018-19 and $5.51 billion in fiscal year 2019-20 representing year over year increases of $364 million and $11 million. There are 31,220 funded full time positions in the fiscal year 2018-19 Original Budget and 31,579 in the fiscal year 2019-20 Original Budget representing year-over-year increases of 385 and 359 positions, respectively.

Other Budget Updates

On June 12, 2018, the Controller's Office issued the Controller's Discussion of the Mayor's fiscal year 2018-19 and fiscal year 2019-20 Proposed Budget ("Revenue Letter"). The report found that the revenue assumptions in the proposed and now-adopted budget are reasonable, voter-required baseline and set-aside requirements are met or exceeded, and that code-mandated reserves and funded and maintained at required levels.

The letter also certified that the Original Budget for fiscal years 2018-19 and 2019-20 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses. The policy can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Impact of June 5, 2018 Voter-Initiated and Approved Revenue Measures on Local Finances

On August 28, 2017, the California Supreme Court in California Cannabis Coalition v. City of Upland (August 28, 2017, No. S234148) interpreted Article XIIIC, Section 2(b) of the State Constitution, which requires local government proposals imposing general taxes to be submitted to the voters at a general election (i.e. an election at which members of the governing body stand for election). The court concluded such provision did not to apply to tax measures submitted through the citizen initiative process. Under the Upland decision, citizens exercising their right of initiative may now call for general or special taxes on the ballot at a special election (i.e. an election where members of the governing body are not standing for election). The court did not, however, resolve whether a special tax submitted by voter initiative needs only simple majority voter approval, and not the super-majority (i.e. two-thirds) voter approval required of special taxes placed on the ballot by a governing body. On June 5, 2018 voters of the City passed by majority vote two special taxes submitted through the citizen initiative process: a Commercial Rent Tax for Childcare and Early Education ("Proposition C") and a Parcel Tax for the San Francisco Unified School District ("Proposition G" and, together with Proposition C, the "Propositions"). The estimated annual values of Propositions C and G are approximately $146 million and $50 million, respectively. Proceeds of both measures would need to be appropriated by the Board of Supervisors to be spent. The adopted fiscal year 2018-19 and 2019-20 budget does not appropriate any of these sources. There is a risk that a court in the future could invalidate the levy and collection of the taxes approved by the Propositions on the grounds that they were not approved by a super-majority vote. If a court struck down the Propositions, the City could be obligated to refund all or a portion of any taxes levied and collected for the measures. The City is considering seeking judicial validation of the Propositions under Civil Code section 860 et seq. The City cannot predict the outcome of any litigation to resolve this issue.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 14% of the General Fund revenues appropriated in the Original Budget for fiscal years 2018-19 and 2019-20, and thus changes in State revenues could have a material impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2018, the Governor signed the 2018-19 State Budget, appropriating $201.4 billion from the General Fund and other State funds. General Fund appropriations total $138.7 billion, $11.6 billion or 9% more than the 2017-18 budget. The State budget agreement focuses on maintaining fiscal prudence by continuing to pay down past budgetary borrowing and state employee pension liabilities and contributing to stabilization reserves. The budget increases funding to K-12 schools through the full impelementation of the Local Control Funding Formula, and increases funding to community colleges and the university systems. Among many investments to counteract povery, the budget also includes $500 million to assist local governments with efforts to address homelessness. Of the $500 million the City is expected to receive approximately $30 million, which is assumed in the City's budget. The State budget also continues to implement the Road Repair and Accountability Act of 2017 (SB1) providing $55 billion of new transportation infrastructure funding over the next 10 years. The City's fiscal year 2018-19 budget assumes $23.0 million of street-related capital funding and $36.5 million for transit services and repair through the Road Repair and Accountability Act of 2017 (SB1). Voters will decide on Proposition 6 in the November 2018 State ballot, which would repeal the gas tax increase and result in a loss of these funds.

The final fiscal year 2018-19 budget continues to re-base the In-Home Supportive Services Maintenance-of-Effort "IHSS MOE" agreement negotiated in 2012, as first proposed in the fiscal year 2017-18 budget. The City's budget assumes an additional General Fund cost of $30.0 million in fiscal year 2018-19 or a total cost of $67.9 million and an additional $26.0 million or a total cost of $86.8 million in fiscal year 2019-20 to support the IHSS program, partially offset by health and welfare realignment subventions.

Impact of Federal Government on Local Finances

The City is continuing to assess the potential material adverse changes in anticipated federal funding. Currently, these changes include, for example, potential increased costs associated with changes to or termination or replacement of the Affordable Care Act ("ACA"), potential withholding of federal grants or other federal funds flowing to "sanctuary jurisdictions," impact of new census questions related to immigration status, and the potential suspension or termination of other federal grants for capital projects. The scope and timing of such changes will not be known until the administration concretely proposes specific changes or Congress acts on such proposals, as applicable. As to potential withholding of funds for "sanctuary cities" the City has challenged in federal court the Presidential Executive Order that would cut funding from "sanctuary jurisdictions." The federal district court issued a permanent injunction in November 2017. On August 1, 2018, the 9th Circuit Court of Appeal upheld the district's court's injunction against the President's Executive Order. The City will continue to monitor federal budget and policy changes, but cannot at this time determine the financial impacts of any proposed federal budget changes. The fiscal year 2017-18 and 2018-19 budget created a $50 million reserve to manage cost and revenue uncertainty related to potential federal and state changes to the administration and funding of the Affordable Care Act. In addition, the recently adopted fiscal year 2018-19 and 2019-20 budget establishes a $40 million reserve to manage state, federal, and other revenue uncertainty and a $70 million reserve to manage costs related to local wage and salary contingencies.

The federal tax reform bill that was approved by Congress on December 20, 2017 and its effects on San Francisco are not clear at this time. However, the local economy may be affected by the tax law's provisions, including: (1) creation of a $10,000 cap on the state and local tax deduction, which will increase many residents' total tax liabilities and affect consumer spending; (2) repeal of the individual health insurance mandate under the ACA; (3) reduction in the mortgage interest tax deduction; and (4) reduction of corporate income tax rates.

Budgetary Reserves

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. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The City maintains an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy, originally adopted on April 13, 2010, set the reserve equal to 1% of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn. The Original Budget for fiscal years 2018-19 and 2019-20 includes starting balances of $127.3 million and $141.5 million for the General Reserve, respectively.

In addition to the operating cash and general reserves, the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve (Original Budget includes $24.8 million for fiscal year 2018-19 and $14.9 million in fiscal year 2019-20), and the Litigation Reserve (Original Budget includes $10.9 million for fiscal year 2018-19 and $11 million in fiscal year 2019-20). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

The City maintains a Rainy Day Reserve. Charter Section 9.113.5 requires that if the 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 into two accounts within the Rainy Day Reserve and for other lawful governmental purposes. Effective January 1, 2015, Proposition C passed by the voters in November 2014 divided the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the existing balance. Additionally, any deposits to the reserve subsequent to January 1, 2015 will be allocated as follows:

- 37.5 percent of the excess revenues to the City Reserve;
- 12.5 percent of the excess revenues to the School Reserve;
- 25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
- 25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2016-17 revenue exceeded the deposit threshold by $8.9 million generating a deposit of $3.4 million to the City Reserve, $1.1 million to the School Reserve, and $2.2 million to the One-Time or Capital Expenditures account. The combined balances of the Rainy Day Reserve's Economic Stabilization account and the Budget Stabilization Reserve are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures.

Monies in the City Reserve are available to provide a budgetary 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). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. The fiscal year 2016-17 combined ending balance of the One-Time and Economic Stabilization portions of the Reserve was $125.7 million. No deposits or withdrawals are projected in the Controller's 2017-18 Nine-Month Report or in the fiscal year 2018-19 and 2019-20 budgets.

Budget Stabilization Reserve

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

Fiscal year 2016-17 RPTT receipts exceeded the five-year annual average by $144.4 million and ending general fund unassigned fund balance was $57.6 million, triggering a $57.6 million deposit. However, $6.7 million of this deposit requirement was offset by the Rainy Day Reserve deposit, resulting in a $144.8 million deposit to the Budget Stabilization Reserve and an ending balance of $323.3 million. No deposits or withdrawals are projected in the Controller's 2017-18 Nine-Month Report. The fiscal year 2018-19 and 2019-20 budgets assume no reserve deposits given projected RPTT receipts. The Controller's Office determines deposits during year end close based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues. As of the Controller's fiscal year 2017-18 Nine-Month Report, 10% of General Fund revenues is projected to be $488 million, slightly above the projected ending balance of $449 million and 9.2% of revenues. Under the City's current policy, no further deposits will be made once this cap is reached, and no deposits are 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.

THE SUCCESSOR AGENCY

Effect of the Dissolution Act

The San Francisco Redevelopment Agency (herein after the "Successor Agency") was organized in 1948 by the Board of Supervisors pursuant to the Redevelopment Law. The Successor Agency is a separate legal entity from the City, and no funds of the City are pledged or available for Successor Agency operations. The Successor Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Successor Agency had redevelopment plans for nine redevelopment project areas.

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

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

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area ("YBC"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency. The Successor Agency also issues CFD bonds from time to time to facilitate development in the major approved development projects in accordance with the terms of such enforceable obligations.

PROPERTY TAXATION

Property Taxation System – General

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

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

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor Agency (OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations and a portion of administrative costs of the agency causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor Agency received $153 million of property tax increment in fiscal year 2017-18, diverting about $85 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplemental) was 99.14% for fiscal year 2017-18. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 111 for fiscal year 2017-18 compared to 262 in fiscal year 2016-17. The trustee deeds recorded in fiscal year 2011-12, fiscal year 2012-13 and fiscal year 2013-14 were 804, 363 and 187, respectively. In fiscal year 2016-17 there were 262 Notices of Trustee's Sales deeds recorded.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2012-13 through 2018-19
(000s)

Fiscal Year	Net Assessed[1] Valuation (NAV)	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2012-13	$165,043,120	4.0%	1.169	$1,997,645	$1,970,662	98.6%
2013-14	172,489,208	4.5%	1.188	2,138,245	2,113,284	98.8%
2014-15	181,809,981	5.4%	1.174	2,139,050	2,113,968	98.8%
2015-16	194,392,572	6.9%	1.183	2,290,280	2,268,876	99.1%
2016-17	211,532,524	8.8%	1.179	2,492,789	2,471,486	99.1%
2017-18	234,074,597	10.7%	1.172	2,732,615	2,709,048	99.1%
2018-19	259,329,479 [1]	10.8%	TBD	TBD	N/A	N/A

[1] Based on initial assessed valuations for fiscal year 2018-19. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

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

[3] The Total Tax Levy and Total Tax Collected through fiscal year 2017-18 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California SCO). Total Tax Rate and Total Tax Levy for fiscal year 2018-19 has not yet been determined.

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

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

At the start of fiscal year 2018-19, the total net assessed valuation of taxable property within the City was $259.3 billion. Of this total, $244.9 billion (94.4%) represents secured valuations and $14.4 billion (5.6%) represents unsecured valuations. See "Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.

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

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

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

In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary General Fund appeals reserve fund for fiscal years 2012-13 through 2016-17 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
Fiscal Years 2012-13 through 2016-17
(000s)

Fiscal Year	Amount Refunded
2012-13	$36,744
2013-14	25,756
2014-15	16,304
2015-16	16,199
2016-17	33,397

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

As of July 1, 2017, the Assessor granted 7,090 temporary reductions in property assessed values worth a total of $194.9 million (equating to a reduction of approximately $2.3 million in general fund taxes), compared to 7,055 temporary reductions worth $128.7 million (equating to a reduction of approximately $1.52 million in general fund taxes) as of July 1, 2016 and 8,598 temporary reductions worth $425.1 million (equating to a reduction of approximately $5.03 million in general fund taxes) as of July 1, 2015. The July 2017 temporary reductions of $194.9 million represent 0.08% of the fiscal year 2017-18 Net Assessed Valuation of $234.1 billion shown in Table A-5. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board ("AAB") within a certain period. For regular, annual secured property tax assessments, the period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of December 31, 2017, the total number of open appeals before the AAB was 1,605, compared to 1,754 open AAB appeals as of December 31, 2016. As of May 31, 2018 there were 1,552 new applications filed during fiscal year 2017-18, compared to 1,428 new applications filed during the same period (May 31, 2017) of fiscal year 2016-17. Also, as of May 31, 2018 the total number of open applications was 965 and the difference between the current assessed value and the taxpayer's opinion of values for the open appeals is $4.88 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all the taxpayer's requests, a negative potential property tax impact of about $57.5 million would result.

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

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

General Fund property tax revenues in fiscal year 2017-18 were projected to be $1.65 billion as of the Controller's Nine-Month Report, representing an increase of $169.9 million (11.5%) over fiscal year 2016-17 actual revenue. Property tax revenue is budgeted at $1.73 billion for fiscal year 2018-19 representing an increase of $77.0 million (4.7%) over fiscal year 2017-18 projections. Fiscal year 2019-20 property tax revenue is budgeted at $1.74 billion, $15.0 million (or 0.9%) more than the fiscal year 2018-19 budget. Tables A-2 and A-4 set forth a history of budgeted and actual property tax revenues for fiscal years 2012-13 through 2016-17, and budgeted receipts for fiscal years 2017-18, 2018-19, and fiscal year 2019-20.

The City's General Fund is allocated about 48% of total property tax revenue before adjusting for the VLF backfill shift. The State's Triple Flip ended in fiscal year 2015-16, eliminating the sales tax in-lieu revenue from property taxes from succeeding fiscal years and shifting it to the local sales tax revenue line.

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

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

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

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

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. Additionally, in June 2017, the Teeter Plan was extended to include the allocation and distribution of special taxes levied for City and County of San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center). The Teeter Plan method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
Fiscal Years 2012-13 through 2016-17
(000s)

Year Ended	Amount Funded
2012-13	$18,341
2013-14	19,654
2014-15	20,569
2015-16	22,882
2016-17	24,882

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

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year beginning July 1, 2018 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 Office of the Assessor-Recorder.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
July 1, 2018

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
TRANSBAY TOWER LLC	415 MISSION ST	3720 009	OFFICE	$1,336,595,294	0.51540%
SUTTER BAY HOSPITALS[3]	1101 VAN NESS AVE	0695 006	HOSPITAL	1,182,540,579	0.45600
HWA 555 OWNERS LLC	555 CALIFORNIA ST	0259 026	OFFICE	1,018,418,547	0.39271
ELM PROPERTY VENTURE LLC	101 CALIFORNIA ST	0263 011	OFFICE	984,858,015	0.37977
PPF PARAMOUNT ONE MARKET PLAZA OWNER LP	1 MARKET ST	3713 007	OFFICE	834,307,207	0.32172
SHR ST FRANCIS LLC	301 - 345 POWELL ST	0307 001	HOTEL	738,069,300	0.28461
SFDC 50 FREMONT LLC	50 FREMONT ST	3709 019	OFFICE	689,319,255	0.26581
GSW ARENA LLC	300 16TH STREET	8722 021	ENTERTAINMENT COMPLEX	659,966,629	0.25449
KR MISSION BAY LLC	1800 OWENS ST	8727 008	OFFICE	558,150,177	0.21523
P55 HOTEL OWNER LLC	55 CYRIL MAGNIN ST	0330 026	HOTEL	533,785,362	0.20583
				$8,536,010,365	

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

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

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

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

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2018-19 valuation of property assessed by the State Board of Equalization is $3.7 billion.

OTHER CITY TAX REVENUES

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

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

Business Taxes

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

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014, 1.16% in tax year 2015, 0.829% in tax year 2016, 0.71% in tax year 2017, and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2017-18 is projected to be $810.4 million (all funds) as of the Controller's Nine-Month Report, representing an increase of $109.9 million (15.4%) from fiscal year 2016-17. Business tax revenue is budgeted at $879.4 million in fiscal year 2018-19 representing an increase of $68.9 million (8.5%) over fiscal year 2017-18 projected revenue. Business tax revenue is budgeted at $914.7 million in fiscal year 2019-20 representing an increase of $35.3 million (4.0%) over fiscal year 2018-19 budget.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year[1]	Revenue	Change	
2014-15	$611,932	$48,525	8.6%
2015-16	660,926	48,994	8.0%
2016-17	702,331	41,405	6.3%
2017-18 *projected* [2]	810,434	108,103	15.4%
2018-19 *budgeted* [3]	879,380	68,946	8.5%
2019-20 *budgeted* [3]	914,710	35,330	4.0%

[1] Figures for fiscal years 2014-15 through 2016-17 are audited actuals. Includes portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and beginning in fiscal year 2013-14, Gross Receipts Tax revenues.

[2] Figure for fiscal year 2017-18 from Controller's Nine-Month Report.

[3] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators to the City monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates ("ADR") and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, experienced double digit growth rates between fiscal years 2013-14 and 2014-15, driving an average annual increase of 28.5% in hotel tax revenue during this period. RevPAR growth began to slow in fiscal year 2015-16 and then declined in fiscal year 2016-17, due mainly to the partial-year closure of the Moscone Convention Center. The Moscone Center re-opened in the second quarter of fiscal year 2017-18, and RevPAR is expected to partially recover. Hotel tax revenue in fiscal year 2017-18 is projected to be $377.2 million (all funds) as of the Controller's Nine-Month Report, a slight increase of $1.9 million (0.5%) from fiscal year 2016-17. In fiscal year 2018-19, hotel tax is budgeted to be $398.9 million, representing growth of $20.7 million (5.5%). In fiscal year 2019-20, hotel tax is budgeted to be $409.8 million, an increase of $11.9 million (3.0%) from fiscal year 2018-19 budget.

San Francisco and a number of other jurisdictions in California and the United States are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately $88 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego. That ruling was issued on December 12, 2016 but did not resolve the matters that are the subject to the City's appeal.. On May 23, 2018, the Court of Appeal ruled in favor of the online travel companies, and San Francisco is seeking review of that decision by the California Supreme Court.

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TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2014-15 through 2019-20
All Funds
(000s)

Fiscal Year[1]	Tax Rate	Revenue	Change	
2014-15[2]	14.0%	$399,364	$86,226	27.5%
2015-16	14.0%	392,686	(6,678)	-1.7%
2016-17	14.0%	375,291	(17,395)	-4.4%
2017-18 *projected* [3]	14.0%	377,156	1,865	0.5%
2018-19 *budgeted* [4]	14.0%	397,896	20,740	5.5%
2019-20 *budgeted* [4]	14.0%	409,840	11,945	3.0%

[1]Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds.

[2]Figures in fiscal year 2014-15 are substantially adjusted due to multi-year audit and litigation resolution.

[3] Figure for fiscal year 2017-18 from Controller's 9-Month Report.

[4] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts. These amounts include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds, as well as the portion of hotel tax revenue dedicated to arts and cultural programming should a local ballot measure to dedicate a portion of hotel tax pass in November 2018.

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

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Prior to November 8, 2016, the rates were $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million. After the passage of Proposition W on November 8, 2016, transfer tax rates were amended, raising the rate to $22.50 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; $27.50 per $1,000 for properties valued at more than $10.0 million and less than $25.0 million; and $30.00 per $1,000 for properties valued at more than $25.0 million. This change resulted in an estimated additional $30.3 million in transfer tax revenue in fiscal year 2017-18.

Real property transfer tax ("RPTT") revenue for fiscal year 2017-18 was projected to be $257.0 million as of the Controller's Nine-Month Report, a $153.6 million (37.4%) decrease from fiscal year 2016-17 revenue. Fiscal year 2018-19 RPTT revenue is budgeted to be $228.0 million, $29 million (11.3%) less than the revenue received in fiscal year 2017-18 primarily due to the assumption that RPTT collections will return to their historic average. For fiscal year 2019-20, RPTT revenue is budgeted to be $228 million, which represents no change from the fiscal year 2018-19 budget.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year[1]	Revenue	Change	
2014-15	$314,603	$52,678	20.1%
2015-16	269,090	(45,513)	-14.5%
2016-17	410,561	141,471	52.6%
2017-18 *projected* [2]	257,000	(153,561)	-37.4%
2018-19 *budgeted* [3]	228,000	(29,000)	-11.3%
2019-20 *budgeted* [3]	228,000	-	0.0%

[1] Figures for fiscal year 2014-15 through 2016-17 are audited actuals.

[3] Figure for fiscal year 2017-18 from Controller's 9-Month Report.

[3] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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

Sales and Use Tax

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

Local sales tax for fiscal year 2017-18 are projected to be $191.7 million as of the Controller's Nine-Month Report, a slight increase of $2.2 million (1.2%) from fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted to be $196.9 million, an increase of $5.2 million (2.7%) from fiscal year 2017-18 budget. Fiscal year 2019-20 revenue is budgeted to be $198.8 million, an increase of $2.0 million (1.0%) from fiscal year 2018-19 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. In recent years, online retailers have contributed significantly to sales tax receipts, offsetting sustained declines in point of sale purchases.

In June 2018, the United States Supreme Court ruled in favor of South Dakota in the case of *South Dakota v. Wayfair, Inc.*, requiring out-of-state online retailers to collect sales taxes on sales to in-state residents. The impact of this ruling on sales tax revenues in the City remains unknown due to various factors. In California and other states, many large online retailers already collect and remit state and local sales and use taxes, including Wayfair and Amazon. However, out-of-state retailers, who have no physical presence in California and no agreements with affiliates, are not required to collect California sales and use tax. In addition, the ruling affirms the South Dakota tax system, which provides a safe harbor to small businesses that have less than $100,000 in sales or 200 separate transactions in the state. It is difficult to determine if and when California will modify its sales tax rules and regulations, or if

Congress will adopt uniform standards at the federal level. As a result, the budget assumes no changes from the impact of this ruling.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2014-15 through 2016-17, projected receipts for fiscal year 2017-18, and budgeted receipts for fiscal year 2018-19 and 2019-20. The fiscal year 2014-15 and 2015-16 figures include the imputed impact of the property tax shift made in compensation for the one-quarter sales tax revenue taken by the State's "Triple Flip."

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2014-15 through 2019-20
(000s)

Fiscal Year[1]	Tax Rate	City Share	Revenue	Change	
2014-15	8.75%	0.75%	140,146	6,441	4.8%
2014-15 adj.[2]	8.75%	1.00%	186,891	9,592	5.4%
2015-16	8.75%	0.75%	167,915	27,769	19.8%
2015-16 adj.[3]	8.75%	1.00%	204,118	17,227	9.2%
2016-17	8.75%	1.00%	189,473	(14,645)	-8.7%
2017-18 *projected*[4]	8.50%	1.00%	191,696	2,223	1.2%
2018-19 *budgeted*[3]	8.50%	1.00%	196,870	5,174	2.7%
2019-20 *budgeted*[3]	8.50%	1.00%	198,840	1,970	1.0%

[1] Figures for fiscal year 2014-15 through fiscal year 2016-17 are audited actuals. In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

[2] Adjusted figure represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in fiscal year 2004-05 through December 31, 2015 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.

[3] The 2015-16 adjusted figure includes the State's final payment to the Counties for the lost 0.25% of sales tax, from July 1, 2015 through December 31, 2015. It also includes a true-up payment for April through June 2015.

[4] Figure for fiscal year 2017-18 from Controller's 9-Month Report.

[5] Figures for fiscal year 2018-19 and 2019-20 are Original Budget amounts.

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 services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol ("VOIP"). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2017-18 Utility User Tax ("UUT") revenues were projected to be $98.0 million as of the Controller's Nine-Month Report, a decline of $3.2 million (3.2%) from fiscal year 2016-17. Fiscal year 2018-19 UUT revenues are budgeted at $99.1 million, a $1.1 million (1.1%) increase from the 2017-18 projection. Fiscal year 2019-20 revenues are budgeted at $100.0 million, a $0.9 million (1.0%) increase from the prior year budget.

Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenue for fiscal year 2017-18 is projected to be $52.0 million as of the Controller's Nine-Month Report, a $5.5 million (11.8%) increase over fiscal year 2016-17. Fiscal year 2018-19 revenue is budgeted at $51.9 million a $0.1 million (0.3%) decrease from fiscal year 2017-18 projections. Fiscal year 2019-20 revenue is budgeted at $53.5 million, a $1.6 million (3.2%) increase from the prior year. Budgeted amounts in fiscal year 2018-19 assume annual inflationary increases to the access line tax rate as allowed under Business and Tax Regulation Code Section 784.

Sugar Sweetened Beverage Tax

On November 9, 2016 voters adopted Proposition V, a one cent per ounce tax on the distribution of sugary beverages. This measure took effect on January 1, 2018 and is expected to raise $15.0 million in annual revenue.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is paid by occupants and remitted monthly to the City by parking facility operators. Historically, parking tax revenue was positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections. However, widespread use of ride-sharing services and redevelopment of surface lots and parking garages into office and other uses have led to declines in this source over the past two fiscal years.

Fiscal year 2017-18 Parking Tax revenue is projected to be $85.5 million as of the Controller's Nine-Month Report, $1.3 million (1.5%) increase from fiscal year 2016-17 revenue. Parking tax revenue is budgeted at $85.5 million in fiscal year 2018-19 and fiscal year 2019-20, representing no change from fiscal year 2017-18 revenue.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the MTA for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives allocations of State sales tax and Vehicle License Fee (VLF) revenue for 1991 Health and Welfare Realignment and 2011 Public Safety Realignment.

> ***1991 Health & Welfare Realignment***. In fiscal year 2017-18, the General Fund share of 1991 realignment revenue is projected to be $197.7 million, as of the Controller's Nine-Month Report, or $5.6 million (2.9%) more than the fiscal year 2016-17. The fiscal years 2018-19 and 2019-20 General Fund share of these revenues are budgeted at $209.1 million and $215.5 million, a net increase of $11.3 million (5.7%) and $6.4 million (3.1%) from the respective prior year, based on projected sales tax and VLF growth payments.

Since fiscal year 2014-15, the State has assumed that under the Affordable Care Act (ACA), counties will realize savings as a result of treating fewer uninsured patients. The State redirects these savings from realignment allocations to cover CalWORKs expenditures previously paid for by the State's General Fund. In fiscal year 2018-19, reductions to the City's allocation are assumed equal to $12.0 million. However, they are projected to be offset by the true up payments from the State for fiscal year 2015-16. The fiscal year 2019-20 budget makes the same assumption as fiscal year 2018-19, projecting reductions to the City's allocation that are equally offset by true up payments from fiscal year 2016-17. Future budget adjustments could be necessary depending on final State determinations of ACA savings amounts, which are expected in January 2020 and January 2021 for fiscal year 2017-18 and fiscal year 2018-19, respectively. The fiscal year 2018-19 and 2019-20 realignment budget assumes the redirection of sales tax and VLF growth distributions from health and mental health allocations to social service allocations, consistent with IHSS assumptions enacted in the Governor's 2018-19 budget.

***Public Safety Realignment*.** Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. In fiscal year 2017-18, revenue is projected to be $37.6 million as of the Controller's Nine-Month Report, a $2.1 million (5.9%) increase from the fiscal year 2016-17 actual. Based on the State's adopted budget, this revenue is budgeted at $39.0 million in fiscal year 2018-19, a $1.4 million (3.8%) increase over the fiscal year 2017-18 projection. This increase reflects increased State funding to support implementation of AB109. The fiscal year 2019-20 budget assumes a $1.2 million (3.1%) increase from the fiscal year 2018-19 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. This revenue is a function of the City's proportionate share of Statewide sales activity. In fiscal year 2017-18, public safety sales tax is projected to be $103.6 million as of the Controller's Nine-Month Report, a $3.2 million (3.2%) increase from fiscal year 2016-17 revenues. In fiscal years 2018-19 and 2019-20, this revenue is budgeted at $104.7 milliion and $106.2 million, representing growth of $1.0 million (1.0%) and $1.6 million (1.5%), respectively. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the county ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. The county ratio for San Francisco in fiscal year 2016-17 is almost 3% and is expected to decline slightly in fiscal years 2017-18, 2018-19, and 2019-20.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, the City is projected to receive $654.1 million of funds in fiscal year 2017-18 from grants and subventions, as of the Controller's Nine-Month Report, from State and federal governments to fund public health, social services and other programs in the General Fund. This represents a $24.3 million (3.9%) increase from fiscal year 2016-17. The fiscal year 2018-19 budget is $698.9 million, an increase of $44.88 million (6.9%) over fiscal year 2017-18 projected. Fiscal year 2019-20 budget is $700.7 million, an increase of $1.8 million (0.3%) over fiscal year 2018-19 budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2017-18 is projected to be $226.8 million in the Controller's Nine-Month Report and is expected to increase to $248.4 million in the fiscal year 2018-19 budget and $234.9 million in the fiscal year 2019-20 budget budget.

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 approximately 50% of all City 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 is $1.5 billion in fiscal year 2018-19 and $1.5 billion in fiscal year 2019-20.

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 as described in table A-13 below:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2015-16 through 2019-20
(000s)

Major Service Areas	2015-16 Final Budget	2016-17 Final Budget	2017-18 Original Budget[1]	2018-19 Original Budget	2019-20 Original Budget
Public Protection	$1,223,981	$1,298,185	$1,331,196	$1,403,620	$1,453,652
Human Welfare & Neighborhood Development	857,055	176,768	995,230	1,053,814	1,083,329
Community Health	787,554	970,679	884,393	943,631	893,763
General Administration & Finance	286,871	786,218	358,588	391,900	418,497
Culture & Recreation	137,062	158,954	162,622	165,784	166,575
General City Responsibilities	186,068	349,308	152,390	183,159	188,171
Public Works, Transportation & Commerce	161,545	154,344	170,949	183,703	170,150
Total*	$3,640,137	$3,894,456	$4,055,368	$4,325,611	$4,374,137

*Total may not add due to rounding
[1] Fiscal year 2017-18 Final Revised Budget will be available upon release of the fiscal year 2017-18 CAFR.
Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department and the Sheriff's Office. These departments are budgeted to receive $485 million, $255 million and $193 million of General Fund support respectively in fiscal year 2018-19 and $514 million, $265 million, and $193 million, respectively in fiscal year 2019-20. 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 $272 million of General Fund support in the fiscal year 2018-19 and $286 million in fiscal year 2019-20.

The Public Health Department is budgeted to receive $738 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2018-19 and $751 million in fiscal year 2019-20.

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 receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be $68.4 million in both fiscal years 2017-18 and 2018-19.

Baselines

The Charter requires funding for baselines and other voter-mandated funding requirements. The chart below identifies the required and budgeted levels of funding for key baselines and mandates. 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 reflects fiscal year 2018-19 spending requirements at the time the fiscal year 2018-19 and fiscal year 2019-20 budget was finally adopted.

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TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Year 2018-19
(millions)

Baselines & Set-Asides	2018-19 Required Baseline	2018-19 Original Budget
Municipal Transportation Agency (MTA)		
Municipal Railway Baseline	$244.6	$244.6
Parking and Traffic Baseline	$91.7	$91.7
Population Adjustment	$50.9	$50.9
Children's Services	$176.7	$182.2
Transitional Aged Youth	$21.2	$28.1
Library Preservation	$83.6	$83.6
Recreation and Park Maintenance of Effort	$73.2	$75.5
Dignity Fund	$47.1	$47.1
Street Treet Maintenance Fund	$19.8	$19.8
City Services Auditor	$18.8	$18.8
Human Services Homeless Care Fund	$17.6	$17.6
Public Education Enrichment Funding		
Unified School District	$74.6	$74.6
Office of Early Care and Education	$37.3	$37.3
Public Education Baseline Services	$10.6	$10.6
Property Tax Related Set-Asides		
Municipal Symphony	$3.2	$3.2
Children's Fund Set-Aside	$101.7	$101.7
Library Preservation Set-Aside	$63.6	$63.6
Open Space Set-Aside	$63.6	$63.6
Staffing and Service-Driven		
Police Minimum Staffing		Requirement met
Total Baseline Spending	$1,199.8	$1,214.6

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 Administrative Code 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).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents slightly less than half of the City's expenditures, totaling $5.2 billion in the fiscal year 2018-19 Original Budget (all-funds), and $5.4 billion in the fiscal year 2019-20 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.3 billion in the fiscal year 2017-18 Original Budget and $2.4 billion in the fiscal year 2018-19 Original Budget. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of the San Francisco Unified School District (SFUSD), San Francisco Community College District (SFCCD) and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2018-19 and 2019-20 includes 31,220 and 31,579 budgeted and funded City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 ("SEIU"), the International Federation of Professional and Technical Engineers, Local 21 ("IFPTE"), and the unions representing police, fire, deputy sheriffs, and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the City Charter. San Francisco is unusual among California's cities and counties in that nearly all of its employees, even managers, are represented by labor organizations. Further, the City Charter provides a unique impasse resolution procedure. In most cities and counties, when labor organizations cannot reach agreement on a new contract, there is no mandatory procedure to settle the impasse. However, in San Francisco, nearly all of the City's contracts advance to interest arbitration in the event the parties cannot reach agreement. This process provides a mandatory ruling by an impartial third party arbitrator, who will set the terms of the new agreement. Except for nurses and less than one-hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a tripartite mediation and arbitration panel. The award of the arbitration panel is final and binding. Wages, hours and working conditions of nurses 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, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police, fire and sheriff's employees.

In February 2017, the City negotiated two-year contract extensions (for fiscal years 2017-18 and 2018-19) with most of its labor unions. The parties agreed to a wage increase schedule of 3% on July 1, 2017 and 3% on July 1, 2018, with a provision to delay the fiscal year 2018-19 adjustment by six months if the City's deficit for fiscal year 2018-2019, as projected in the March 2018 Update, exceeds $200 million (the March 2018 Update projected a $37.9 million deficit for fiscal year 2018-19). MTA and TWU, along with unions representing MTA service critical employees, agreed to two-year contract extensions with the same wage provisions and term as those contracts covering City employees. The agreement with supervising nurses expires in June, 2019.

In May 2018, the City negotiated three-year agreements (for fiscal years 2018-19 through 2020-21) with the Police Officers' Association ("POA") and the Municipal Executives' Association ("MEA") – Police Chiefs. The POA contract was resolved through interest arbitration. The POA and MEA – Police contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), 2% (July 1, 2020), and 1%

(January 1, 2021). The final two increases are subject to a six-month delay if the March 2020 Five-Year Financial Plan update projects a budget deficit of more than $200 million.

The City also negotiated three-year agreements with the Firefighters Local 798 (“798”) and the MEA – Fire Chiefs in May 2018. The 798 contract was a mediated arbitration award. The 798 and MEA – Fire contracts included a wage schedule increase of 3% (July 1, 2018), 3% (July 1, 2019), and 3% (July 1, 2020). The final increase is subject to a six-month delay if the March 2020 Five-Year Financial Plan projects a budget deficit of more than $200 million.

Also in May 2018, the City negotiated contract extensions with the Union of American Physicians and Dentists (“UAPD”) and SEIU – H-1 Fire Rescue Paramedics. UAPD agreed to a one-year extension with a wage increase of 3% on July 1, 2018. The H-1 Fire Rescue Paramedics agreed to a two-year extension with a wage increase schedule of 3% (July 1, 2018) and 3% (July 1, 2019).

With the exception of the safety unions, the City will negotiate new contracts with all unions in the Spring of 2019. The MTA will also also negotiate new contracts at that time. The MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units pursuant to Charter Section 8A.104. These contracts are subject to approval by the MTA Board. Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

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TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)
Employee Organizations as of July 1, 2018

Organization	City Budgeted Positions	Expriation Date of MOU
Auto Machinist, Lodge 1414	495	30-Jun-19
BrickLayers, Local 3 / Hod Carriers, Local 36	10	30-Jun-19
Building Inspectors Association	93	30-Jun-19
CAIR/CIR (Interns & Residents)	0	30-Jun-21
Carpenters, Local 22	114	30-Jun-19
Carpet, Linoleum & Soft Tile	3	30-Jun-19
Cement Masons, Local 300	45	30-Jun-19
Electrical Workers, Local 6	949	30-Jun-19
Firefighters, Local 798	1,887	30-Jun-21
Glaziers, Local 718	13	30-Jun-19
Hod Carriers, Local 36	8	30-Jun-19
Iron Workers, Local 377	15	30-Jun-19
Laborers, Local 261	1,141	30-Jun-19
Municipal Attorneys Association	470	30-Jun-19
Municipal Exec Assoc - Fire	9	30-Jun-21
Municipal Exec Assoc - Misc	1,390	30-Jun-19
Municipal Exec Assoc - Police	16	30-Jun-21
Operating Engineers, Local 3	65	30-Jun-19
Physician/Dentists, UAPD	204	30-Jun-19
Pile Drivers, Local 34	37	30-Jun-19
Plasterers & Shphnds, Local 66	0	30-Jun-19
Plumbers, Local 38	350	30-Jun-19
Police Officers Association	2,584	30-Jun-21
Prof & Tech Eng, Local 21	6,254	30-Jun-19
Roofers, Local 40	13	30-Jun-19
SEIU 1021, H-1 Paramedics	1	30-Jun-20
SEIU 1021, Misc.	12,547	30-Jun-19
SEIU 1021, Staff & Per Diem RNs	1,720	30-Jun-19
SF City Workers United	133	30-Jun-19
SF Deputy Sheriffs Assn	819	30-Jun-19
SF Probation Off Assoc	153	30-Jun-19
SF Sheriff's Managers and Supv	109	30-Jun-19
SFDA Investigators Assn	45	30-Jun-19
SFIPOA, Op Eng, Local 3	1	30-Jun-19
Sheet Metal Workers, Local 104	41	30-Jun-19
Stationary Engineers, Local 39	694	30-Jun-19
Sup Probation Ofcr, Op Eng 3	32	30-Jun-19
Teamsters, Local 853	174	30-Jun-19
Teamsters, Local 856 Multi-Unit	111	30-Jun-19
Teamsters, Local 856 Spv Nurses	127	30-Jun-19
Theatrical Stage Emp, Local 16	27	30-Jun-19
TWU Local 200	374	30-Jun-19
TWU Local 250-A, AutoServWrkr	141	30-Jun-19
TWU Local 250-A, Misc	110	30-Jun-19
TWU Local 250-A, TranFareInsp	50	30-Jun-19
TWU Local 250-A, TransitOpr	2,615	30-Jun-19
Unrepresented Employees	89	30-Jun-19
	36,276 [1]	

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

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

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

History and Administration

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

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

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

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

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2017 is 41,867, compared to 40,051 at July 1, 2016. Active membership at July 1, 2017 includes 7,381 terminated vested members and 1,039 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. Monthly retirement allowances are paid to approximately 29,127 retired members and beneficiaries. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Table A-16 shows total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates, July 1, 2013 through July 1, 2017.

TABLE A-16

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2012-13 through 2016-17

As of 7/1/2017	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2012-13	28,717	4,933	1,040	34,690	26,034	1.103
2013-14	29,516	5,409	1,032	35,957	26,852	1.099
2014-15	30,837	5,960	1,024	37,821	27,485	1.122
2015-16	32,406	6,617	1,028	40,051	28,286	1.146
2016-17	33,447	7,381	1,039	41,867	29,127	1.148

Sources: SFERS' annual July 1 actuarial valuation reports
See http://mysfers.org/resources/publications/sfers-actuarial-valuations/

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

Funding Practices

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

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

At the November 2017 Retirement Board meeting, the Board adopted updated economic assumptions for the July 1, 2017 actuarial valuation after consideration of two options presented by the consulting actuarial firm. Key economic assumptions are the long-term investment earnings assumption of 7.50%, the long-term wage inflation assumption of 3.50%, and the long-term consumer price index assumption of 3.00%. In November 2015 the Board voted to update demographic assumptions, including mortality, after review of a new demographic assumptions study by the consulting actuarial firm.

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

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

Employer Contribution History and Annual Valuations

Fiscal year 2015-16 total City employer contributions were $496.3 million which included $215.2 million from the General Fund. Fiscal year 2016-2017 total City contributions were $519.1 million which included $230.1 million from the General Fund. For fiscal year 2017-18, total City employer contributions to the Retirement System are budgeted at $568.7 million which includes $265.8 million from the General Fund. These budgeted amounts are based upon the fiscal year 2017-18 employer contribution rate of 23.46% (estimated to be 20.1% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2018-19 employer contribution rate is 23.31% (estimated to be 19.8% after cost-sharing). The slight decrease in employer contribution rate from 23.46% to 23.31% reflects investment experience better than assumed and the reduction in wage inflation from 3.75% to 3.50% offset by a new Supplemental COLA effective July 1, 2017 and the continued phase-in of the 2015 assumption changes approved by the Retirement Board. As discussed under "City Budget – Five Year Financial Plan" increases in retirement costs are projected in the City's December 2016 Five Year Financial Plan.

Table A-17 shows total Retirement System liabilities, assets and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2012-13 through 2016-17. Information is shown for all employers in the Retirement System (City, SFUSD, SFCCD and San Francisco Trial Courts). "Actuarial Liability" reflects the actuarial accrued liability of the Retirement System measured for purposes of determining the funding contribution. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the plan assets with investment returns different than expected smoothed over five years to provide a more stable contribution rate. The "Market Percent Funded" column is determined by dividing the market value of assets by the actuarial accrued liability. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the actuarial accrued liability. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

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TABLE A-17

City and County of San Francisco
Employees' Retirement System
Fiscal Years 2012-13 through 2016-17
(000s)

As of 7/1/2017	Actuarial Liability	Market Value of Assets	Actuarial Value of Assets	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contributions in prior FY	Employer Contribution Rates[1] in prior FY
2012-13	$20,224,777	$17,011,545	$16,303,397	84.1%	80.6	$701,596	20.71%
2013-14	21,122,567	19,920,607	18,012,088	94.3	85.3	821,902	24.82
2014-15	22,970,892	20,428,069	19,653,339	88.9	85.6	894,325	26.76
2015-16	24,403,882	20,154,503	20,654,703	82.6	84.6	849,569	22.80
2016-17	25,706,090	22,410,350	22,185,244	87.2	86.3	868,653	21.40

[1] Employer contribution rates for fiscal years 2017-18 and 2018-19 are 23.46% and 23.31%, respectively.

Sources: SFERS' audited year-end financial statements and required supplemental information
SFERS' annual July 1 actuarial valuation reports

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

As shown in the table above as of July 2017, the Market Percent Funded ratio is higher than the Actuarial Percent Funded ratio in 2017. The Actuarial Percent Funded ratio does not yet fully reflect the net asset gains from the last five fiscal years.

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

Governmental Accounting Standards Board ("GASB") Disclosures

The Retirement System discloses accounting and financial reporting information under GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement was first implemented by the Retirement System in fiscal year 2013-14. The City discloses accounting and financial information about the Retirement System under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This accounting statement was first effective in fiscal year 2014-15. These accounting statements separated financial reporting from funding and required additional disclosures in the notes to the financial statements and required supplemental information. In general, the City's funding of its pension obligations are not affected by the GASB 68 changes to the reporting of the City's pension liability. Funding requirements are specified in the City Charter and are described in "Funding Practices" above.

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

Liability includes a provision for Supplemental COLAS that may be granted in the future, while Actuarial Liability for funding purposes includes only Supplemental COLAS that have been already been granted.

Table A-17A below shows for the five most recent fiscal years the collective Total Pension Liability, Plan Fiduciary Net Position (market value of assets), and Net Pension Liability for all employers who sponsor the Retirement System. The City's audited financial statements disclose only its own proportionate share of the Net Pension Liability and other required GASB 68 disclosures.

TABLE A-17A

City and County of San Francisco
Employees' Retirement System (000s)
GASB 67/68 Disclosures

As of 6/30/2017	Collective Total Pension Liability (TPL)	Discount Rate	Plan Fiduciary Net Position	Plan Net Position as % of TPL	Collective Net Pension Liability (NPL)	City and County's Proportionate Share of NPL
2012-13	$20,785,417	7.52 %	$17,011,545	81.8 %	$3,773,872	$3,552,075
2013-14	21,691,042	7.58	19,920,607	91.8	1,770,435	1,660,365
2014-15	22,724,102	7.46	20,428,069	89.9	2,296,033	2,156,049
2015-16	25,967,281	7.50	20,154,503	77.6	5,812,778	5,476,653
2016-17	27,403,715	7.50	22,410,350	81.8	4,993,365	4,697,131

Sources: SFERS fiscal year-end GASB 67/68 Reports as of June 30, 2014, 2015, 2016 and 2017.
Notes: Collective amounts include all employees (City and County, SFUSD, SFCCD, Superior Courts)

The fiscal year 2017 decline in the City's net pension liability is due to investment return during the fiscal year that exceeded the assumed 7.50%.

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Asset Management

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. For a breakdown of the asset allocation as of June 30, 2017, see Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," page 63.

Annualized investment returns (net of fees and expenses) for the Retirement System for the five years ending June 30, 2017 were 9.98%. For the ten-year and twenty-year periods ending June 30, 2017, annualized investment returns were 5.40% and 7.46% respectively.

The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

Recent Voter Approved Changes to the Retirement Plan

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

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

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

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

3. Cost-sharing provisions which increase or decrease employee contributions to SFERS on and after July 1, 2012 for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. For example, Miscellaneous employees who earn between $50,000 and $100,000 per year pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate, while Miscellaneous employees who earn $100,000 or more per year pay a fluctuating contribution rate in the range of +5% to -5% of the

Charter-mandated employee contribution rate. Similar fluctuating employee contributions are also required from Safety employees; and

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

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

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

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

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

As of June 30, 2017, the audited market value of Retirement System assets was $22.4 billion. As of June 30, 2018, the unaudited market value of SFERS' portfolio was $24.4 billion. These values represent, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be 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 audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

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

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

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled $19.2 million in fiscal year 2012-13 and $20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of $25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2017, 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 San Francisco 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 employees (the "City Beneficiaries") are administered by the San Francisco Health Service System (the "San Francisco Health Service System" or "SFHSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the San Francisco Health Service System also administers medical benefits to active and retired employees of 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 and dental benefits for City Beneficiaries.

The San Francisco 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 including a seated member 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; a member nominated by the Controller and approved by the Health Service Board, and three members of the San Francisco Health Service System, active or retired, elected from among their members. The plans (the "SFHSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "SFHSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The San Francisco Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the SFHSS Beneficiaries are funded. The San Francisco 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 on the SFHSS website or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the SFHSS website. The information available on such website is not incorporated in this Official Statement by reference.

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 "Other Post-Employment Benefits Trust Fund"). Thus, the Health Service Trust Fund is not currently affected by 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

According to the City Charter Section A8.428, the City's contribution towards SFHSS Medical Plans for active employees and retirees is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey and is used to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." 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 the Memoranda of Understandings negotiated through collective bargaining in June 2014, the 10-County Average was eliminated in the calculation of premiums for active employees represented by most unions, and exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be a reduction in the relative proportion of the projected increases in the City's contributions for healthcare, stabilization of the medical plan membership and maintenance of competition among plans. The contribution amounts are paid by the City into the Health Service Trust Fund. The 10-County Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by SFHSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in the Health Service Trust Fund. Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The San Francisco Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "– *Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries are also based on the negotiated methodologies found in most of the union agreements and, when applicable, the City contribution of the "10-County 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 10-County Average contribution, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the San Francisco 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 monthly contributions required for the first dependent.

City Contribution for Retirees

The City contributes the full employer contribution amount for medical coverage for eligible retirees who were hired on or before January 9, 2009. For retirees who were hired on or after January 10, 2009, there are five coverage / employer contribution classifications based on certain criteria outlined in the table below. In 2019, the provision for retirees who have at least 10 but less than 15 years of Credited Service with the Employers will apply for the first time.

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

Health Care Reform

The following discussion is based on the current status of the Patient Protection and Affordable Care Act (the "ACA"). Many attempts have been made to completely repeal the ACA, however full repeal has been unsuccessful thus far. Two pieces of legislation, passed by Congress in December 2017 and January 2018, respectively, have amended and repealed some of the fiscal requirements of the law.

In December 2017, Congress passed the Tax Cuts and Jobs Act (the "ACT"). The ACT eliminated the ACA's requirement which "zeroes out" the ACA individual mandate penalty effective beginning after December 31, 2018. This does not end the mandate, rather eliminates the tax penalty for violating the mandate. The ACA mandate that requires employers, with 50 or more full-time employees, to offer full-time workers ACA-compliant health coverage is still in place. Eligibility for health benefits is offered to employees who are employed, on average, at least 20 hours of service per week. In addition, the employer reporting obligations under the ACA remains unchanged. In January 2018, approximately 50,000 1095 forms were distributed to SFHSS members documenting compliance to this mandate.

The potential impact with the repeal of the individual mandate may: 1) increase uncompensated care costs, which is generally passed onto plan sponsors, employers and other payers, 2) destabilize the individual market leading to more employees and dependents electing high cost, limit duration COBRA benefits instead of buying coverage elsewhere, and 3) limit the opportunity for plan sponsors/employers to leverage the healthcare marketplace as a coverage vehicle for groups such as part-time employees or pre-65 retirees. In addition, the overall cost of heath care may increase as a result of changes in risk pools due to the young, heathy population not electing coverage.

On January 22, 2018 Congress approved the delay of three ACA taxes that impact SFHSS rates for medical coverage. The taxes are:

- **Excise Tax on High-cost Employer-sponsored Health Plans**

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

- **Health Insurance Tax ("HIT")**

  The ACA also imposed a tax on health insurance providers, which was passed on to employer sponsored fully-insured plans in the form of higher premiums. A moratorium on this tax was in place for 2017, and the spending bill passed by Congress in January 2018 includes another moratorium for 2019.

  The HIT tax is mandated for the 2018 plan year. The 2018 plan year premiums for Kaiser Permanente and City Health Plan (UHC) included the impact of the HIT tax which was estimated to cost the City $10.98 million. Late in 2016, Blue Shield and the California Department of Managed Health Care agreed that the HIT tax was not applicable to Blue Shield because SFHSS "flex funds" Blue Shield meaning that SFHSS is at risk directly for non-physician costs and thus it is not fully-insured. This resulted in a one-time refund for 2016 of $9.93 million which is applied to the 2018 rate stabilization reserve.

- **Medical Device Excise Tax**

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

  The Patient Centered Outcomes Research Institute ("PCORI") fee is still in place for 2018, however it sunsets in 2019. Beginning in 2013, the PCORI Fee was accessed at the rate of $2.00 per enrollee per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The 2018 PCORI fee is $2.39 per enrollee per year and was factored into the calculation of medical premium rates and premium equivalents for the 2018 plan year. The impact on the City is $0.31 million.

State Legislation

Beginning in 2019, the California Managed Care Organization (MCO) Tax will apply to all managed care plans which include the City's Blue Shield plans. The MCO tax was enacted by California Senate Bill X2-2 (Hernandez, Chapter 2. Statues 2016) effective for the taxing period spanning July 1, 2016 through June 30, 2019. The fee is $1.30 per covered life per month and in 2019 the obligation is expected to be $504,000 for the City and County of San Francisco.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. In addition, the Proposition requires employee hired on or before January 9, 2009 contribute 0.25% of compensation into the Retiree Health Care Trust Fund beginning July 1, 2016. The contribution requirement increases to 0.50% effective July 1, 2017, 0.75% effective July 1, 2018 and cap out at 1.00% on July 1, 2019. The San Francisco Health Service System is in compliance with Proposition C.

Employer Contributions for San Francisco Health Service System Benefits

For fiscal year 2016-17, based on the most recent audited financial statements, the San Francisco Health Service System received approximately $713.9 million from participating employers for San Francisco Health Service System benefit costs. Of this total, the City contributed approximately $604.5 million; approximately $165.4 million of this $604.5 million amount was for health care benefits for approximately 21,410 retired City employees and their eligible dependents and approximately $439.1 million was for benefits for approximately 31,905 active City employees and their eligible dependents.

The 2018 aggregate plan costs for the City increased by 3.28%. This is due to a number of factors including aggressive contracting by SFHSS that maintains competition among the City's vendors, implementing Accountable Care Organizations that reduced utilization and increased use of generic prescription rates and changing the City's Blue Shield plan from a fully-funded to a flex-funded product and implementing a narrow network. Flex-funding allows lower premiums to be set by the City's actuarial consultant, Aon, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. The flattening is anticipated to continue. In 2019, the aggregate plan costs for the City are estimated to increase 2.47%.

Post-Employment Health Care Benefits and GASB 45

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

Proposition A, passed by San Francisco voters on November 5, 2013, restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two of the three following conditions are met:

1. The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,

2. The City's retiree health care costs exceed 10% of the City's total payroll costs in a fiscal year. The Controller, Mayor, Trust Board and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City's total payroll cost. The payments are limited to no more than 10% of the City's account; or,

3. The Controller, Mayor, Trust Board and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements

The City was required to begin reporting the liability and related information for unfunded OPEBs in the City's financial statements for the fiscal year ending June 30, 2008. This 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, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability

The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. As of July 1, 2014, the most recent actuarial valuation date, the funded status of retiree health care benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability ("UAAL") of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

The difference between the estimated ("ARC") and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2016-17 annual OPEB cost was $401.4 million, of which the City funded $175.0 million which caused, among other impacts, the City's long-term liability to increase by $237.5 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(b) to the City's CAFR, as of June 30, 2017, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-year Trend
Fiscal Years 2012-13 to 2016-17[1]
(000s)

Fiscal Year	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
2012-13	$418,539	38.3%	$1,607,130
2013-14	353,251	47.2%	1,793,753
2014-15	363,643	46.0%	1,990,155
2015-16	326,133	51.8%	2,147,434
2016-17	401,402	43.6%	2,384,938

[1] Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.

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. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. In accordance with GASB 75, the City's actuarial analysis is updated every two years. As of June 30, 2017, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $187.4 million, an increase of 63% versus the prior year. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but is expected to grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2017 is approximately $187.4 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2014-15 to fiscal year 2019-20.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2014-15 through 2019-20[1]
(000s)

	2014-15 Actual	2015-16 Actual	2016-17 Actual	2017-18 Budget[4]	2018-19 Budget[5]	2019-20 Budget[5]
SFERS and PERS Retirement Contributions	$593,619	$531,821	$554,956	$597,176	$628,601	$642,174
Social Security & Medicare	171,877	184,530	196,914	207,108	215,164	220,733
Health - Medical + Dental, active employees [2]	383,218	421,864	459,772	480,956	508,108	548,119
Health - Retiree Medical [2]	146,164	158,939	165,822	180,975	186,742	195,613
Other Benefits [3]	18,439	20,827	21,388	29,145	21,229	50,384
Total Benefit Costs	$1,313,318	$1,317,981	$1,398,852	$1,495,360	$1,559,844	$1,657,023

[1] Fiscal year 2014-15 through fiscal year 2016-17 figures are audited actuals.
[2] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.
[3] "Other Benefits" includes unemployment insurance premiums, life insurance and other miscellaneous employee benefits.
[4] Fiscal year 2017-18 will be available upon release of the fiscal year 2017-18 CAFR.
[5] Figures for fiscal years 2018-19 and 2019-20 are Original Budget amounts.

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

INVESTMENT OF CITY FUNDS

Investment Pool

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

Investment Policy

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

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

Investment Portfolio

As of June 30, 2018, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

City and County of San Francisco
Investment Portfolio
Pooled Funds
As of June 30, 2018

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$1,085,000,000	$1,075,080,435	$1,069,988,408
Federal Agencies	4,976,915,000	4,973,704,498	4,922,493,983
State and Local Obligations	191,080,228	192,862,253	189,487,372
Public Time Deposits	25,240,000	25,240,000	25,240,000
Negotiable Certificates of Deposit	2,187,838,000	2,187,838,000	2,188,602,355
Commercial Paper	927,000,000	917,442,780	922,170,924
Medium Term Notes	98,463,000	98,357,441	98,173,583
Money Market Funds	407,022,866	407,022,866	407,022,866
Supranationals	782,262,000	778,498,288	773,679,833
Total	$10,680,821,094	$10,656,046,561	$10,596,859,324

June 2018 Earned Income Yield: 2.01%

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

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TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of June 30, 2018

Maturity in Months			Par Value	Percentage
0	to	1	$1,514,472,866	14.2%
1	to	2	422,000,000	4.0%
2	to	3	463,000,000	4.3%
3	to	4	649,000,000	6.1%
4	to	5	375,000,000	3.5%
5	to	6	491,545,000	4.6%
6	to	12	1,920,667,000	18.0%
12	to	24	2,040,915,000	19.1%
24	to	36	1,656,011,228	15.5%
36	to	48	766,635,000	7.2%
48	to	60	381,575,000	3.6%
			$10,680,821,094	100.0%

Weighted Average Maturity: 466 Days

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

Further Information

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

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2017 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2017," 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 legislation requires that the City develop and adopt a 10 year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City's capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

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

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2018-2027 Capital Plan was approved by the CPC on February 27, 2017, and was adopted by the Board of Supervisors in April 2017. The Capital Plan contains $35.2 billion in capital investments over the coming decade for all City departments, including $5.25 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.9 billion for General Fund pay-as-you-go capital projects over the next 10 years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2023-24. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, and fire facilities; improvements to homeless service sites; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the relocation of public health staff and services to improved spaces, among other capital projects. $2.1 billion of the capital projects of General Fund supported departments are expected to be financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends $18.9 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments and the Sewer System Improvement Program, among others. Approximately $12.3 billion of enterprise fund department capital projects are anticipated to be financed with revenue bonds. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund and other sources.

While significant investments are proposed in the City's adopted Capital Plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $4.6 billion in capital needs including enhancements are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. The late Mayor Edwin Lee convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

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

Tax-Supported Debt Service

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 August 1, 2018, the City had approximately $2.48 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of August 1, 2018 [1] [2]

Fiscal Year	Principal	Interest	Annual Debt Service
2018-19[3]	$235,390,545	$95,065,892	$330,456,437
2019-20	139,126,232	93,933,252	233,059,484
2020-21	138,365,457	87,917,066	226,282,523
2021-22	145,103,401	81,593,303	226,696,704
2022-23	149,575,251	74,875,636	224,450,887
2023-24	153,006,206	67,762,310	220,768,516
2024-25	154,731,476	60,452,314	215,183,790
2025-26	150,921,279	53,210,200	204,131,479
2026-27	157,080,840	46,508,995	203,589,835
2027-28	162,674,035	39,874,779	202,548,814
2028-29	163,776,751	33,430,898	197,207,649
2029-30	160,805,094	26,830,558	187,635,652
2030-31	123,526,950	20,469,219	143,996,169
2031-32	127,655,000	16,033,541	143,688,541
2032-33	93,940,000	11,510,799	105,450,799
2033-34	70,545,000	8,019,895	78,564,895
2034-35	62,900,000	5,464,844	68,364,844
2035-36	41,440,000	3,214,796	44,654,796
2036-37	29,740,000	1,756,985	31,496,985
2037-38	19,730,000	717,223	20,447,223
TOTAL [4]	$2,480,033,517	828,642,505	$3,308,676,022

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

[2] Totals reflect rounding to nearest dollar.

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

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

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

General Obligation Bonds

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

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 was 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 August 2015, the City issued $24.0 million in Series 2015A taxable general obligation bonds under the Seismic Safety Loan Program authorization. On November 8, 2016, voters approved Proposition C, authorizing the use of Seismic Safety Bond Program to fund the purchase and improvement of buildings in need of safety upgrades in order to convert them into affordable housing.

In February 2008, voters approved Proposition A (the "2008 Parks Proposition") that 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 the 2008 Parks Proposition in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $60.4 million in March 2010 and the third series in the amount of approximately $73.4 million in March 2012. The City issued the fourth and final series in the amount of approximately $8.7 million in January 2016.

In June 2010, voters approved Proposition B (the "2010 ESER Proposition"), which authorized the issuance of up to $412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under the 2010 ESER Proposition in the amount of $79.5 million in December 2010 and the second series of bonds in the amount of $183.3 million in March 2012. The City issued the third series in the amount of approximately $38.3 million in August 2012 and the fourth series of bonds in the amount of $31.0 million in June 2013, and the fifth series in the amount of $54.9 million was issued in October 2014. The final series was issued in June 2016 in the amount of approximately $25 million.

In November 2011, voters approved Proposition B (the "2011 Roads & Streets Proposition"), which authorized the issuance of up to $248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under the 2011 Roads & Streets Proposition in the amount of approximately $74.3 million in March 2012 and the second series of bonds in the amount of $129.6 million in June 2013. The City issued the final series in June 2016 in the amount of approximately $109 million.

In November 2012, voters approved Proposition B (the "2012 Parks Proposition"), which authorized the issuance of up to $195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under the 2012 Parks Proposition in the amount of approximately $71.9 million in June 2013. The City issued the second series of bonds in the amount of $43 million in January 2016. The third series of bonds under the 2012 Parks Proposition authorization was issued in April 2018 in the amount of approximately $76.7 million.

In June 2014, voters approved Proposition A (the "2014 ESER Proposition"), which authorized the issuance of up to $400.0 million in general obligation bonds to improve fire, earthquake and emergency response by improving and/or replacing deteriorating cisterns, pipes, and tunnels, and related facilities to ensure firefighters a reliable water supply for incurring indebtedness of fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically unsafe police and medical examiner facilities with earthquake-safe buildings and to pay related costs . The City issued the first series of bonds under the 2014 ESER Proposition authorization in the amount of $100.7 million in October 2014 and the second series of bonds in the amount of $109.6 million in April 2016. The third and final series was issued in May 2018 in the amount of $189.7 million.

In November 2014, voters approved Proposition A (the "2014 Transportation Proposition"), which authorized the issuance of up to $500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs. The City issued the first series of bonds under the 2014 Transportation Proposition in the amount of approximately $67 million in June 2015. The second series of bonds under the 2014 Transportation Proposition authorization was issued in April 2018 in the amount of approximately 174.4 million.

In November 2015, voters approved Proposition A (the "2015 Affordable Housing Proposition") which authorized the issuance of up to $310 million in general obligation bonds to provide funds to finance the construction, development, acquisition and preservation of housing affordable to low- and middle-income households and to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings to prevent the eviction of long-term residents; to repair and reconstruct dilapidated public housing; to fund a middle-income rental program; and to provide for homeownership down payment assistance opportunities for educators and middle-income households. The City issued the first series of bonds under the 2015 Affordable Housing Proposition in the amount of approximately $75 million in October 2016. The second series was issued in May 2018 in the amount of $142.1 million.

In June 2016, voters approved Proposition A (the "2016 Public Health & Safety Proposition"), which authorized the issuance of up to $350 million in general obligation bonds to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety and emergency medical response; to seismically improve, and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility; and to pay related costs. The City issued the first series of the bonds under the 2016 Public Health & Safety Proposition authorization in the amount of approximately $173.1 million in February 2017. The second series was issued in May 2018 in the amount of $49.9 million.

Refunding General Obligation Bonds

The Board of Supervisors adopted and the Mayor approved Resolution No. 272-04 in May of 2004 (the "2004 Resolution"). The 2004 Resolution authorized the issuance of $800.0 million of general obligation refunding bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's outstanding General Obligation Bonds. On November of 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance $1.356 billion of general obligation refunding bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City. The City has issued [four] series of refunding bonds, of which three series remain currently outstanding, under the Refunding Resolutions, as shown in Table A-23 below.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds
As of August 1, 2018

Series Name	Date Issued	Principal Amount Issued	Amount Outstanding
2008-R1	May 2008	$232,075,000	$5,110,000
2008-R2	May 2008	39,320,000	-
2011-R1	November 2011	339,475,000	176,360,000 [1]
2015-R1	February 2015	293,910,000	248,035,000 [2]

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

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

Table A-24 below lists for each of the City's voter-authorized general obligation bond programs the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of August 1, 2018, the City had authorized and unissued general obligation bond authority of approximately $742 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds
As of August 1, 2018

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$20,093,517	
	2015A	24,000,000	24,000,000	$260,684,550
Clean & Safe Neighborhood Parks (2/5/08)	2010B	24,785,000	2,610,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	48,035,000	
	2016A	8,695,000	7,520,000	
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	5,525,000	
	2010A	120,890,000	12,735,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	155,825,000	
	2014A	209,955,000	161,730,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	40,815,000	
	2012A	183,330,000	121,625,000	
	2012E	38,265,000	29,925,000	
	2013B	31,020,000	17,540,000	
	2014C	54,950,000	41,925,000	
	2016C	25,215,000	22,370,000	
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	49,175,000	
	2013C	129,560,000	73,205,000	
	2016E	44,145,000	39,155,000	
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	40,680,000	
	2016B	43,220,000	24,400,000	
	2018A	76,710,000	46,485,000	3,100,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	76,780,000	
	2016D	109,595,000	75,465,000	
	2018C	189,735,000	189,735,000	
Transportation and Road Improvement (11/4/14)	2015B	67,005,000	43,665,000	
	2018B	174,445,000	105,715,000	258,550,000
Affordable Housing Bond (11/3/15)	2016F	75,130,000	50,795,000	
	2018D	142,145,000	142,145,000	92,725,000
Public Health and Safety Bond (6/7/16)	2017A	173,120,000	121,450,000	
	2018E	49,955,000	49,955,000	126,925,000
SUB TOTALS		$3,018,195,450	$2,050,528,517	$741,984,550
General Obligation Refunding Bonds:				
Series 2008-R1 issued 5/29/08		232,075,000	5,110,000	
Series 2011-R1 issued 11/9/12		339,475,000	176,360,000	
Series 2015-R1 issued 2/25/15		293,910,000	248,035,000	
SUB TOTALS		865,460,000	429,505,000	
TOTALS		$3,883,655,450	$2,480,033,517	$741,984,550

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

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

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 financings expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-25 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 August 1, 2018. The annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of August 1, 2018

Fiscal Year	Principal	Interest	Annual Payment Obligation
2018-19	63,300,000	62,426,217	125,726,217
2019-20	49,115,000	59,788,198	108,903,198
2020-21	57,800,000	57,310,890	115,110,890
2021-22	58,210,000	54,742,504	112,952,504
2022-23	60,795,000	52,119,175	112,914,175
2023-24	62,995,000	49,374,771	112,369,771
2024-25	63,325,000	46,505,114	109,830,114
2025-26	63,810,000	43,645,624	107,455,624
2026-27	66,820,000	40,628,011	107,448,011
2027-28	68,180,000	37,474,005	105,654,005
2028-29	71,360,000	34,218,461	105,578,461
2029-30	71,870,000	30,826,226	102,696,226
2030-31	64,020,000	27,588,665	91,608,665
2031-32	53,780,000	24,737,593	78,517,593
2032-33	54,755,000	22,446,642	77,201,642
2033-34	57,130,000	19,918,261	77,048,261
2034-35	45,615,000	17,650,673	63,265,673
2035-36	44,865,000	15,599,242	60,464,242
2036-37	43,915,000	13,589,230	57,504,230
2037-38	45,705,000	11,612,665	57,317,665
2038-39	47,555,000	9,553,956	57,108,956
2039-40	49,500,000	7,407,472	56,907,472
2040-41	51,515,000	5,172,668	56,687,668
2041-42	45,550,000	3,007,611	48,557,611
2042-43	10,125,000	1,242,000	11,367,000
2043-44	8,555,000	818,000	9,373,000
2044-45	8,895,000	475,800	9,370,800
2045-46	1,470,000	120,000	1,590,000
2046-47	1,530,000	61,200	1,591,200
TOTAL [2]	$1,392,060,000	$750,060,874 [3]	$2,142,120,874

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

[2] Totals reflect rounding to nearest dollar.

[2] For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

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

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, with such amount increasing by five percent each fiscal year. As of August 1, 2018 the total authorized amount for such financings was $73.7 million. The total principal amount outstanding as of August 1, 2018 was $890 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 March 2000, voters approved Proposition C, which extended a two and one half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. 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. The City intends to issue refunding lease revenues bonds for the remaining outstanding amounts of the Series 2006 and Series 2007 Open Space Fund lease revenue bonds in August 2018.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continued the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorized the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009. The City intends to issue refunding lease revenues bonds for the remaining outstanding amounts of the Series 2009A Branch Library Improvement Project lease revenue bonds in August 2018.

Commercial Paper Program

In March of 2009, the Board authorized and the Mayor approved a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 1 and 1-T and Series 2 and 2-T (the "Original CP Program"). Commercial Paper Notes (the "CP Notes") are issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term or other take-out financing to be issued when market conditions are favorable. Projects are eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. The original Series 1 and 1-T and Series 2 and 2-T letters of credit issued in 2010 by J.P. Morgan Chase Bank, N.A. and U.S. Bank National Association were scheduled to expire in June of 2016. In May of 2016, the City obtained renewal credit facilities to secure the CP Notes from: (i) State Street Bank and Trust Company (with a maximum principal amount of $75 million) and (ii) U.S. Bank National Association (with a maximum principal amount of $75 million). These credit facilities expire in May of 2021.

In July of 2013, the Board authorized and the Mayor approved an additional $100.0 million of Lease Revenue Commercial Paper Certificates of Participation, Series 3 and 3-T and Series 4 and 4-T (the "Second CP Program" and together with the Original CP Program, the "City CP Program") that increased the total authorization of the City CP Program to $250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring in February of 2019.

As of August 1, 2018, the outstanding principal amount of CP Notes is $36.5 million. The weighted average interest rate for the outstanding CP Notes is approximately 1.67%.

Transbay Transit Center Interim Financing

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

The Short-Term Certificates consist of $160 million of direct placement revolving certificates with Wells Fargo, expiring in January of 2020 and $100 million of direct placement revolving certificates with Bay Area Toll Authority expiring September 1, 2021.

As of August 1, 2018, the TJPA had drawn a total of $103,000,000 from the Wells Fargo financing facility, at a current interest rate of 2.64%.

Board Authorized and Unissued Long-Term Obligations

In October of 2013, the Board authorized and the Mayor approved the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure island. It is anticipated that a portion of these certificates will be issued in the summer of 2019.

In November 2016, the Board authorized and the Mayor approved the issuance of not to exceed $60.5 million of City and County of San Francisco Certificates of Participation (Animal Care and Control Renovation Project) to finance the costs acquisition, construction, and improvement of an animal care and control facility. The City anticipates issuing the certificates in the summer of 2019.

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

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of August 1, 2018 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.

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TABLE A-26

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

As of August 1, 2018

2018-19 Assessed Valuation (net of non-reimbursable & homeowner exemptions):		$259,329,479,498
DIRECT GENERAL OBLIGATION BOND DEBT		
General City Purposes Carried on the Tax Roll		$2,480,033,517
GROSS DIRECT DEBT		$2,480,033,517
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco Finance Corporation, Equipment LRBs Series 2013A		$890,000
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1		8,545,000
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2		91,800,000
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007		40,760,000
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A		25,975,000
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)		119,130,000
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)		30,075,000
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt		19,835,000
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs		129,550,000
San Francisco Refunding Certificates of Participation, Series 2010A		100,575,000
San Francisco COPs, Refunding Series 2011AB (Moscone)		25,515,000
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)		35,460,000
San Francisco COPs, Series 2013BC Port Facilities		31,170,000
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)		35,150,000
San Francisco COPs, Series 2015AB War Memorial Veterans Building Seismic Upgrade and Improvements		125,295,000
San Francisco Refunding COPs, Series 2015-R1 (City Office Buildings-Multiple Properties Project)		118,100,000
San Francisco COPs, Series 2016A War Memorial Veterans Building Seismic Upgrade and Improvements		14,305,000
San Francisco COPs Series 2017A (Hope SF)		27,575,000
San Francisco COPs Series 2017B (Moscone Convention Center Expansion)		412,355,000
LONG-TERM OBLIGATIONS		$1,392,060,000
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS		$3,872,093,517
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District		$510,000
San Francisco Bay Area Rapid Transit District Sales Tax Revenue Bonds (29.27%)		148,123,091
San Francisco Bay Area Rapid Transit District General Obligation Bonds (34.14%)		276,417,924
San Francisco Community College District General Obligation Bonds (2001, 2005)		231,675,000
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds (2011)		27,715,000
San Francisco Redevelopment Agency Obligations (Property Tax Increment)		870,794,677
San Francisco Redevelopment Agency Obligations (Special Tax Bonds CFD #4, #6, #7)		182,261,505
Association of Bay Area Governments Obligations Special Tax Bonds, Series 2004-1, 2006-1, 2006-1		18,140,000
Special Tax District No. 2009-1 Improvement Area 1, 2 SF Sustainable Financing		2,906,624
San Francisco Unified School District General Obligation Bonds (2003, 2006, 2011, 2015R, 2016, 2017)		968,915,000
San Francisco Community Facilities District No. 2014-1 (Transbay Transit Center) Series 2017A, 2017B		207,500,000
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		$2,934,958,821 [3]
GROSS COMBINED TOTAL OBLIGATIONS		$6,807,052,338 [1]
Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	0.96%	< 3.00% [2]
Gross Direct Debt & Long-Term Obligations	1.49%	n/a
Gross Combined Total Obligations	2.62%	n/a

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

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

3 Does not include CCSF Lease Revenue Direct Placement Revolving COPs (Transbay Interim Financing)

MAJOR ECONOMIC DEVELOPMENT PROJECTS

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

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

The Hunters Point Shipyard Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 15,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with 375 completed units and 198 units currently under construction. An additional 478 units are expected to begin construction in 2018. On Candlestick Point, 306 housing units are now complete which includes a mix of public housing replacement and new, affordable units, with an additional 31 units in construction. In 2016, horizontal infrastructure construction commenced to support additional residential and commercial development; designs for approximately 1260 housing units, 220 hotel rooms, and a 62,000 square-foot film and arts center are currently underway.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 2,173 of which will be offered at below-market rates; up to 500 hotel rooms; an expanded marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plan includes green building standard, best practices in low-impact development, and sea level rise adaptation strategies.

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

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,500 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 70% complete. Over 5,646 units have been completed with an additional 262 units under construction, along with several new parks. In the past 6 months, a 119-unit affordable housing project and a 250 room have broken ground.

Mission Bay Blocks 29-32– Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association team, is developing a multipurpose recreation and entertainment venue and associated development in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors project includes a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have restaurants, retail, office space, bike valet, public plazas and a limited amount of parking. Environmental review has been completed for the site, and was upheld in a November 2016 decision. The project began construction in January 2017 and the event center is scheduled to open in time for the 2019-2020 basketball season.

Transbay Transit Center

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Salesforce Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the transit center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Salesforce Transit Center. The Transbay Program will replace the former Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The Salesforce Transit Center broke ground on August 11, 2010 and is scheduled to open in August 2018. Demolition of existing structures on the site was completed in August 2011.

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

The 10 acres of property formerly owned by the State surrounding the Transbay Transit Center is being redeveloped with plans for 3,300 new homes, 1,300 to be affordable below-market rate homes, over 2.4 million square feet of new office space, over 9 acres of new parks and open space, and a new retail boulevard on Folsom Street. Of the parcels over which OCII has jurisdiction, three parcels are fully complete and seven parcels are in various stages of development and pre-development. Four of those parcels are currently under construction and will provide over 1,400 housing units and 760,000 of commercial space within the next 2 years. The sale of various sites has generated more than $600 million in funding for construction of the Transbay Transit Center.

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

Mission Rock is a mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 28 acres. The development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; approximately 1,500 new rental housing units, 40 percent of which will be affordable to low- and moderate-income households; 1.0 to 1.4 million square feet of commercial space; 250,000 square feet of restaurant and retail space, approximately 3,000 parking spaces within a dedicated parking structure which will serve patrons of AT&T Park as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48.

On November 3, 2015, 74% of San Francisco voters approved the Mission Rock Affordable Housing, Parks, Jobs and Historic Preservation Initiative (Proposition D), which authorized increased height limits on the Project Site. Environmental review for the project was successfully completed in October 2017. The Port Commission approved the project's CEQA findings and transaction documents in January 2018 and the Mayor signed legislation approving the project and all associated transaction documents in March 2018. On In April 2018, State Lands Commission made determinations required under California statutes regarding the Mission Rock development. Site preparation and ground improvement work is planned for Fall 2019, and full project buildout is anticipated to occur in four phases over 15 to 30 years.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site; and needed infrastructure and site remediation. The Port, which controls Pier 70, OEWD, in its capacity as lead City negotiator, and the City's development partner, Forest City, completed project approvals in February 2018 for new mixed-use neighborhood on a 28-acre portion of Pier 70 known as the Waterfront Site. Approvals included: passage of Proposition F by San Francisco voters in November 2014 – the Union Iron Works Historic District Housing, Waterfront Parks, Jobs, and Preservation Initiative – which allowed for an increase in height limits on the Waterfront Site to up to 90 feet; Mayoral signature on legislation approving the project in late 2017; and State Lands Commission action on the project in February 2018.

The Special Use District for the neighborhood includes 9 acres of parks, 1,600 to 3,000 residential units and 30% affordable housing, rehabilitation and reuse of three historic buildings in the Union Iron Works Historic District, almost 500,000 square feet of retail, arts, and light industrial space, 1.1 to 1.7 million square feet of commercial office. The project is anticipated to be developed in 3 phases over 15 to 25 years. The Forest City team has submitted its phase 1 application, and Phase I broke ground in 2018.

Moscone Convention Center Expansion Project

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

In addition to adding new rentable square footage, the project architects propose an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance from Third Street and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would forego up to $2 billion in revenue over the next decade if Moscone were not expanded. The project allows the City to recover approximately $734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013 and the Planning Commission unanimously approved the project on August 15, 2014. On July 6, 2017, the City issued $412 million in Certificates of Participation for the Moscone Convention Center Expansion Project, and there are no plans to issue any subsequent certificates for the expansion project. Project development began in December 2012, with major construction starting in November 2014. The project is expected to reach completion by the end of 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

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

Article XIIIA of the California Constitution

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

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

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

Article XIIIB of the California Constitution

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

Articles XIIIC and XIIID of the California Constitution

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

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

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

Article XIIID contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIIID) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in

1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

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 under Proposition 62 may not be significant. 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.

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

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

Proposition 22

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

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

Proposition 26

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

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

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

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

Future Initiatives and Changes in Law

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

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

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 18 to the City's CAFR as of June 30, 2017, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not materially impair the ability of the City to pay debt service on the Bonds, its General Fund lease or other debt obligations, nor have a material adverse impact on City finances.

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

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

In addition to the Lehman Lawsuit, the City is named as a defendant in a lawsuit filed by the owners of a single unit, the Montana Lawsuit, San Francisco Superior Court Case No. 17-558649, and in a lawsuit filed by owners of multiple units, Case No. 17-559210, the Ying Lawsuit. The Montana and Ying Lawsuits contain the same claims as the Lehman Lawsuit. The City continues to evaluate the lawsuits, and the subject matter of the lawsuits, and is engaged in discovery, but cannot now make any prediction as to the outcome of the lawsuits, or whether the lawsuits, if determined adversely to the TJPA or the City, would have a material adverse impact on City finances.

Risk Management Program

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

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

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

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

The City's estimated liability and workers' compensation risk exposures are summarized in Note 18 to the City's CAFR, attached to this Official Statement as Appendix B.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY AND COUNTY OF SAN FRANCISCO
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2017

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, 2017

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- Controller's Letter of Transmittal
- Certificate of Achievement - Government Finance Officers Association
- City and County of San Francisco Organization Chart
- List of Principal Officials

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CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

December 29, 2017

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2017, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

KEY FINANCIAL REPORT SECTIONS:

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

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

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

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

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

An educated workforce and easy access to transit and financial capital continue to drive business investment in the City. San Francisco's economy has fully recovered losses from the most recent recession, and growth continues to outpace that of the state and national economies. The City's unemployment rate in fiscal year 2016-17 remained nearly constant at a rate of 3.1%, a drop of 0.3% from the prior fiscal year's rate of 3.4%. In comparison, average unemployment rates for California and the nation for fiscal year 2016-17 stood at 5.1% and 4.7%, respectively. The low unemployment rate is due to continued strength in the labor market as opposed to people dropping out of the labor force. In fiscal year 2016-17, private nonfarm employment in the San Francisco Metropolitan Division grew 3.1% over the prior fiscal year, compared to 2.1% growth for the state overall.

The resident population also continued to grow, reaching a new historical high of 870,887 in 2016 according to the U.S. Census Bureau. This represents a 1.0% increase versus the prior year, and cumulative growth of 102,237 or 13.3% over the last decade.

Key indicators of the City's real estate market have shown marked improvement over the past fiscal year. Commercial rents and median home prices increased to new historical highs. The monthly per square foot rental rates for commercial space grew to $73.71 in fiscal year 2016-17, a 5.1% increase versus the prior year. The average median home price in the fiscal year grew to an annual high of $1,156,233, up 2.8% from the previous fiscal year.

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. A large amount of private construction was completed or underway during the last fiscal year, with 4,745 housing units completed and 7,101 additional units under construction at the end of the fiscal year. Building permits for nearly 5.5 million square feet of construction were issued during the year. Much of this development is shaped by major area planning efforts that the City has completed in recent years, including in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. The City has also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced.

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

San Francisco's Budgetary Process

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

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. As of fiscal year 2016-17 there were seven departments on a two-year fixed budget.

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

Internal and Budgetary Controls

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

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

Pension and Retiree Health Trust Fund Operations

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

Funding Purposes – The most recent actuarial valuation report for the SFERS pension plan, dated July 1, 2016, estimates the unfunded actuarial accrued liability at $3.75 billion, an increase of $432 million from the previous actuarial valuation dated July 1, 2015. And the valuation report estimates the plan to be 84.6% funded, down from 85.6%.

Financial Reporting – As of June 30, 2017, for financial reporting purposes, the City's net pension liability for SFERS is $5.48 billion, an increase of $3.32 billion from the previous year. SFERS's fiduciary net position as a percentage of total pension liability, which is comparable to the funding ratio mentioned above decreased from 89.9% to 77.6%.

The City's unfunded retiree health benefit liability has been calculated at $4.21 billion as of July 1, 2014. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning in fiscal year 2016-17, employees hired before January 10, 2009 started contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary and rising to 2.0% of salary by fiscal year 2019-20. As of June 30, 2017, the Trust Fund had a net position of $187.4 million, an increase of 63% versus the prior year. Given increasing pay-as-you-go and prefunding contributions and reductions in the benefit level for recently-hired employees, the City expects to fund the Annual Required Contribution (ARC) by fiscal year 2019-20.

General Fund Financial Position Highlights

The City's General Fund financial position continued to post significant improvement during this most recent fiscal year, continuing trends from recent years.

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2016-17 at $1.87 billion, up $441.5 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2016-17, rising to a new year-end peak of $2.14 billion, up $421.3 million from June 30, 2016.

The General Fund rainy day and budget stabilization reserves grew to $448.9 million at the end of fiscal years 2016-17, an increase of $150.4 million compared to prior year.

The majority of fund balance available for appropriation on a budgetary basis totaled $545.9 million or $14.4 million more than had been previously projected and appropriated by the Mayor and Board as a source in the adopted two-year budget for fiscal years 2017-18 and 2018-19.

Key Government Initiatives

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

Improving the City's Public Transportation Systems

San Francisco is ideally situated to serve the Bay Area's need to rapidly bring a large numbers of workers into a transit-accessible employment center, and efficiently navigate the dense City on foot, mass transit, taxi or bicycle.

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet a portion of this regional need. The center is designed to provide expanded bus, commuter train, and ultimately high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The

$2.3 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources; including federal stimulus funding, land sale proceeds, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site. In order to meet cash flow needs of the project, an interim financing plan not to exceed $260 million was approved by both the City and the authority in fiscal year 2015-16. This interim financing will be provided by the City and is secured against special tax revenues generated by future private developments in the area immediately surrounding the terminal.

The City is currently constructing the Central Subway project, the second phase of a program designed to create a light-rail line running from Chinatown, under the heart of downtown, and connecting to the most-recent extension of the light-rail system to the Southeast portion of the City. The subway will connect to Bay Area Rapid Transit (BART) and Caltrain, the region's two largest regional commuter rail services. The Central Subway project, with an estimated budget of $1.6 billion and a targeted completion date of 2019, is estimated to provide approximately 35,000 daily boardings at four stations along the new 1.7 mile line. Once in active service in 2019, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City is also implementing a street repair and improvement program, funded with a $248 million general obligation bond, as well as state and local revenue sources. Under this program, over 2,500 blocks are expected to be repaved or preserved, 1,900 curb ramps for disabled access will be constructed, and over 125,000 square feet of public sidewalk will be repaired. In commercial corridors, and along busy routes, the program is enabling the City to build complete streets that enhance pedestrian and bicycle safety and enhance the vibrancy of urban neighborhoods. The program also provides funds to rehabilitate existing traffic signal infrastructure and allow transit signal priority along key transit routes, improving transit efficiency and relieving traffic congestion. During the last two years, the City has repaved or maintained more than 1,400 blocks, built 3,400 curb ramps, made 40 structural repairs, inspected and repaired more than 525,000 square feet of sidewalk.

These improvements to the City's transportation infrastructure will be accelerated given voter approval of a $500 million general obligation bond in November 2014, the first of four funding measures recommended by a Mayoral taskforce convened during fiscal year 2013-14 to prioritize critical transportation infrastructure projects and recommend funding strategies to meet these needs. Projects planned for the bond include investments designed to improve reliability and travel time on mass transit, improve pedestrian safety, improve accessibility, and address priority deferred maintenance needs.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2016-17 as part of an approved $7.4 billion capital plan. Projects in construction include the $2.3 billion renovation of Terminal 1, a new long-term parking garage, a consolidated administrative campus, an on-Airport hotel and an extension of the AirTrain system. These projects are necessitated by the continued growth in passenger volumes at SFO, which has experienced eight consecutive years of passenger growth, and served a record number of passengers in fiscal year 2016-17. SFO accounts for 91% of international air travel and 69% of all air travel into the Bay Area.

Investing in Affordable Housing

In November 2015, San Francisco voters approved an Affordable Housing Bond, which authorized the issuance of up to $310 million to fund the construction, development, acquisition, and preservation of affordable housing, including acquisition, rehabilitation, and preservation of affordable rental apartment buildings, the repair and reconstruction of public housing, and funding for middle-income rental and down payment assistance programs.

Completing Critical Infrastructure Upgrades for Water, Power, and Sewer Services

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

As of the end of fiscal year 2016-17, the City was over 94% complete with a $4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco counties, collectively serving some 2.6 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

The PUC is also underway with a $7.0 billion, three-phased 20-year program to upgrade of the City's wastewater infrastructure, the Sewer System Improvement Program (SSIP). The first phase, totaling $2.7 billion, includes $1.7 billion in improvements to the Southeast Treatment Plant and funding for sustainable, green infrastructure and urban watershed assessment projects to minimize stormwater impact on the sewer system. The SSIP will upgrade the City's combined sewer system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, today many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

Hetch Hetchy Water and Power, which includes upcountry water operations and the City's power enterprise, is in the midst of an upcountry rehabilitation program for its aging reservoirs, powerhouses, switchyards, pipelines, tunnels and in-city power assets. Upcountry water and power facilities are being assessed and rehabilitated where needed, including investments in reservoirs, powerhouses, switchyards, and substations, 170 miles of pipelines and tunnels, 160 miles of transmission lines, watershed land, and right-of-way property. Improvements in San Francisco include piloted replacement of old, outdated streetlight fixtures and poles with modern, energy-efficient ones. These new fixtures will have wireless controls, enabling the City to achieve cost-efficiency and higher performance through the ability to monitor and control them remotely. Over the next ten years, $1.2 billion of critical infrastructure investment is planned.

Expanding Access to Healthcare

Public health and human services are important to the long-term health and well-being of City residents, and to the overall productivity of the City's 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.

January 2014 marked the beginning of full-scale implementation of the Affordable Care Act (ACA), including the launch of Covered California and the Medi-Cal expansion. In preparation, the City conducted extensive outreach through various agencies, and the Department of Public Health (DPH) created the San Francisco Health Network, consolidating the department's full continuum of direct health care services. The San Francisco Health Network is an integrated health care delivery system that improves the department's ability to provide and manage care for insured patients that select our network, organize the elements of the delivery system, improve system efficiency, and improve the patient experience.

Cumulatively, over 140,000 San Franciscans have enrolled in new health insurance options since the launch of the Affordable Care Act (ACA) in 2014, including more than 78,000 through the expansion of Medi-Cal and over 62,000 through Covered California. Paralleling the increased insurance enrollment is a continued reduction in enrollment in Healthy San Francisco, the City's health access program for the uninsured, which declined from nearly 58,000 participants prior to ACA implementation to nearly 13,500 as of July 2017. However, Healthy San Francisco does not account for all uninsured San Franciscans, and the City estimates that 30,000 to 35,000 residents continue to remain without insurance. The residually uninsured include those ineligible for the insurance expansions offered under the ACA and those who are eligible but who, for a variety of reasons, do not enroll. The City will continue to be a key provider of safety net services for these individuals.

While not successful to date, efforts in Congress to repeal or replace the ACA could cause a significant loss of healthcare coverage for San Franciscans and a loss of revenue for DPH. The adopted fiscal year

2017-18 budget establishes a $50 million management reserve to begin preliminary efforts to plan for these future potential losses.

Modernizing the City's 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, including the most recent approval in November 2012 of a $195 million general obligation bond for improvements to neighborhood parks. Once implemented, the City will have completed substantial renovations of 13 recreation centers, 52 playgrounds, and 9 swimming pools during a ten-year period.

Delivering Public and Private Waterfront Improvements

The Port of San Francisco, a department of the City, is custodian to seven and one-half miles of maritime industrial and urban waterfront property. The City utilizes public-private partnerships to marshal private sector creativity and financial resources to rehabilitate historic Port assets or develop new facilities for maximum public benefit. Public-private partnerships complement the City's public works project-delivery mechanism, which has been used to deliver many waterfront projects. Development opportunity areas are identified and guided by the Port of San Francisco Waterfront Land Use Plan, which was initially adopted in 1997 and is in a public planning update process expected to conclude with policy recommendations for key waterfront subareas in 2017-18. The Seawall Resiliency Project is a major City and Port effort to improve safety and resilience of the historic Embarcadero waterfront. The Project's objective is to plan, design, and implement the most critical improvements over the next decade, and, along with the Waterfront Land Use Plan, provide the framework for ensuring a disaster resilient waterfront by 2040, a major goal of the City's Resilient San Francisco Plan.

Improving Earthquake Safety and Preparedness and Public Health

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

In June 2016, the voters of San Francisco approved a $350 million Public Health and Safety Bond to provide funds to improve critical public health infrastructure, including neighborhood fire stations as well as community and mental health care facilities. The bond funds will also be used to build a seismically upgraded ambulance deployment center and make improvements to homeless service sites.

Other Long-Term Financial Challenges Remain

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

While significant investments are proposed in the City's adopted ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $11 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades.

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other postemployment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial accrued liabilities of $7.96 billion for these benefits, comprised of $4.21 billion for retiree health obligations and $3.75 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, further progress is still needed. Economic stabilization reserves have grown significantly during the last four fiscal years, exceeding pre-recession peaks in the prior year. By the end of the fiscal year, these reserves were funded up to 9.0% of discretionary General Fund revenues, which is below the adopted target of 10%. Further progress towards the targeted level in future fiscal years will allow the City to better weather inevitable negative variances that will be driven by future economic volatility.

OTHER INFORMATION:

Independent Audit

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

Award for Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2016. This was the 35th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. 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

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco

California

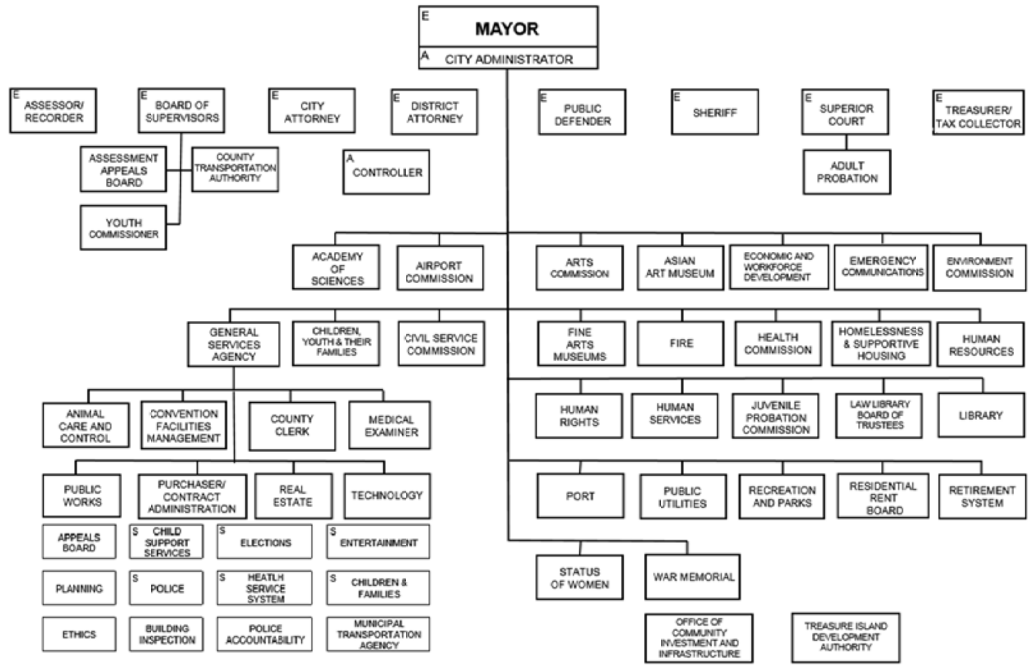
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Executive Director/CEO

City and County of San Francisco Organization Chart

(As of June 30, 2017)



A = Appointed / **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, 2017

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

City Administrator	Naomi Kelly
Controller	Benjamin Rosenfield

DEPARTMENT DIRECTORS/ADMINISTRATORS

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

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2017

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

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

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Robert P. Beck

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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

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information, of the City and County of San Francisco (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	0.8%	5.7%	2.0%
Business-type activities	91.1%	96.5%	74.7%
Aggregate discretely presented component unit and remaining fund information	0.7%	0.4%	10.2%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information, of the City as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, effective July 1, 2016, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68.* Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2016, from which such partial and summarized information was derived.

We have previously audited the City's 2016 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated November 18, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

Other Information

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

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

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

Macias Gini É O'Connell LLP

San Francisco, California
December 29, 2017

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2017

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2015-16 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2016-17 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately $7.56 billion (net position). Of this balance, $8.32 billion represents the City's net investment in capital assets, $2.08 billion represents restricted net position, and unrestricted net position has a deficit of $2.84 billion. The City's total net position decreased by $448.6 million, or 5.6 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by $170.4 million or 2.1 percent and $328.2 million or 18.7 percent, respectively, and unrestricted net position decreased by $947.2 million or 49.9 percent.

The City's governmental funds reported total revenues of $5.97 billion, which is a $181.6 million or 3.1 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, and real property transfer tax grew by approximately $138.9 million, $41.4 million, $24.3 million, and $141.5 million, respectively. At the same time, there was a decline in revenues from rents and concessions, intergovernmental sources, hotel room tax, charges for services, and other revenues of $35.3 million, $31.4 million, $17.3 million, $14.2 million, and $76.4 million, respectively. Governmental funds expenditures totaled $5.32 billion for this period, a $241.2 million or 4.8 percent increase, reflecting increases in demand for governmental services of $136.1 million, increased debt service of $31.9 million and increased capital outlay of $73.2 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to $3.40 billion, an increase of $569.3 million or 20.1 percent from prior year, primarily due to $122.0 million in proceeds from sale of capital assets which offset the greater increase in expenditures over revenues as well as the slight increase in other financing uses.

The City's total short-term debt decreased by $41.2 million during fiscal year 2016-17. The City, in partnership with the Metropolitan Transportation Commission, obtained a short term revolving credit facility in an amount not to exceed $260.0 million; $100.0 million with MTC and $160.0 million with Wells Fargo Bank and drew $49.0 million therefrom for the construction of the Transbay Transit Center. The balance of commercial paper notes payable decreased by $90.2 million, a $104.2 million increase in governmental activities offset by a $194.4 million decrease in business-type activities. The Airport and the Water Enterprise commercial paper notes payable outstanding decreased by $165.1 million and $91.0 million respectively through refinancing by the issuance of long-term debt. The City's long-term debt increased by $1.15 billion. A total of $248.3 million in general obligation bonds were issued for affordable housing and for construction, seismic strengthening, and betterment of facilities. The Airport issued $740.1 million revenue bonds for the redevelopment of Terminal 1 and other enhancements. The SFMTA issued $177.8 million revenue bonds to fund transit and parking upgrades. The Water Enterprise issued $259.4 million revenue bonds to refund commercial paper used and provide $20.0 million new money for the City's Water System Improvement Program. The Airport and the Water Enterprise issued revenue refunding bonds for $147.8 million and $893.8 million, respectively, for economic gain.

The City implemented the remaining provisions of Governmental Accounting Standards Board (GASB) Statement No. 73*, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* These provisions address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement No. 68. Statement No. 73 was partially implemented in fiscal year 2015-16. Implementation resulted in a restatement due to change in accounting principle decreasing net position as of July 1, 2016 by $55.0 million.

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

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<tr><td>Statement of net position</td><td>Balance sheet</td><td>Statement of net position</td><td>Statement of fiduciary net position</td></tr>
<tr><td>Statement of activities</td><td>Statement of revenues, expenditures, and changes in fund balances</td><td>Statement of revenues, expenses, and changes in fund net position
Statement of cash flows</td><td>Statement of changes in fiduciary net position</td></tr>
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CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2017

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

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

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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

Combining Statements and Schedules

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

Condensed Statement of Net Position
(in thousands)

	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Assets:						
Current and other assets	$5,097,048	$4,309,790	$ 4,903,634	$ 4,893,995	$ 10,000,682	$ 9,203,785
Capital assets	5,307,676	5,125,352	16,761,881	15,695,817	22,069,557	20,821,169
Total assets	10,404,724	9,435,142	21,665,515	20,589,812	32,070,239	30,024,954
Deferred outflows of resources:	1,311,074	404,560	1,273,096	490,027	2,584,170	894,587
Liabilities:						
Current liabilities	1,811,708	1,462,148	1,911,931	2,295,833	3,723,639	3,757,981
Noncurrent liabilities	7,967,621	5,938,626	15,143,312	12,462,886	23,110,933	18,401,512
Total liabilities	9,779,329	7,400,774	17,055,243	14,758,719	26,834,572	22,159,493
Deferred inflows of resources:	150,058	429,865	111,466	323,284	261,524	753,149
Net position:						
Net investment in capital assets*	2,873,927	2,750,782	5,752,069	5,690,741	8,321,778	8,151,422
Restricted *	1,473,219	1,331,516	690,592	538,474	2,081,491	1,753,264
Unrestricted (deficit) *	(2,560,735)	(2,073,235)	(670,759)	(231,379)	(2,844,956)	(1,897,787)
Total net position	$1,786,411	$2,009,063	$ 5,771,902	$ 5,997,836	$ 7,558,313	$ 8,006,899

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

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $7.56 billion at the end of fiscal year 2016-17, a 5.6 percent decrease over the prior year. The City's governmental activities account for $1.79 billion of this total and $5.77 billion stem from its business-type activities.

The largest portion of the City's net position is the $8.32 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $170.4 million or 2.1 percent increase over the prior year, and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a $284.8 million increase at SFMTA offset by a decrease of $167.4 million at the Airport. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $2.08 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of $2.84 billion, which consists of a $2.56 billion deficit in governmental activities and $670.8 million deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording net pension liability (see Note 9). The governmental activities deficit also included $386.5 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)).

Condensed Statement of Activities
(in thousands)

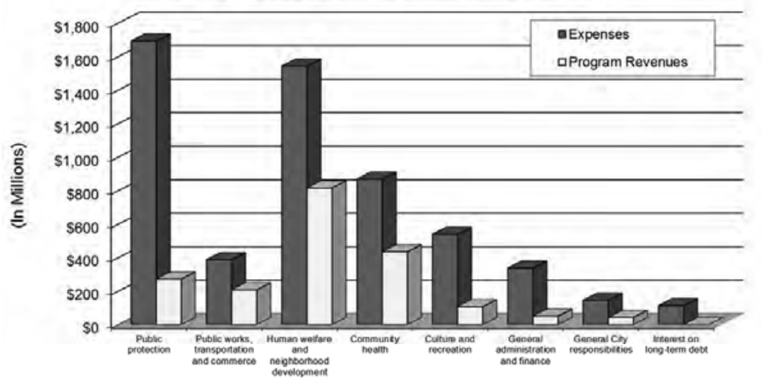
	Governmental activities		Business-type activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services	$ 646,422	$ 777,182	$ 3,341,055	$ 3,230,367	$ 3,987,477	$ 4,007,549
Operating grants and contributions	1,263,262	1,289,902	270,167	199,623	1,533,429	1,489,525
Capital grants and contributions	19,493	24,795	353,046	374,924	372,539	399,719
General revenues:						
Property taxes	1,951,696	1,808,917	-	-	1,951,696	1,808,917
Business taxes	702,331	660,926	-	-	702,331	660,926
Sales and use tax	291,395	270,051	-	-	291,395	270,051
Hotel room tax	370,344	387,661	-	-	370,344	387,661
Utility users tax	101,203	98,651	-	-	101,203	98,651
Other local taxes	542,567	399,882	-	-	542,567	399,882
Interest and investment income	35,240	24,048	28,547	28,566	63,787	52,614
Other	182,933	59,266	257,419	240,636	440,352	299,902
Total revenues	6,106,886	5,801,281	4,250,234	4,074,116	10,357,120	9,875,397
Expenses						
Public protection	1,692,224	1,222,549	-	-	1,692,224	1,222,549
Public works, transportation and commerce	387,423	418,978	-	-	387,423	418,978
Human welfare and neighborhood development	1,543,047	1,233,403	-	-	1,543,047	1,233,403
Community health	868,628	747,071	-	-	868,628	747,071
Culture and recreation	539,516	311,028	-	-	539,516	311,028
General administration and finance	337,209	246,383	-	-	337,209	246,383
General City responsibilities	145,247	113,490	-	-	145,247	113,490
Unallocated Interest on long-term debt	113,264	115,357	-	-	113,264	115,357
Airport	-	-	1,122,802	900,621	1,122,802	900,621
Transportation	-	-	1,468,586	1,106,420	1,468,586	1,106,420
Port	-	-	118,361	91,449	118,361	91,449
Water	-	-	572,509	470,254	572,509	470,254
Power	-	-	198,621	153,472	198,621	153,472
Hospitals	-	-	1,370,154	1,050,618	1,370,154	1,050,618
Sewer	-	-	273,077	244,289	273,077	244,289
Total expenses	5,626,558	4,408,259	5,124,110	4,017,123	10,750,668	8,425,382
Increase/(decrease) in net position before transfers and extraordinary items	480,328	1,393,022	(873,876)	56,993	(393,548)	1,450,015
Transfers	(647,942)	(671,173)	647,942	671,173	-	-
Change in net position	(167,614)	721,849	(225,934)	728,166	(393,548)	1,450,015
Net position at beginning of year, as previously reported	2,009,063	1,287,214	5,997,836	5,278,250	8,006,899	6,565,464
Cumulative effect of accounting change	(55,038)	-	-	(8,580)	(55,038)	(8,580)
Net position at beginning of year, as restated	1,954,025	1,287,214	5,997,836	5,269,670	7,951,861	6,556,884
Net position at end of year	$ 1,786,411	$ 2,009,063	$ 5,771,902	$ 5,997,836	$ 7,558,313	$ 8,006,899

Analysis of Changes in Net Position

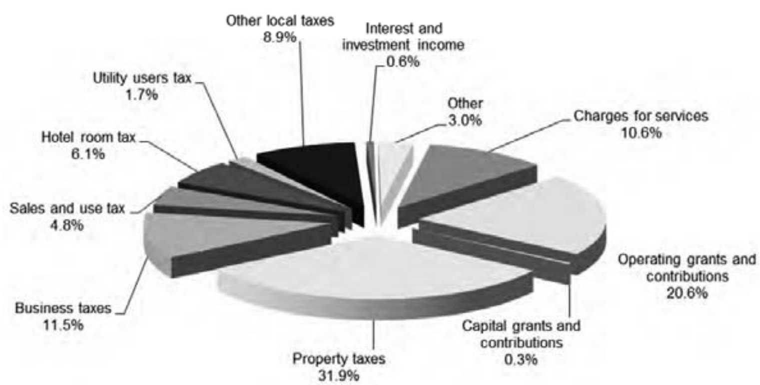
The City's change in net position decreased by $1.84 billion in fiscal year 2016-17, due to a $1.45 billion increase in the prior fiscal year and a $393.5 million decrease in the current year. The decrease in the change in net position was due to a $889.5 million decrease from governmental activities and a $954.1 million decrease from business-type activities.

The City's governmental activities experienced a $305.6 million or 5.3 percent growth in total revenues, offset by increased expenses of $1.22 billion or 27.6 percent this fiscal year. Business-type activities revenues increased by $176.1 million or 4.3 percent offset by increased expenses of $1.11 billion, or 27.6 percent. The net transfer to business-type activities decreased by $23.2 million. The major component of increased expense Citywide is increased pension expense of $947.7 million and $788.2 million for governmental activities and business-type activities, respectively. 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



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2017

Governmental activities. Governmental activities decreased the City's total net position by approximately $222.7 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were $6.11 billion, a $305.6 million or 5.3 percent increase over the prior year. For the same period, expenses totaled $5.63 billion before transfers of $647.9 million.

Property tax revenues increased by $142.8 million or 7.9 percent. This growth was due in large part to regular annual tax and escape tax collections associated with higher assessed values of secured real property and unsecured property in San Francisco and also due to increase in supplemental property tax collections for both current year and prior year supplemental assessments. An increase in other local taxes of $142.7 million or 35.7 percent was driven almost entirely by an increase in real property transfer tax due to an increase in transactions in excess of $10.0 million and the full phase in of a rate increase enacted in November 2016.

Revenues from business and sales and use taxes totaled approximately $993.7 million, a growth of $62.7 million over the prior year. Business taxes grew by $41.4 million due to an increase in the gross receipts portion of the tax and increased business registration fee levels. Sales and use tax increased by $21.3 million is primarily due to the "triple flip" unwinding in January 2016, in which 0.25 percent of the 1 percent Bradley Burns allocation was directed to property tax to pay for economic recovery bonds, with the remaining 0.75 percent being allocated to local sales tax. The entire 1 percent of Bradley Burns revenue has been allocated as sales tax in 2016-17 as opposed to half of the prior year.

Hotel room tax revenues declined by $17.3 million, or 4.5 percent, due to the closure of the Moscone Convention Center for renovations and the fact that the City hosted the Super Bowl in the prior year. Hotel room tax revenue growth is a function of changes in occupancy, Average Daily Room Rate (ADR), and room supply. Average revenue per available room, which combines the effects of occupancy and ADR, fell slightly for the first time in six years.

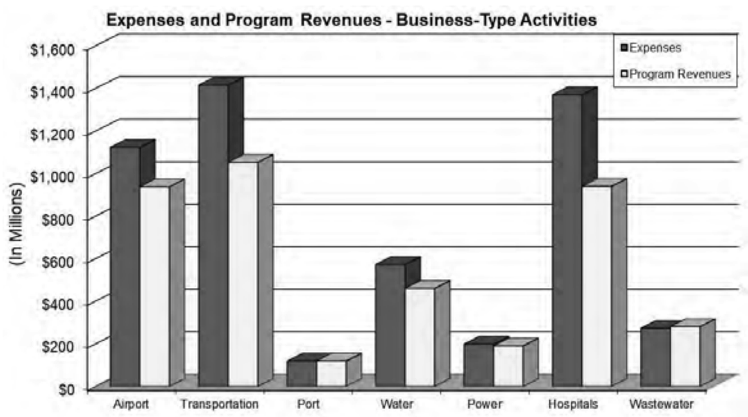
Operating grants and contributions decreased $26.6 million. This was largely due to decreases in other grants combined with a slight decrease in Federal grants offset by increases from State sources. The amount included an overall $78.1 million decrease in Public Works, Transportation, and Commerce due to a decrease in local grants for the Presidio Parkway project. This was offset primarily by a $54.8 million increase in Community Health due to additional State funding.

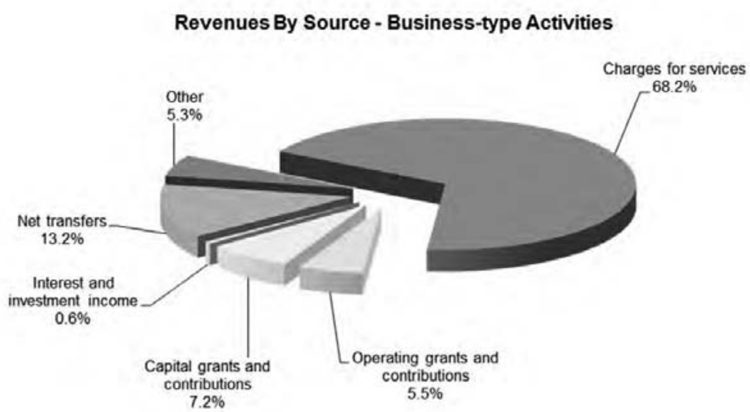
Total charges for services decreased $130.8 million, or 16.8 percent. The decrease is due to several one-time events, including $23.9 million at the Department of Public Health caused by a change in collection of administrative fees as well as higher audit reserves. There was also a decrease of $39.9 million in housing inclusionary fees owing to a large non-recurring development project in the prior year, a decrease in SOMA Stabilization impact fees of $17.5 million after a large increase in the prior year, a decrease in community impact fees of $16.4 million due to fees being reallocated to SFMTA, and a $27.3 million decrease in revenue from San Francisco Housing Authority following a large amount in the prior year. Other revenues increased by $123.7 million due mainly to the gain on the sale of property.

Interest and investment income revenue increased by $11.2 million, or 46.5 percent, due to increased interest rates as well as balances in the City's investment pool, primarily due to an increase in property tax revenues, real property transfer tax revenues, business and sales tax revenues, and other revenues.

Net transfers from the governmental activities to business-type activities were $647.9 million, a $23.2 million decrease or 3.5 percent from the prior year. This was mainly due to a decrease in operating subsidies to SFGH of $177.4 million offset by increased operating subsidies from the General Fund of $33.6 million to SFMTA and $11.0 million to LHH. In addition, the SFMTA received $28.1 million for road improvement and street safety projects, and $68.9 million in capital assets related to Sustainable Streets.

The increase of total governmental expenses of $1.22 billion, or 27.6 percent, was primarily due an increase in pension expense of $947.7 million, plus salary increases and increases in demand for the government's services in almost all functional service areas. In total, the leading increases were $469.7 million in Public Protection, $309.6 million in Human Welfare and Neighborhood Development, and $228.5 million in Culture and Recreation.





Business-type activities decreased the City's net position by $225.9 million and key factors contributing to this decrease are:

- The San Francisco International Airport had a decrease in net position at fiscal year-end of $116.9 million, compared to a $49.9 million increase in the prior year, a $166.8 million difference. Operating revenues totaled $926.8 million for fiscal year 2016-17, an increase of $59.8 million or 6.9 percent over the prior year and included increases of $49.9 million, $2.8 million, and $13.8 million in aviation, concession, parking and transportation, respectively, partially offset by a decrease of $6.7 million in net sales and services revenues, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses increased by $168.4 million, or 26.3 percent, for a net operating income of $117.9 million for the period. Net nonoperating activities saw a deficit of $201.0 million versus $144.5 million deficit in the prior year, a $56.6 million increase. The increase in both operating and nonoperating expenses is due to increases in personnel, depreciation, and other nonoperating expenses. Personnel costs increased by $123.6 million due to a significant pension costs increase, cost of living adjustments, and additional positions.

- The City's Water Enterprise, the third largest such entity in California, reported a decrease in net position of $121.4 million at the end of fiscal year 2016-17, compared to an increase of $26.2 million at the end of the previous year, a $147.6 million difference. Operating revenues totaled $460.3 million, operating expenses totaled $421.8 million, nonoperating items totaled $99.9 million, and the net decrease from transfers was $60.0 million. Compared to the prior year, operating revenues increased $40.8 million, which included $44.6 million in water and power services. Within operating expenses, the enterprise reported a total increase of $107.0 million in fiscal year 2016-17. This included an $79.0 million increase in personnel services mainly due to pensions, $20.7 million in general and administrative, and $12.2 million in depreciation expense, offset by $2.3 for general and administrative expenses mainly from reductions in judgement and claims liability based on actuarial report,

- Hetch Hetchy Water and Power ended fiscal year 2016-17 with a net position increase of $65.6 million, compared to a $25.7 million increase the prior year, a difference of $39.9 million. This change consisted of a decrease in operating income of $20.4 million, offset by an increase in nonoperating revenues of $0.9 million, and an increase of transfers from the City of $59.4 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a $45.6 million increase in change in net position, Hetchy Power, which reported a $13.2 million increase in change in net position, and CleanPowerSF, which reported a $6.8 million increase in change in net position. CleanPowerSF was reported as a separate segment for the first time in fiscal year 2016-17. Hetchy Water operating revenues decreased by $3.6 million while operating expenses increased by $13.6 million. There was a $3.6 million decrease in water assessment fee revenue from the Water Enterprise. Hetchy Power's total operating revenues decreased by $5.0 million mostly due to increases in sale of power of $3.7 million from CleanPowerSF in prior year and decreased sales of $7.5 million to non-City customers, offset by increased electricity sales of $3.9 million to other City departments. On the operating expenses side, Hetchy Power reported an increase of $5.0 million due to increases of $11.3 million mainly resulting from increased pension expense, $0.7 million in increased capital projects spending, and $0.6 million in depreciation and amortization related to increased capitalizable facilities and improvement. These increases were offset by decreases of $3.1 million in purchased electricity due to higher generation from powerhouses, $2.8 million in transmission and distribution power costs, $0.7 million in legal services, $0.6 million in contractual services, $0.3 million in building and construction supplies, and $0.2 million in decreased general and administrative expenses. CleanPowerSF had $33.9 million in revenues and $27.1 million in expenses in its first year as a separate segment.

- The City's Wastewater Enterprise's net position decreased by $9.7 million, compared to a $13.9 million increase the prior year, a $23.6 million change. Operating revenues increased by $15.6 million due to a $18.4 million increase in charges for services as a result of an average 7.0 percent adopted rate increase. A $1.1 million increase of interest and investment income, and $3.8 million in other non-operating revenues mainly related to state assistance for storm water flood management projects. The increases were offset by a decrease of $3.5 million attributed to prior year's settlement from Pacific Gas and Electric and $2.7 million mainly related to decrease in capacity fees resulting from a 20.0 percent decline in permit sales and write-offs of capacity fees receivables. Operating expenses increased by $22.7 million due to increases of $55.3 million in Sewer System Improvement Program (SSIP) and repair and replacement project expenses, $36.2 million in personnel services mainly due to cost of living adjustments, health and pension costs, $4.6 in depreciation expense, and $0.7 million in services provided by other departments, which were offset by decreases of $66.5 million in other operating expenses mainly due to increased capitalization of fixed assets, $4.9 million in general and administrative expenses, $1.5 million in materials and supplies, and $1.2 million in contractual services. Additional increases include $6.2 million in interest expense, offset by $2.9 million in amortization of premium, refunding loss and issuance cost. Transfers out totaled $30.7 million mainly due to a transfer to City Real Estate Division for the Phase 1 of the Central Shops Relocation Project.

- The Port ended fiscal year 2016-17 with a net position increase of $2.1 million, compared to a $35.1 million increase in the previous year, a $33.0 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2016-17, operating revenues increased by $13.6 million, mostly due to construction and event permit fees, developer or other one-time transaction fees, and expense recoveries realized or realizable from major development projects. Operating expenses increased $27.3 million over the prior year. This was due in part to increases of $17.2 million in personnel services, which mostly included a $14.9 million increase in pension expense; $5.8 million in contractual services, and $2.3 million in depreciation and amortization.

- The SFMTA had an increase in net position of $274.7 million for fiscal year 2016-17, compared to an increase of $478.3 million in the prior year, a $203.6 million change. SFMTA's total operating revenues were $500.0 million, while total operating expenses reached $1.41 billion. Operating revenues increased by $4.7 million compared to the prior year and is mainly due to increase in charges for services by $7.0 million, permits revenue by $2.4 million, parking fines and penalties by $5.0 million, parking fees by $1.2 million, and advertising revenue by $0.1 million. These increases were offset by decreases in taxi revenues by $1.5 million, $9.5 million in passenger fares revenue, and slight decrease in rental income by $0.3 million. Operating expenses increased by $308.5 million primarily due to personnel costs, which is attributable mainly to pension costs, salary and hiring increases. Net nonoperating revenue increased by $57.9 million mostly from federal operating grants, development fees, gain on disposal of assets, and interest and investment income, which were offset by decrease in state operating grants and amortized portion of the lease leaseback benefits. Net transfers increased by $43.9 million mainly due to a $33.7 million increase in transfers from the City's General Fund mainly for operating subsidies.

- LHH, the City's skilled nursing care hospital, had a decrease in net position of $69.5 million at the end of fiscal year 2016-17, compared to an increase of $21.6 million at the end of the previous year, a $91.1 million difference. The LHH's loss before capital contributions and transfers for the year was $132.6 million versus a loss of $22.7 million for the prior year. This change of $109.9 million was mostly due to a $30.3 million decrease in operating revenues, a $80.1 million increase in operating expenses, and a $0.3 million increase in other nonoperating revenues.

- SFGH, the City's acute care hospital, ended fiscal year 2016-17 with a decrease in net position of $250.9 million, compared to an increase of $77.6 million the prior year, a $328.5 million change. This was due to a $79.7 million decrease in net transfers from the City compared to prior year's net transfers of $108.7 million. However, SFGH incurred an operating loss of $348.2 million, which was a $258.6 million increase from the prior year. This was due to a $18.8 million decrease in operating revenues, largely related to net patient services revenues, and increases in operating expenses mostly due to $202.5 million in personal services due to pension costs, $16.0 million in contractual services, $11.6 million in materials and supplies, and $10.5 million in depreciation and amortization.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of fiscal year 2016-17, the City governmental funds reported combined fund balances of $3.40 billion, an increase of $569.3 million or 20.1 percent over the prior year. Of the total fund balances, $1.17 billion is assigned and $83.1 million is unassigned. The total of $1.25 billion or 36.7 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $1.09 billion. The remainder of the governmental fund balances includes $0.6 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.83 billion restricted for programs at various levels and $327.6 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $1.42 billion while total fund balance reached $1.87 billion. Combined assigned and unassigned fund balances represent 40.7 percent of total expenditures, while total fund balance represents 53.8 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $1.16 billion, before transfers and other items of $715.6 million, resulting in total fund balance increasing by $441.5 million. Overall, the significant growth in revenues, particularly in property taxes, business taxes, sales and uses tax and real property transfer tax were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

Proprietary Funds

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

At the end of fiscal year 2016-17, the unrestricted net position for the proprietary funds was as follows: Hetch Hetchy Water and Power: $189.4 million, Wastewater Enterprise: $48.5 million, and the Port: $66.4 million. In addition, the following funds had net deficits in unrestricted net position: Airport: $70.8 million, Water Enterprise: $43.5 million, SFMTA: $37.1 million, San Francisco General Hospital: $572.9 million, and Laguna Honda Hospital: $250.8 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds decreased by approximately $225.9 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Position
Airport	$ 926,800	$ 808,860	$ 117,940	$ (201,019)	$ 11,212	$ (45,037)	(116,904)
Water	460,331	421,827	38,504	(99,917)	-	(59,988)	(121,401)
Hetch Hetchy	189,979	194,130	(4,151)	9,746	-	60,051	65,646
Municipal Transportation Agency	500,030	1,408,693	(908,663)	264,441	356,293	562,664	274,735
General Hospital	698,218	1,046,419	(348,201)	68,366	-	28,944	(250,891)
Wastewater Enterprise	277,341	244,220	33,121	(12,091)	-	(30,707)	(9,677)
Port	113,353	114,043	(690)	970	1,822	(32)	2,070
Laguna Honda Hospital	175,003	315,959	(140,956)	8,314	-	63,130	(69,512)
Total	$ 3,341,055	$ 4,554,151	$(1,213,096)	$ 38,810	$ 369,327	$ 579,025	$ (225,934)

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2016-17, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled $22.67 billion, representing a $2.33 billion increase from the prior year, and 11.5 percent change. The increase is a result of strong investment returns which were slightly reduced by the net difference between contributions received by the Plan and increased benefit payments made from the Plan. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $388.8 million at year's end. This 3.1 percent, or $11.8 million, increase in the net deficit is due to decreases in developer receipts and other additions and increases in program costs. The Investment Trust Fund's net position was $862.6 million at year's end, and the 16.0 percent increase represents the excess of contributions over distribution to external participants.

General Fund Budgetary Highlights

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were $128.0 million higher than the final budget. The City realized $166.6 million, $69.1 million, $31.1 million, $10.2 million and $6.9 million more revenue than budgeted in real property transfer tax, property taxes, business taxes, interest and investment income, and utility users tax, respectively. These increases were partly offset by reductions of $48.1 million, $38.9 million, $23.8 million, $19.4 million, $17.7 million and $8.5 million, in sales and use tax, hotel room tax, federal grants and subventions, Medi-Cal, Medicare, and health service charges and parking tax, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in $121.5 million in expenditure savings. Major factors include:

- $52.1 million in savings from the Department of Public Health from professional services of $41.2 million and $10.1 million savings in salary and fringe benefit.
- $14.7 million in savings from the Human Services Agency due largely to operating savings in salaries and benefits from delays in hiring, contract savings, reductions in aid assistance and aid payments and lower than expected caseload levels. The Department of Homelessness and Supportive Housing has a $5.7 million saving partly due to the delay of purchase and upgrade of a building for headquarters but was not completed due to changes in the intended use of the building. The Department of Children, Youth, and Their Family also has a $1.2 million savings in work order expenditure resulting from performing departments not being able to complete all requested work within the fiscal year.
- $14.9 million savings in contracts and salary and benefits mainly in Treasurer/Tax Collector, General Services Agency, City Planning, Assessor/Recorder, and other departments in general administration and finance.
- $12.7 million savings in general city responsibilities mainly from lower than expected city grant programs and retiree health subsidy.
- $9.7 million in salary and benefit savings mainly in Juvenile Probation, Adult Probation, Police, Sheriff, and other departments in public protection.
- The remaining lower than budgeted expenditures are savings from culture and recreation and public works, transportation and commerce.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of $545.9 million at the end of fiscal year 2016-17. The City's fiscal year 2017-18 and 2018-19 Adopted Original Budget assumed an available balance of $471.5 million fully appropriated in fiscal year 2017-18 and fiscal year 2018-19 and contingency reserves of $60.0 million of unappropriated fund balance, leaving $14.4 million available for future appropriations. (See also Note to the Required Supplementary Information for additional budgetary 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, 2017, increased by $1.25 billion, 6.0 percent, to $22.07 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $182.3 million or 14.6 percent to this total while $1.07 billion or 85.4 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 360,602	$ 334,261	$ 240,187	$ 217,441	$ 600,789	$ 551,702
Construction in progress	624,711	456,093	4,073,686	3,120,461	4,698,397	3,576,554
Facilities and improvements	3,262,136	3,372,183	10,473,740	10,484,335	13,735,876	13,856,518
Machinery and equipment	209,075	201,333	1,199,365	1,112,860	1,408,440	1,314,193
Infrastructure	753,919	686,365	722,116	701,029	1,476,035	1,387,394
Intangible asset	97,233	75,117	52,787	59,691	150,020	134,808
Total	$ 5,307,676	$ 5,125,352	$ 16,761,881	$ 15,695,817	$ 22,069,557	$ 20,821,169

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

- Under governmental activities, net capital assets increased by $182.3 million or 3.6 percent. About $195.2 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about $13.2 million in the new Glen Canyon Recreation Center and approximately $12.3 million for the San Francisco Fire Department Fire Boat. The remaining completed projects include public works, intangible assets, and traffic signal projects.

- The Water Enterprise's net capital assets increased by $155.0 million or 3.2 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Regional Groundwater Storage and Recovery, San Francisco Groundwater Supply, Recycled Water Project, Environmental Impact Project – Habitat Reserve Program, Irvington Tunnel Alternatives, and other upgrade and improvement programs. As of June 30, 2017, the SFPUC's Water Enterprise is 94.0 percent through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2017, 34 local projects are completed and the target completion date is September 2017. For regional projects, 39 are completed and the expected completion date is December 2019. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

- SFMTA's net capital assets increased by $469.0 million or 14.9 percent mainly from construction in progress of $239.6 million for the new Central Subway Project, transit lane, and rail replacement. Equipment costs of $219.1 million were incurred during the fiscal year for the procurement of new motor bus, radio replacement, procurement of light rail vehicles, and historic street car rehabilitation. Land and building cost totaling $57.0 million was incurred in fiscal year 2017 for Islais Creek facility improvement, improvement of signals and street, escalator modernization, and upgrade of garage facilities in various locations and other facility improvement.

- LHH's net capital assets decreased by $11.0 million or 2.1 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. Laguna Honda Hospital provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. The 500,000-square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.

- SFGH's net capital assets decreased by $13.3 million or 7.2 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild. The rebuild General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds.

- The Wastewater Enterprise net capital assets reported an increase of $192.0 million or 9.3 percent mainly from new construction in progress activities. These include the Biosolids Digester Project, SEP Primary and Secondary Clarifier, Water System Improvement, Sewer System Improvement Program (SSIP), and other capital projects throughout the system. The SSIP is a $7.00 billion program that includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2017, the SSIP has 13 projects or 18.6 percent totaling $97.0 million were completed, with 39 projects in pre-construction phase, 18 projects in construction phase, and no project in close-out phase.

- Hetch Hetchy's net capital assets increased by $40.5 million or 10.0 percent to $444.7 million primarily due to additions of facilities, improvements, machinery, and equipment for Mountain Tunnel Improvement, Moccasin Facilities New Construction, San Joaquin Pipeline Rehabilitation, and facilities related to the Transbay Transit Center. The Hetchy System Improvement Program is a long-term capital program from 2012 to 2025 and includes projects, varying in scope and complexity, to address necessary work on water transmission, hydroelectric generation and power transmission facilities in Tuolumne, Mariposa, Stanislaus, San Joaquin and Alameda counties, essential to continued delivery of both water and power.

- The Airport's net capital assets increased $237.0 million or 5.9 percent primarily due to the capitalization of capital improvement project costs. The Airport has five- and ten-year Capital Plans to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects in design or under construction in fiscal year 2016-17 include the Terminal 1 (T1) Redevelopment Program which includes the redevelopment of Boarding Area B, the expansion of the T1 Central Area, and a new baggage handling system, in addition to the Terminal 3 (T3) Redevelopment Program which creates a unified T3 checkpoint and constructs a new secure connector and office block. Other notable ongoing projects include the on-airport hotel, a new consolidated administration campus building, a second long-term parking garage, and a new industrial waste treatment plant.

- The Port's net capital assets decreased by $3.1 million or 0.7 percent due to capitalization and depreciation of capital improvements in 2017, including the Pier 31 Roof and Structure Repair which is a $7.2 million project for new roofing and structural improvements to adequately support and protect the new roofing system at Piers 29½ and 31. Piers 29½ and 31 are a contributing resource within the San Francisco Embarcadero Historic District listed in the National Register of Historic Places. The security improvements through the installation and deployment of closed-circuit television and integrated access control/intrusion detection systems at key Port facilities continue in phases, largely based on priority and available funding.

At the end of the year, the City's business-type activities had approximately $1.38 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated $279.8 million, MTA had $579.8 million, Wastewater had $229.7 million, Airport had $188.8 million, Hetch Hetchy had $72.7 million, Port had $13.7 million, Laguna Honda Hospital had $1.0 million and the General Hospital had $16.6 million. In addition, there was approximately $83.4 million reserved for encumbrances in capital project funds for the general government projects.

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

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

Debt Administration

At the end of June 30, 2017, the City had total long-term and commercial paper debt outstanding of $15.50 billion. Of this amount, $2.28 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and $13.22 billion is revenue bonds, commercial papers, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $1.10 billion or 7.7 percent during the fiscal year.

The net increase in debt obligations in the governmental activities was $204.3 million primarily due to the issuance of $248.3 million of general obligation bonds to finance 1) affordable housing improvements and related costs, 2) construction, seismic strengthening and betterment of critical community and mental health, emergency response and safety, and homeless shelter and service facilities. The City likewise issued $28.3 million certificates of participation to refinance commercial paper used to finance the construction and renovation of mixed used housing development in the City's Hunters View project (Hope SF). The City issued $1.35 billion and retired $1.25 billion commercial paper for the expansion of the Moscone Convention Center and executed $49.0 million revolving certificates of participation for the development of the Transbay Transit Center. The City borrowed additional $46.0 million for the San Francisco County Transportation Authority's voter approved Proposition K Expenditure Plan and entered into a capital lease agreement with Banc of America for $34.2 million to purchase and install a new emergency communication system and maintain the old system during the transition.

The net debt increase for the business-type activities was $900.3 million. The Airport issued $740.1 million revenue bonds to refinance commercial paper used to fund the redevelopment of Terminal 1, relocation of a firehouse and vehicle security checkpoint, relocation of ground transportation facilities, construction of a new administration campus, upgrades to the operating systems for the AirTrain extension, gate enhancements to accommodate larger aircrafts, and various technology upgrades to network services. The Municipal Transit Agency issued $177.8 million revenue bonds to fund various transit and parking projects and obtained $0.8 million bank loan for the renovation of Portsmouth Plaza Parking. The Water Enterprise issued $259.4 million revenue bonds to refund commercial paper used and provide $20.0 million new money for various capital projects in furtherance of the City's water system improvement program. The

Airport and the Water Enterprise issued revenue refunding bonds for $147.8 million and $893.8 million, respectively, for economic gain.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at $212.30 billion in value as of the close of the fiscal year. As of June 30, 2017, the City had $2.28 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.03 percent of gross (1.07 percent of net) taxable assessed value of property. As of June 30, 2017, there were an additional $1.37 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.65 percent of gross (1.72 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2017 were:

Moody's Investors Service, Inc.	Aa1
Standard & Poor's	AA+
Fitch Ratings	AA+

During the fiscal year, Moody's Investors Service (Moody's), Standard & Poor's and Fitch Ratings affirmed the City's ratings of "Aa1" and "AA+", and AA+ respectively, with Stable Outlook on all the City's outstanding general obligation bonds.

The City's enterprise activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+", respectively, each with Stable Rating Outlook. The Water Enterprise carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard and Poor's respectively.

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

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2017-18 and 2018-19. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, the Port of San Francisco and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2016-17 was 3.1 percent, a decrease of 0.3 percent from the average unemployment rate in fiscal year 2015-16.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2016-17 was $1.2 million, up 2.8 percent from the previous fiscal year.
- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to $73.71 in fiscal year 2016-17, a 5.1 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 870,887 in 2016 according to the U.S. Census Bureau. This represents a 1.0 percent increase versus the prior year, and cumulative growth of 102,237 or 13.3 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2017-18 and 2018-19 in July 2017, which assumes use of prior year fund balance from General Fund of $183.3 million and $288.2 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)
Year Ended June 30, 2017

REQUESTS FOR INFORMATION

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

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

Individual Department Financial Statements

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

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

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

Municipal Transportation Agency
SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

Health Service System
Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

Zuckerberg San Francisco
General Hospital and Trauma Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

San Francisco
Employees' Retirement System
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Successor Agency to the
San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Retiree Health Care Trust
c/o Office of the Controller
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Blended Component Units Financial Statements

San Francisco County Transportation Authority
Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position
June 30, 2017
(In Thousands)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury	$ 3,911,280	$ 2,446,138	$ 6,357,418	$ 7,225
Deposits and investments outside City Treasury	155,356	15,576	170,932	-
Receivables (net of allowance for uncollectible amounts of $252,763 for the primary government):				
Property taxes and penalties	99,951	-	99,951	-
Other local taxes	267,319	-	267,319	-
Federal and state grants and subventions	294,807	173,369	468,176	-
Charges for services	85,002	249,969	334,971	700
Interest and other	13,743	184,811	198,554	13
Due from component units	1,581	568	2,149	-
Inventories	-	98,374	98,374	-
Other assets	95,020	6,156	101,176	-
Restricted assets:				
Deposits and investments with City Treasury	-	351,472	351,472	-
Deposits and investments outside City Treasury	21,617	291,800	313,417	-
Grants and other receivables	-	22,271	22,271	-
Total current assets	4,945,676	3,840,504	8,786,180	7,938
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of $1,263,252)	138,223	-	138,223	-
Advance to component units	13,149	2,627	15,776	-
Other assets	-	11,452	11,452	-
Restricted assets:				
Deposits and investments with City Treasury	-	569,877	569,877	-
Deposits and investments outside City Treasury	-	443,145	443,145	-
Grants and other receivables	-	36,029	36,029	-
Capital assets:				
Land and other assets not being depreciated	1,040,075	4,325,916	5,365,991	20,390
Facilities, infrastructure and equipment, net of depreciation	4,267,601	12,435,965	16,703,566	12
Total capital assets	5,307,676	16,761,881	22,069,557	20,402
Total noncurrent assets	5,459,048	17,825,011	23,284,059	20,402
Total assets	10,404,724	21,665,515	32,070,239	28,340
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt	16,339	204,299	220,638	-
Deferred outflows on derivative instruments	-	54,870	54,870	-
Deferred outflows related to pensions	1,294,735	1,013,927	2,308,662	19
Total deferred outflows of resources	$ 1,311,074	$ 1,273,096	$ 2,584,170	$ 19

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)
June 30, 2017
(In Thousands)

	Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Unit: Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable	$ 281,462	$ 194,413	$ 475,875	$ 79
Accrued payroll	104,840	80,055	184,895	-
Accrued vacation and sick leave pay	91,060	65,212	156,272	-
Accrued workers' compensation	42,621	32,875	75,496	-
Estimated claims payable	71,290	39,424	110,714	-
Bonds, loans, capital leases, and other payables	573,669	546,565	1,120,234	-
Accrued interest payable	12,240	55,187	67,427	-
Unearned grant and subvention revenues	25,894	-	25,894	-
Due to primary government	-	-	-	1,589
Internal balances	35,190	(35,190)	-	-
Unearned revenues and other liabilities	573,442	513,027	1,086,469	1,669
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables	-	228,895	228,895	-
Accrued interest payable	-	36,062	36,062	-
Other	-	155,406	155,406	-
Total current liabilities	1,811,708	1,911,931	3,723,639	3,337
Noncurrent liabilities:				
Accrued vacation and sick leave pay	65,080	43,824	108,904	-
Accrued workers' compensation	199,202	161,053	360,255	-
Other postemployment benefits obligation	1,338,592	974,031	2,312,623	-
Estimated claims payable	131,199	55,256	186,455	-
Bonds, loans, capital leases, and other payables	2,925,168	11,224,019	14,149,187	-
Advance from primary government	-	-	-	2,627
Unearned revenues and other liabilities	1,896	117,432	119,328	-
Derivative instruments liabilities	-	65,965	65,965	-
Net pension liability	3,306,484	2,501,732	5,808,216	27
Total noncurrent liabilities	7,967,621	15,143,312	23,110,933	2,654
Total liabilities	9,779,329	17,055,243	26,834,572	5,991
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt	217	297	514	-
Unamortized gain on leaseback transaction	-	4,015	4,015	-
Deferred inflows related to pensions	149,841	107,154	256,995	2
Total deferred inflows of resources	150,058	111,466	261,524	2
NET POSITION				
Net investment in capital assets, Note 10(d)	2,873,927	5,752,069	8,321,778	20,402
Restricted for:				
Reserve for rainy day	125,689	-	125,689	-
Debt service	108,179	202,262	310,441	-
Capital projects, Note 10(d)	257,634	394,634	569,948	-
Community development	434,691	-	434,691	-
Transportation Authority activities	16,189	-	16,189	-
Building inspection programs	150,109	-	150,109	-
Children and families	115,284	-	115,284	-
Culture and recreation	130,984	-	130,984	-
Grants	90,087	-	90,087	-
Other purposes	44,373	93,696	138,069	-
Total restricted	1,473,219	690,592	2,081,491	-
Unrestricted (deficit), Note 10(d)	(2,560,735)	(670,759)	(2,844,956)	1,964
Total net position	$ 1,786,411	$ 5,771,902	$ 7,558,313	$ 22,366

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year Ended June 30, 2017
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
Primary government:								
Governmental activities:								
Public protection	$ 1,692,224	$ 83,896	$ 187,766	$ -	$ (1,420,562)	$ -	$ (1,420,562)	$ -
Public works, transportation and commerce	387,423	148,804	46,933	11,763	(179,923)	-	(179,923)	-
Human welfare and neighborhood development	1,543,047	164,755	650,585	-	(727,707)	-	(727,707)	-
Community health	868,628	68,601	365,722	-	(434,305)	-	(434,305)	-
Culture and recreation	539,516	97,614	1,522	7,730	(432,650)	-	(432,650)	-
General administration and finance	337,209	45,385	5,330	-	(286,494)	-	(286,494)	-
General City responsibilities	145,247	37,367	5,404	-	(102,476)	-	(102,476)	-
Unallocated interest on long-term debt and cost of issuance	113,264	-	-	-	(113,264)	-	(113,264)	-
Total governmental activities	5,626,558	646,422	1,263,262	19,493	(3,697,381)	-	(3,697,381)	-
Business-type activities:								
Airport	1,122,802	926,800	-	11,212	-	(184,790)	(184,790)	-
Transportation	1,468,586	500,030	196,317	340,012	-	(432,227)	(432,227)	-
Port	118,361	113,353	3,786	1,822	-	600	600	-
Water	572,509	460,331	-	-	-	(112,178)	(112,178)	-
Power	198,621	189,979	37	-	-	(8,605)	(8,605)	-
Hospitals	1,370,154	873,221	66,753	-	-	(430,180)	(430,180)	-
Sewer	273,077	277,341	3,274	-	-	7,538	7,538	-
Total business-type activities	5,124,110	3,341,055	270,167	353,046	-	(1,159,842)	(1,159,842)	-
Total primary government	$ 10,750,668	$ 3,987,477	$ 1,533,429	$ 372,539	(3,697,381)	(1,159,842)	(4,857,223)	-
Component unit:								
Treasure Island Development Authority	$ 10,485	$ 11,853	$ -	$ 14,862				$ 16,230
General Revenues								
Taxes:								
Property taxes					1,951,696	-	1,951,696	-
Business taxes					702,331	-	702,331	-
Sales and use tax					291,395	-	291,395	-
Hotel room tax					370,344	-	370,344	-
Utility users tax					101,203	-	101,203	-
Parking tax					84,278	-	84,278	-
Real property transfer tax					410,561	-	410,561	-
Other local taxes					47,728	-	47,728	-
Interest and investment income					35,240	28,547	63,787	78
Other					182,933	257,419	440,352	-
Transfers - internal activities of primary government					(647,942)	647,942	-	-
Total general revenues and transfers					3,529,767	933,908	4,463,675	78
Change in net position					(167,614)	(225,934)	(393,548)	16,308
Net position at beginning of year, as previously reported					2,009,063	5,997,836	8,006,899	6,058
Cumulative effect of accounting change					(55,038)	-	(55,038)	-
Net position at beginning of year, as restated					1,954,025	5,997,836	7,951,861	6,058
Net position at end of year					$ 1,786,411	$ 5,771,902	$ 7,558,313	$ 22,366

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds
June 30, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016
Assets:						
Deposits and investments with City Treasury	$ 2,144,741	$ 1,723,488	$ 1,736,620	$ 1,556,236	$ 3,881,361	$ 3,279,724
Deposits and investments outside City Treasury	5,923	3,183	149,433	81,662	155,356	84,845
Receivables (net of allowance for uncollectible amounts of $223,508 in 2017; $191,320 in 2016):						
Property taxes and penalties	78,519	61,564	21,432	15,677	99,951	77,241
Other local taxes	248,905	260,070	18,414	18,693	267,319	278,763
Federal and state grants and subventions	198,490	197,391	96,317	105,925	294,807	303,316
Charges for services	71,476	81,303	13,431	18,616	84,907	99,919
Interest and other	8,331	5,014	4,670	10,808	13,001	15,822
Due from other funds	10,926	4,596	6,624	7,466	17,550	12,062
Due from component unit	-	920	1,581	1,517	1,581	2,437
Advance to component unit	-	-	13,149	17,496	13,149	17,496
Loans receivable (net of allowance for uncollectible amounts of $1,263,252 in 2017; $1,121,995 in 2016)	9,666	6,473	128,557	75,328	138,223	81,801
Other assets	67,598	15	27,422	6,840	95,020	6,855
Total assets	$ 2,844,575	$ 2,344,017	$ 2,217,650	$ 1,916,264	$ 5,062,225	$ 4,260,281
Liabilities:						
Accounts payable	$ 154,195	$ 229,248	$ 123,620	$ 124,473	$ 277,815	$ 353,721
Accrued payroll	84,637	74,020	17,961	15,242	102,598	89,262
Unearned grant and subvention revenues	8,146	6,099	17,748	18,151	25,894	24,250
Due to other funds	560	1,599	50,393	32,097	50,953	33,696
Unearned revenues and other liabilities	520,366	439,522	53,042	55,274	573,408	494,796
Bonds, loans, capital leases, and other payables	-	-	255,939	102,778	255,939	102,778
Total liabilities	767,904	750,488	518,703	348,015	1,286,607	1,098,503
Deferred inflows of resources	205,968	164,367	164,877	161,937	370,845	326,304
Fund balances:						
Nonspendable	525	522	82	82	607	604
Restricted	125,689	120,106	1,701,020	1,443,956	1,826,709	1,564,062
Committed	327,607	187,170	-	-	327,607	187,170
Assigned	1,088,288	879,567	78,413	66,085	1,166,701	945,652
Unassigned	328,594	241,797	(245,445)	(103,811)	83,149	137,986
Total fund balances	1,870,703	1,429,162	1,534,070	1,406,312	3,404,773	2,835,474
Total liabilities, deferred inflows of resources and fund balances	$ 2,844,575	$ 2,344,017	$ 2,217,650	$ 1,916,264	$ 5,062,225	$ 4,260,281

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017
(In Thousands)

Fund balances – total governmental funds	$ 3,404,773
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,296,075
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,969,646)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	370,845
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,016)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	15,110
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,120,840)
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 position.	(198,890)
Net position of governmental activities	$ 1,786,411

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, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2017	2016	2017	2016	2017	2016
Revenues:						
Property taxes	$ 1,478,671	$ 1,393,574	$ 459,023	$ 405,202	$ 1,937,694	$ 1,798,776
Business taxes	700,536	659,086	1,795	1,840	702,331	660,926
Sales and use tax	189,473	167,915	102,237	99,528	291,710	267,443
Hotel room tax	370,344	387,661	-	-	370,344	387,661
Utility users tax	101,203	98,651	-	-	101,203	98,651
Parking tax	84,278	86,012	-	-	84,278	86,012
Real property transfer tax	410,561	269,090	-	-	410,561	269,090
Other local taxes	47,728	44,780	-	-	47,728	44,780
Licenses, permits and franchises	29,336	27,909	15,061	15,813	44,397	43,722
Fines, forfeitures, and penalties	2,734	8,985	28,064	27,184	30,798	36,169
Interest and investment income	14,439	9,613	20,650	14,318	35,089	23,931
Rents and concessions	15,352	46,553	85,192	89,312	100,544	135,865
Intergovernmental:						
Federal	225,112	231,098	186,257	185,725	411,369	416,823
State	704,286	667,450	118,726	109,416	823,012	776,866
Other	3,178	2,272	10,636	83,600	13,814	85,872
Charges for services	220,877	233,976	157,560	158,689	378,437	392,665
Other	38,679	22,291	149,632	242,431	188,311	264,722
Total revenues	4,636,787	4,356,916	1,334,833	1,433,058	5,971,620	5,789,974
Expenditures:						
Current:						
Public protection	1,257,948	1,204,666	65,629	64,334	1,323,577	1,269,000
Public works, transportation and commerce	166,285	136,762	166,408	279,390	332,693	416,152
Human welfare and neighborhood development	956,478	853,924	467,947	398,664	1,424,425	1,252,588
Community health	600,067	666,138	112,428	110,474	712,495	776,612
Culture and recreation	139,368	124,515	250,670	240,394	390,038	364,909
General administration and finance	238,064	223,844	65,049	53,885	303,113	277,729
General City responsibilities	121,444	114,663	3	21	121,447	114,684
Debt service:						
Principal retirement	-	-	283,356	252,456	283,356	252,456
Interest and other fiscal charges	-	-	125,091	119,723	125,091	119,723
Bond issuance costs	-	-	2,695	7,108	2,695	7,108
Capital outlay	-	-	297,089	223,904	297,089	223,904
Total expenditures	3,479,654	3,324,512	1,836,365	1,750,353	5,316,019	5,074,865
Excess (deficiency) of revenues over (under) expenditures	1,157,133	1,032,404	(501,532)	(317,295)	655,601	715,109
Other financing sources (uses):						
Transfers in	140,272	209,494	500,851	371,243	641,123	580,737
Transfers out	(857,629)	(962,343)	(364,534)	(289,457)	(1,222,163)	(1,251,800)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	276,570	595,925	276,570	595,925
Face value of loans issued	-	-	46,000	-	46,000	-
Premium on issuance of bonds	-	-	12,432	32,845	12,432	32,845
Payment to refunded bond escrow agent	-	-	-	(131,935)	-	(131,935)
Proceeds from sale of capital assets	-	-	122,000	-	122,000	-
Other financing sources - capital leases	1,765	4,411	35,971	1,239	37,736	5,650
Total other financing sources (uses)	(715,592)	(748,438)	629,290	579,860	(86,302)	(168,578)
Net changes in fund balances	441,541	283,966	127,758	262,565	569,299	546,531
Fund balances at beginning of year	1,429,162	1,145,196	1,406,312	1,143,747	2,835,474	2,288,943
Fund balances at end of year	$ 1,870,703	$ 1,429,162	$ 1,534,070	$ 1,406,312	$ 3,404,773	$ 2,835,474

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2017
(In Thousands)

Net changes in fund balances - total governmental funds	$569,299
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposal of capital assets in the current period.	181,708
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 position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(1,632,027)
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds.	14,002
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	23,050
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.	7,615
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	746,638
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(73,398)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(12,432)
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 gains.	19,186
The activities of internal service funds are reported with governmental activities.	(11,255)
Change in net position of governmental activities	$ (167,614)

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2017

(With comparative financial information as of June 30, 2016)

(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds	
									2017	2016	2017	2016
LIABILITIES												
Current liabilities:												
Accounts payable	$ 54,064	$ 7,268	$ 10,817	$ 98,059	$ 12,747	$ 5,517	$ 4,746	$ 1,195	$ 194,413	$ 270,548	$ 3,647	$ 7,459
Accrued payroll	10,477	6,483	2,368	27,981	19,349	4,594	1,612	7,191	80,055	71,008	2,242	1,862
Accrued vacation and sick leave pay	9,845	6,166	2,154	22,689	13,837	3,429	1,285	5,807	65,212	64,822	1,853	1,804
Accrued workers' compensation	1,520	1,612	548	21,076	4,200	1,031	461	2,427	32,875	31,867	331	342
Estimated claims payable	777	3,616	991	28,475	-	4,790	775	-	39,424	52,808	-	-
Due to other funds	-	7	387	3,480	350	1,250	100	-	5,574	5,138	1,787	361
Unearned revenues and other liabilities	54,853	25,255	3,249	67,629	314,997	4,037	13,379	29,628	513,027	621,224	15,815	21,049
Accrued interest payable	-	36,615	533	3,324	89	11,495	1,580	1,551	55,187	52,885	1,224	1,315
Bonds, loans, capital leases, and other payables	152,685	196,306	22,826	12,382	21,290	132,069	2,567	6,440	546,565	574,729	10,880	14,025
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables	228,895	-	-	-	-	-	-	-	228,895	373,378	-	-
Accrued interest payable	36,062	-	-	-	-	-	-	-	36,062	31,475	-	-
Other	91,578	31,580	6,995	1,102	-	23,477	-	674	155,406	173,084	-	-
Total current liabilities	640,756	314,908	50,868	286,197	386,859	191,689	26,505	54,913	1,952,695	2,322,966	37,779	48,217
Noncurrent liabilities:												
Accrued vacation and sick leave pay	7,172	4,845	1,469	13,841	9,762	2,520	882	3,333	43,824	43,791	1,363	1,298
Accrued workers' compensation	5,816	7,477	2,421	100,297	24,462	4,549	2,445	13,586	161,053	157,736	1,469	1,522
Other postemployment benefits obligation	138,168	121,330	28,222	262,317	258,157	51,670	23,864	90,303	974,031	878,590	26,393	23,518
Estimated claims payable	78	7,122	1,447	36,900	-	9,359	350	-	55,256	64,260	-	-
Unearned revenue and other liabilities	-	37,725	3,817	-	-	2,711	73,179	-	117,432	94,414	-	-
Bonds, loans, capital leases, and other payables	4,882,080	4,619,661	70,070	377,402	14,184	1,053,280	86,377	120,965	11,224,019	10,151,025	171,903	183,192
Derivative instruments liabilities	65,965	-	-	-	-	-	-	-	65,965	96,132	-	-
Net pension liability	359,599	259,956	69,412	841,164	561,571	118,907	51,608	239,515	2,501,732	976,938	63,919	24,166
Total noncurrent liabilities	5,458,878	5,058,116	176,858	1,631,921	868,136	1,242,996	238,705	467,702	15,143,312	12,462,886	265,047	233,696
Total liabilities	6,099,634	5,373,024	227,726	1,918,118	1,254,995	1,434,685	265,210	522,615	17,096,007	14,785,852	302,826	281,913
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt	-	-	-	297	-	-	-	-	297	337	-	-
Unamortized gain on leaseback transaction	-	-	-	4,015	-	-	-	-	4,015	4,349	-	-
Deferred inflows related to pensions	15,402	11,135	2,973	36,030	24,053	5,093	2,210	10,258	107,154	318,598	2,737	7,829
Total deferred inflows of resources	15,402	11,135	2,973	40,342	24,053	5,093	2,210	10,258	111,466	323,284	2,737	7,829
NET POSITION												
Net investment in capital assets	(284,761)	495,868	388,412	3,223,499	136,887	1,095,165	298,928	398,071	5,752,069	5,690,741	11,601	10,985
Restricted:												
Debt service	109,554	10,989	485	18,401	-	977	-	61,856	202,262	127,073	-	-
Capital projects	296,188	37,904	-	-	23,575	1,653	24,365	10,949	394,634	340,896	-	-
Other purposes	-	-	-	90,867	-	-	-	2,829	93,696	70,505	-	-
Unrestricted (deficit)	(70,812)	(43,494)	189,363	(37,075)	(572,886)	48,468	66,447	(250,770)	(670,759)	(231,379)	(47,329)	(26,427)
Total net position	$ 50,169	$ 501,267	$ 578,260	$ 3,295,692	$(412,424)	$ 1,146,263	$ 389,740	$ 222,935	$ 5,771,902	$ 5,997,836	$ (35,728)	$ (15,442)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

June 30, 2017

(With comparative financial information as of June 30, 2016)

(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total		Governmental Activities - Internal Service Funds	
									2017	2016	2017	2016
ASSETS												
Current Assets:												
Deposits and investments with City Treasury	$ 375,593	$ 319,162	$ 264,026	$ 921,116	$ 224,663	$ 195,559	$ 146,019	$ -	$ 2,446,138	$ 2,370,166	$ 29,919	$ 35,264
Deposits and investments outside City Treasury	5,864	34	10	9,651	10	-	5	2	15,576	16,494	-	-
Receivables (net of allowance for uncollectible amounts of $29,255 and $29,495 in 2017 and 2016, respectively):												
Federal and state grants and subventions	-	150	244	131,365	53	2,251	1,192	38,114	173,369	225,984	-	-
Charges for services	53,085	54,425	13,716	4,516	68,805	28,874	4,737	21,811	249,969	232,251	95	53
Interest and other	2,085	1,682	261	9,732	164,590	255	6,074	132	184,811	199,453	742	633
Lease receivable	-	-	-	-	-	-	-	-	-	-	11,233	14,409
Due from other funds	-	362	8,521	31,742	2	137	-	-	40,764	27,133	-	-
Due from component unit	-	270	275	-	-	23	-	-	568	594	-	-
Inventories	58	7,436	401	77,120	8,500	2,046	1,592	1,221	98,374	102,000	-	-
Other assets	4,245	-	821	720	-	147	223	-	6,156	3,163	-	-
Restricted assets:												
Deposits and investments with City Treasury	273,106	-	-	-	-	-	34,748	43,618	351,472	250,115	-	-
Deposits and investments outside City Treasury	142,557	107,188	3,783	-	-	28,128	10,144	-	291,800	312,380	21,617	25,349
Grants and other receivables	22,271	-	-	-	-	-	-	-	22,271	21,138	-	-
Total current assets	878,864	490,709	292,058	1,185,962	466,623	257,420	204,734	104,898	3,881,268	3,760,871	63,606	75,708
Noncurrent assets:												
Other assets	285	4,290	1,001	-	-	2,108	3,768	-	11,452	12,660	-	-
Capital leases receivable	-	-	-	-	-	-	-	-	-	-	167,710	179,041
Advance to component unit	-	-	2,627	-	-	-	-	-	2,627	2,827	-	-
Restricted assets:												
Deposits and investments with City Treasury	315,746	100,701	40,152	88,511	-	24,767	-	-	569,877	697,292	-	-
Deposits and investments outside City Treasury	409,355	-	-	20,532	401	-	-	12,857	443,145	423,364	-	-
Grants and other receivables	924	4,100	268	1,327	-	1,149	-	28,261	36,029	24,114	-	-
Capital assets:												
Land and other assets not being depreciated	549,224	1,223,296	103,502	1,701,553	41,264	586,962	119,237	878	4,325,916	3,349,945	-	-
Facilities, infrastructure, and equipment, net of depreciation	3,733,405	3,830,168	341,219	1,915,351	130,738	1,664,738	308,505	511,841	12,435,965	12,345,872	11,601	10,985
Total capital assets	4,282,629	5,053,464	444,721	3,616,904	172,002	2,251,700	427,742	512,719	16,761,881	15,695,817	11,601	10,985
Total noncurrent assets	5,008,939	5,162,555	488,769	3,727,274	172,403	2,279,724	431,510	553,837	17,825,011	16,856,074	179,311	190,026
Total assets	5,887,803	5,653,264	780,827	4,913,236	639,026	2,537,144	636,244	658,735	21,706,279	20,616,945	242,917	265,734
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt	76,789	126,805	-	-	-	705	-	-	204,299	105,229	1,012	1,091
Deferred outflows on derivative instruments	54,870	-	-	-	-	-	-	-	54,870	83,614	-	-
Deferred outflows related to pensions	145,743	105,357	28,132	340,916	227,598	48,192	20,916	97,073	1,013,927	301,184	25,906	7,475
Total deferred outflows of resources	277,402	232,162	28,132	340,916	227,598	48,897	20,916	97,073	1,273,096	490,027	26,918	8,566

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total			
	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	2017	2016	2017	2016
Operating revenues:												
Aviation	$ 545,310	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 545,310	$ 495,439	$ -	$ -
Water and power service	-	438,207	189,664	-	-	-	-	-	627,871	558,056	-	-
Passenger fees	-	-	-	195,886	-	-	-	-	195,886	205,374	-	-
Net patient service revenue	-	-	-	-	690,122	-	-	173,437	863,559	913,296	-	-
Sewer service	-	-	-	-	-	267,601	-	-	267,601	249,203	-	-
Rents and concessions	149,697	8,813	315	7,436	2,578	606	75,530	-	244,975	244,937	176	176
Parking and transportation	150,548	-	-	227,624	-	-	21,900	-	400,072	379,320	-	-
Other charges for services	-	-	-	29,055	-	-	-	-	29,055	22,054	145,284	136,820
Other revenues	81,245	13,311	-	40,029	5,518	9,134	15,923	1,566	166,726	162,688	-	-
Total operating revenues	926,800	460,331	189,979	500,030	698,218	277,341	113,353	175,003	3,341,055	3,230,367	145,460	136,996
Operating expenses:												
Personal services	364,831	182,034	68,172	988,541	663,367	115,288	47,998	261,122	2,691,353	1,818,791	78,176	49,472
Contractual services	73,918	10,664	7,074	136,335	218,710	13,825	11,660	10,816	483,002	446,008	59,146	51,813
Light, heat and power	23,093	-	43,407	-	-	-	2,833	-	69,333	51,863	-	-
Materials and supplies	16,152	12,564	2,672	74,467	87,843	8,736	1,853	19,970	224,257	221,696	14,508	19,513
Depreciation and amortization	265,841	118,826	17,730	146,595	27,769	55,441	24,191	13,145	669,538	590,595	3,294	2,798
General and administrative	4,360	38,566	45,663	18,360	520	14,098	4,345	-	125,912	139,808	408	540
Services provided by other departments	21,594	59,173	9,412	67,147	48,009	36,832	18,977	10,906	272,050	266,115	9,590	5,886
Other	39,071	-	-	(22,752)	201	-	2,186	-	18,706	19,993	3,184	5,780
Total operating expenses	808,860	421,827	194,130	1,408,693	1,046,419	244,220	114,043	315,959	4,554,151	3,554,869	168,306	135,802
Operating income (loss)	117,940	38,504	(4,151)	(908,663)	(348,201)	33,121	(690)	(140,956)	(1,213,096)	(324,502)	(22,846)	1,194
Nonoperating revenues (expenses):												
Operating grants:												
Federal	-	-	37	64,955	-	3,274	3,786	1	72,053	12,716	-	-
State / other	-	-	-	131,362	66,752	-	-	-	198,114	186,907	-	41
Interest and investment income	7,892	4,331	1,853	7,171	2,986	2,327	1,502	485	28,547	28,566	4,470	4,263
Interest expense	(210,415)	(148,075)	(3,270)	(7,257)	(1,372)	(28,474)	(4,262)	(6,404)	(409,529)	(406,386)	(4,664)	(4,589)
Other nonoperating revenues	105,031	46,434	12,347	68,210	-	11,165	-	14,232	257,419	240,636	739	833
Other nonoperating expenses	(103,527)	(2,607)	(1,221)	-	-	(383)	(56)	-	(107,794)	(55,868)	-	-
Total nonoperating revenues (expenses)	(201,019)	(99,917)	9,746	264,441	68,366	(12,091)	970	8,314	38,810	6,571	545	548
Income (loss) before capital contributions and transfers	(83,079)	(61,413)	5,595	(644,222)	(279,835)	21,030	280	(132,642)	(1,174,286)	(317,931)	(22,301)	1,742
Capital contributions	11,212	-	-	356,293	-	-	1,822	-	369,327	374,924	-	-
Transfers in	-	128	60,100	563,660	62,710	40	-	65,286	751,924	875,309	2,153	5
Transfers out	(45,037)	(60,116)	(49)	(996)	(33,766)	(30,747)	(32)	(2,156)	(172,899)	(204,136)	(138)	(115)
Change in net position	(116,904)	(121,401)	65,646	274,735	(250,891)	(9,677)	2,070	(69,512)	(225,934)	728,166	(20,286)	1,632
Net position (deficit) at beginning of year	167,073	622,668	512,614	3,020,957	(161,533)	1,155,940	387,670	292,447	5,997,836	5,269,670	(15,442)	(17,074)
Net position (deficit) at end of year	$ 50,169	$ 501,267	$ 578,260	$ 3,295,692	$ (412,424)	$ 1,146,263	$ 389,740	$ 222,935	$ 5,771,902	$ 5,997,836	$ (35,728)	$ (15,442)

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2017	Total 2016	Governmental Activities - Internal Service Funds 2017	Governmental Activities - Internal Service Funds 2016
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss)	$ 117,940	$ 38,504	$ (4,151)	$ (908,663)	$ (348,201)	$ 33,121	$ (690)	$(140,956)	$ (1,213,096)	$ (324,502)	$ (22,846)	$ 1,194
Adjustments for non-cash and other activities:												
Depreciation and amortization	265,841	118,826	17,730	146,595	27,769	55,441	24,191	13,145	669,538	590,791	3,294	2,798
Provision for uncollectibles	593	101	50	(26)	-	597	188	-	1,503	555	-	-
Write-off of capital assets	-	2,448	1,482	-	-	1,960	-	-	5,890	4,791	-	-
Other	1,912	-	-	-	-	-	-	-	1,912	980	409	397
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net	(5,827)	(7,171)	181	(53)	13,554	(1,787)	(5,653)	8,331	1,575	(136,645)	12,609	18,888
Due from other funds	-	(186)	1,130	-	55	(132)	-	33,181	34,048	19,091	-	-
Inventories	(20)	(90)	75	2,893	1,506	133	(129)	(168)	4,200	(7,810)	-	-
Other assets	(2,438)	-	(352)	60	-	-	(2,213)	-	(4,943)	(1,687)	-	-
Accounts payable	(3,041)	(9,051)	(5,224)	(16,712)	(24,614)	(2,725)	1,085	(166)	(60,448)	(8,149)	(3,803)	(843)
Accrued payroll	898	758	179	3,418	2,077	613	328	498	8,769	13,977	380	506
Accrued vacation and sick leave pay	(22)	555	(184)	1,724	(917)	(596)	(24)	(113)	423	3,952	114	208
Accrued workers' compensation	679	275	5	3,733	(1,244)	(78)	179	776	4,325	17,713	(64)	(79)
Other postemployment benefits obligation	13,816	9,784	3,053	26,325	26,752	5,617	2,220	7,874	95,441	63,982	2,875	1,651
Estimated claims payable	-	(6,162)	577	(13,847)	-	(2,484)	150	-	(21,766)	12,193	-	-
Due to other funds	-	(779)	(363)	976	-	84	-	-	(82)	265	(24)	(52)
Unearned revenue and other liabilities	(12,703)	21,759	1,701	7,305	(24,972)	1,728	(1,919)	780	(6,321)	22,630	2,276	(2,889)
Net pension liability and pension related deferred outflows and inflows of resources	80,815	53,828	17,025	220,380	133,034	25,919	10,921	58,686	600,608	(176,131)	16,230	(4,344)
Total adjustments	340,503	184,895	37,065	382,771	153,000	84,290	29,324	122,824	1,334,672	420,498	34,296	16,241
Net cash provided by (used in) operating activities	$ 458,443	$ 223,399	$ 32,914	$ (525,892)	$ (195,201)	$ 117,411	$ 28,634	$ (18,132)	$ 121,576	$ 95,996	$ 11,450	$ 17,435
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted	$ 375,593	$ 319,162	$ 264,026	$ 921,116	$ 224,663	$ 195,559	$ 146,019	$ -	$ 2,446,138	$ 2,370,166	$ 29,919	$ 35,264
Restricted	588,852	100,701	40,152	88,511	-	24,767	34,748	43,618	921,349	947,407	-	-
Deposits and investments outside City Treasury:												
Unrestricted	5,864	34	10	9,651	10	-	5	2	15,576	16,494	-	-
Restricted	551,912	107,188	3,783	20,532	401	28,128	10,144	12,857	734,945	735,744	21,617	25,349
Total deposits and investments	1,522,221	527,085	307,971	1,039,810	225,074	248,454	190,916	56,477	4,118,008	4,069,811	51,536	60,613
Less: Investments outside City Treasury not meeting the definition of cash equivalents	(550,369)	(65,384)	(2,450)	-	-	(7,923)	(265)	-	(626,391)	(447,192)	-	-
Cash and cash equivalents at end of year on statement of cash flows	$ 971,852	$ 461,701	$ 305,521	$ 1,039,810	$ 225,074	$ 240,531	$ 190,651	$ 56,477	$ 3,491,617	$ 3,622,619	$ 51,536	$ 60,613
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease	$ 91,578	$ 31,580	$ 6,995	$ -	$ 743	$ 23,477	$ 1,908	$ 431	$ 156,712	$ 170,288	$ 1,997	$ 361
Tenant improvements financed by rent credits	-	-	-	-	-	-	613	-	613	241	-	-
Net capitalized interest	8,772	49,013	259	3,334	-	18,607	326	-	80,311	88,225	-	-
Donated inventory	-	-	-	-	1,910	-	-	-	1,910	2,844	-	-
Capital contributions and other noncash capital items	-	-	-	234	-	-	515	-	749	624	-	-
Bond refunding through fiscal agent	184,536	-	-	-	-	-	-	-	184,536	282,453	-	-
Bond proceeds held by fiscal agent	434,287	-	-	-	-	-	-	-	434,287	-	-	-
Commercial paper repaid through fiscal agent	343,050	-	-	-	-	-	-	-	343,050	-	-	-
Interfund loan	-	7	-	-	-	1,250	-	-	1,257	2,057	-	-

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, 2017
(With comparative financial information as of June 30, 2016)
(In Thousands)

	Business-Type Activities - Enterprise Funds											
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total 2017	Total 2016	Governmental Activities - Internal Service Funds 2017	Governmental Activities - Internal Service Funds 2016
Cash flows from operating activities:												
Cash received from customers, including cash deposits	$ 931,127	$ 464,244	$ 192,733	$ 550,327	$ 684,277	$ 277,219	$ 28,635	$ 217,295	$ 3,345,857	$ 3,123,395	$ 163,461	$159,994
Cash received from tenants for rent	-	11,945	308	7,617	2,578	606	74,154	-	97,208	98,059	-	-
Cash paid for employees' services	(268,646)	(114,537)	(47,242)	(734,057)	(503,665)	(82,623)	(34,529)	(193,400)	(1,978,699)	(1,892,180)	(58,641)	(51,530)
Cash paid to suppliers for goods and services	(204,038)	(133,655)	(109,690)	(334,336)	(378,391)	(75,478)	(39,626)	(42,027)	(1,317,241)	(1,205,195)	(93,370)	(91,029)
Cash paid for judgments and claims	-	(4,598)	(3,195)	(15,443)	-	(2,313)	-	-	(25,549)	(28,083)	-	-
Net cash provided by (used in) operating activities	458,443	223,399	32,914	(525,892)	(195,201)	117,411	28,634	(18,132)	121,576	95,996	11,450	17,435
Cash flows from noncapital financing activities:												
Operating grants	-	1,496	2,794	191,789	66,699	2,055	2,624	2	267,459	199,884	-	41
Transfers in	-	128	60,100	466,279	62,710	40	-	62,844	652,101	789,310	2,153	5
Transfers out	(45,037)	(60,116)	(49)	(996)	(33,766)	(30,747)	(32)	(2,156)	(172,899)	(204,136)	(138)	(115)
Other noncapital financing sources	1,076	6,867	12,188	53,390	-	1,325	1,000	-	75,846	63,416	-	-
Other noncapital financing uses	(81,908)	(2,607)	(1,546)	-	(163)	(383)	-	-	(86,607)	(43,068)	-	-
Net cash provided by (used in) noncapital financing activities	(125,869)	(54,232)	73,487	710,462	95,480	(27,710)	3,592	60,690	735,900	805,406	2,015	(69)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes	10,011	-	-	286,666	-	-	644	113	297,434	305,342	-	-
Transfers in	-	-	-	97,147	-	-	-	2,442	99,589	85,999	-	-
Bond sale proceeds and loans received	437,465	1,191,788	-	192,930	-	-	-	-	1,822,183	365,744	-	-
Proceeds from sale/transfer of capital assets	-	6,407	47	243	-	37	2	-	6,736	688	-	-
Proceeds from commercial paper borrowings	179,000	145,736	20,058	-	21,399	111,411	-	-	477,604	413,911	-	-
Proceeds from passenger facility charges	97,287	-	-	-	-	-	-	-	97,287	98,432	-	-
Acquisition of capital assets	(506,508)	(243,231)	(55,164)	(634,908)	(14,449)	(238,625)	(17,123)	(2,575)	(1,712,583)	(1,402,545)	(3,910)	(4,211)
Retirement of capital leases, bonds and loans	(208,125)	(1,210,307)	(2,298)	(7,672)	(31,836)	(82,482)	(2,521)	(6,148)	(1,551,389)	(369,699)	(14,025)	(18,795)
Bond issue costs paid	-	(996)	-	(1,936)	-	(97)	-	-	(3,029)	(1,796)	-	-
Interest paid on debt	(233,585)	(200,025)	(3,460)	(6,339)	(1,380)	(45,252)	(4,688)	(6,612)	(501,341)	(502,804)	(4,753)	(4,698)
Federal interest income subsidy from Build America Bonds	-	24,158	532	-	-	3,998	-	-	28,688	28,895	-	-
Other capital financing sources	-	-	-	15,600	-	-	550	-	16,150	17,450	-	-
Other capital financing uses	-	-	-	-	-	-	(3,098)	-	(3,098)	(951)	-	-
Net cash provided by (used in) capital and related financing activities	(224,455)	(286,470)	(40,285)	(58,269)	(26,266)	(251,010)	(26,234)	(12,780)	(925,769)	(961,334)	(22,688)	(27,704)
Cash flows from investing activities:												
Purchases of investments with trustees	(689,700)	(520,024)	(3,056)	-	-	(92,976)	-	-	(1,305,756)	(1,028,954)	-	-
Proceeds from sale of investments with trustees	664,457	454,457	3,051	-	-	84,957	-	-	1,206,922	1,125,680	-	4,672
Interest and investment income	15,235	4,442	1,946	6,954	2,986	2,578	1,436	548	36,125	32,384	148	137
Other investing activities	-	-	-	-	-	-	-	-	-	-	(2)	(5)
Net cash provided by (used in) investing activities	(10,008)	(61,125)	1,941	6,954	2,986	(5,441)	1,436	548	(62,709)	129,110	146	4,804
Net increase (decrease) in cash and cash equivalents	98,111	(178,428)	68,057	133,255	(123,001)	(166,750)	7,428	30,326	(131,002)	69,178	(9,077)	(5,534)
Cash and cash equivalents-beginning of year	873,741	640,129	237,464	906,555	348,075	407,281	183,223	26,151	3,622,619	3,553,441	60,613	66,147
Cash and cash equivalents-end of year	$ 971,852	$ 461,701	$ 305,521	$ 1,039,810	$ 225,074	$ 240,531	$ 190,651	$ 56,477	$ 3,491,617	$ 3,622,619	$ 51,536	$ 60,613

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund	Agency Funds
ASSETS				
Deposits and investments with City Treasury	$ 50,782	$ 864,035	$ 239,516	$ 187,821
Deposits and investments outside City Treasury:				
Cash and deposits	65,697	-	5,897	3,233
Short-term investments	347,744	-	-	-
Debt securities	4,494,029	-	-	-
Equity securities	10,693,290	-	-	-
Real assets	2,975,974	-	-	-
Private equity and other alternative investments	3,979,516	-	-	-
Foreign currency contracts, net	164	-	-	-
Invested in securities lending collateral	201	-	-	-
Receivables:				
Employer and employee contributions	34,653	-	-	51,565
Brokers, general partners and others	145,795	-	-	-
Federal and state grants and subventions	-	-	404	-
Interest and other	34,108	1,081	11,758	281,227
Loans (net of allowance for uncollectible amounts)	-	-	1,724	-
Other assets	45,402	-	1,623	45,538
Restricted asset:				
Deposits and investments outside City Treasury	-	-	348,529	-
Capital assets:				
Land and other assets not being depreciated	-	-	44,988	-
Facilities, infrastructure and equipment, net of depreciation	-	-	107,474	-
Total assets	22,867,355	865,116	761,913	569,384
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	-	-	3,883	-
Unamortized loss on refunding of debt	-	-	30,965	-
Total deferred outflows of resources	-	-	34,848	-
LIABILITIES				
Accounts payable	19,128	2,500	18,321	69,785
Estimated claims payable	27,755	-	-	-
Due to the primary government	-	-	560	-
Agency obligations	-	-	-	499,599
Accrued interest payable	-	-	18,451	-
Payable to brokers	147,095	-	-	-
Deferred Retirement Option Program	313	-	-	-
Payable to borrowers of securities	106	-	-	-
Other liabilities	2,656	-	1,225	-
Advance from primary government	-	-	13,149	-
Long-term obligations	-	-	1,104,148	-
Net pension liability	-	-	23,281	-
Total liabilities	197,053	2,500	1,179,135	569,384
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	-	-	6,475	-
NET POSITION				
Restricted for pension and other employee benefits	22,670,302	-	-	-
Held for external pool participants	-	862,616	-	-
Held for Redevelopment Agency dissolution	-	-	(388,849)	-
Total net position	$ 22,670,302	$ 862,616	$ (388,849)	$ -

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2017
(In Thousands)

	Pension, Other Employee and Other Post-Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues	$ -	$ -	$ 129,233
Charges for services	-	-	46,467
Contributions:			
Employee contributions	481,785	-	-
Employer contributions	1,461,184	-	-
Contributions to pooled investments	-	3,162,248	-
Total contributions	1,942,969	3,162,248	175,700
Investment income:			
Interest	176,412	5,374	2,286
Dividends	209,951	-	-
Net appreciation in fair value of investments	2,358,432	-	-
Securities lending income	9,004	-	-
Total investment income	2,753,799	5,374	2,286
Less investment expenses:			
Securities lending borrower rebates and expenses	(3,489)	-	-
Other investment expenses	(47,597)	-	-
Total investment expenses	(51,086)	-	-
Other additions	-	-	11,918
Total additions, net	4,645,682	3,167,622	189,904
Deductions:			
Neighborhood development	-	-	130,840
Depreciation	-	-	4,949
Interest on debt	-	-	52,947
Benefit payments	2,281,518	-	-
Refunds of contributions	13,507	-	-
Distribution from pooled investments	-	3,048,901	-
Administrative expenses	18,243	-	12,975
Total deductions	2,313,268	3,048,901	201,711
Change in net position	2,332,414	118,721	(11,807)
Net position at beginning of year	20,337,888	743,895	(377,042)
Net position at end of year	$ 22,670,302	$ 862,616	$ (388,849)

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

(1) The Financial Reporting Entity

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20.0 million (plus 5.0% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (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 (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8th Floor, San Francisco, CA 94103.

Discretely Presented Component Unit

Treasure Island Development Authority (The TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City's Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency's annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from 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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

(b) Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The

City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 60 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The ***General Fund*** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The ***San Francisco International Airport Fund*** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The ***San Francisco Water Enterprise Fund*** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The ***Hetch Hetchy Water and Power Enterprise Fund*** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The ***Municipal Transportation Agency Fund*** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The ***General Hospital Medical Center Fund*** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The ***San Francisco Wastewater Enterprise Fund*** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue $240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The ***Port of San Francisco Fund*** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The ***Laguna Honda Hospital Fund*** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The ***Debt Service Funds*** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The ***Capital Projects Funds*** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects
- The ***Permanent Fund*** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The ***Internal Service Funds*** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The ***Pension, Other Employee and Other Postemployment Benefit Trust Funds*** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The ***Investment Trust Fund*** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The ***Private-Purpose Trust Fund*** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Act.
- The ***Agency Funds*** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds

are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

(c) Deposits and Investments

Investment in the Treasurer's Pool

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Retirement System and of the Retiree Health Care Trust Fund are held by trustees.

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2017, involuntary participants accounted for approximately 96.4% of the pool. Voluntary participants accounted for 3.6% of the pool. Further, the School District, Community College District, the Trial Courts of the State of California, and the Transbay Joint Powers Authority are external participants of the City's pool. At June 30, 2017, $862.6 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 10.0%. Internal participants accounted for 90.0% of the pool.

Investment Valuation

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposit and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

Retirement System – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of real estate investments are based on Net Asset Values (NAV) provided by the investment managers. Private equity investments represent interest in limited partnerships. The fair values of private equity investments are also based on net asset values provided by the general partners. For investments that are not traded on national or international exchanges with closing market prices available data is obtained to corroborate pricing.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to Equity, Credit, Macro, Emerging Markets, Quantitative, Multi-Strategy, Special Situations, and Commodities. These investments are valued using their respective NAV, and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type, but are predominantly derived from observed market prices.

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 domestic securities for collateral of 102.0% and international securities for collateral of 105.0%. 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, and therefore, is not reported in the Retirement System's financial statements.

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, 2017, was 31 days. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2017, the weighted average maturity of the reinvested cash collateral account was 1 day. 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 separate account managed by the lending agent is reported at fair value. Payable to borrowers of securities in the statement of fiduciary net position represents the cash collateral received from borrowers. Additionally, the income and costs of securities lending transactions, such as borrower rebates and fees, are recorded respectively as revenues and expenses in the statement of changes in fiduciary net position.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and participating interest-earning investment contracts (such as negotiable certificates of deposit, repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental 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, SFMTA, LHH, SFGH, 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.

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2017, it was determined that $1,263.3 million of the $1,401.5 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

(e) Inventories

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

(f) Property Held for Resale

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

(g) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than $5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of $100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

(h) Accrued Vacation and Sick Leave Pay

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

(i) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively. Issuance costs including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

(j) Fund Equity

Governmental Fund Balance

As prescribed by Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

(Dollars in Thousands)

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

(k) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

(l) Refunding of Debt

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

(m) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

(n) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

(o) Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB Statement No. 68) requires that the reported results pertain to liability and asset information within certain defined timeframes. Liabilities are based on the results of actuarial calculations performed as of June 30, 2015 and were rolled forward to June 30, 2016. For this report, the following timeframes are used for the City's pension plans:

Valuation Date (VD)…………	June 30, 2015 updated to June 30, 2016
Measurement Date (MD)……	June 30, 2016
Measurement Period (MP)….	July 1, 2015 to June 30, 2016

(p) Restricted Assets

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

(q) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

(r) 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.

(s) Reclassifications

Certain amounts, presented as fiscal year 2015-16 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the fiscal year 2016-17 basic financial statements.

(Dollars in Thousands)

(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position

Total fund balances of the City's governmental funds, $3,404,773, differs from net position of governmental activities, $1,786,411 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities (1)	Internal Service Funds (2)	Reclassi-fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury	$ 3,881,361	$ -	$ 29,919	$ -	$ 3,911,280
Deposits and investments outside City Treasury	155,356	-	21,617	-	176,973
Receivables, net					
Property taxes and penalties	99,951	-	-	-	99,951
Other local taxes	267,319	-	-	-	267,319
Federal and state grants and subventions	294,807	-	-	-	294,807
Charges for services	84,907	-	95	-	85,002
Interest and other	13,001	-	742	-	13,743
Due from other funds	17,550	-	-	(17,550)	-
Due from component unit	1,581	-	-	-	1,581
Advance to component unit	13,149	-	-	-	13,149
Loans receivable, net	138,223	-	-	-	138,223
Capital assets, net	-	5,296,075	11,601	-	5,307,676
Other assets	95,020	-	-	-	95,020
Total assets	5,062,225	5,296,075	63,974	(17,550)	10,404,724
Deferred outflows of resources					
Unamortized loss on refunding of debt	-	15,327	1,012	-	16,339
Deferred outflows related to pensions	-	1,268,829	25,906	-	1,294,735
Total deferred outflows of resources	-	1,284,156	26,918	-	1,311,074
Liabilities					
Accounts payable	277,815	-	3,647	-	281,462
Accrued payroll	102,598	-	2,242	-	104,840
Accrued vacation and sick leave pay	-	152,924	3,216	-	156,140
Accrued workers' compensation	-	240,023	1,800	-	241,823
Other postemployment benefits obligation	-	1,312,199	26,393	-	1,338,592
Estimated claims payable	-	202,489	-	-	202,489
Accrued interest payable	-	11,016	1,224	-	12,240
Unearned grant and subvention revenues	25,894	-	-	-	25,894
Due to other funds	50,953	-	1,787	(17,550)	35,190
Unearned revenue and other liabilities	573,408	1,896	34	-	575,338
Bonds, loans, capital leases, and other payables	255,939	3,060,115	182,783	-	3,498,837
Net pension liability	-	3,242,565	63,919	-	3,306,484
Total liabilities	1,286,607	8,223,227	287,045	(17,550)	9,779,329
Deferred inflows of resources					
Unavailable revenue	370,845	(370,845)	-	-	-
Unamortized gain on refunding of debt	-	217	-	-	217
Deferred inflows related to pensions	-	147,104	2,737	-	149,841
Total deferred inflows of resources	370,845	(223,524)	2,737	-	150,058
Fund balances/ net position					
Total fund balances/ net position	$ 3,404,773	$ (1,419,472)	$ (198,890)	$ -	$ 1,786,411

(1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets	$ 6,923,800
Accumulated depreciation	(1,627,725)
	$ 5,296,075

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued vacation and sick leave pay	$ (152,924)
Accrued workers' compensation	(240,023)
Other postemployment benefits obligation	(1,312,199)
Estimated claims payable	(202,489)
Unearned revenue and other liabilities	(1,896)
Bonds, loans, capital leases, and other payables	(3,060,115)
	$(4,969,646)

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. $ (11,016)

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt	$ 15,327
Unamortized gain on refunding of debt	(217)
	$ 15,110

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability	$(3,242,565)
Deferred outflows of resources related to pensions	1,268,829
Deferred inflows of resources related to pensions	(147,104)
	$(2,120,840)

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 60 days of the end of the current fiscal period $ 370,845

(Dollars in Thousands)

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position before adjustments	$ (35,728)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(178,943)
Unearned revenue and other liabilities	15,781
	$ (198,890)

(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, $569,299, differs from the change in net position for governmental activities, $(167,614), reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes	$ 1,937,694	$ 14,002	$ -	$ -	$ -	$ 1,951,696
Business taxes	702,331	-	-	-	-	702,331
Sales and use tax	291,710	(315)	-	-	-	291,395
Hotel room tax	370,344	-	-	-	-	370,344
Utility users tax	101,203	-	-	-	-	101,203
Parking tax	84,278	-	-	-	-	84,278
Real property transfer tax	410,561	-	-	-	-	410,561
Other local taxes	47,728	-	-	-	-	47,728
Licenses, permits and franchises	44,397	216	-	-	-	44,613
Fines, forfeitures, and penalties	30,798	(3,870)	-	-	-	26,928
Interest and investment income	35,089	-	-	151	-	35,240
Rents and concessions	100,544	(1,377)	-	-	-	99,167
Intergovernmental:						
Federal	411,369	15,446	-	-	-	426,815
State	823,012	13,541	-	-	-	836,553
Other	13,814	(2,772)	-	-	-	11,042
Charges for services	378,437	2,405	-	-	-	380,842
Other	188,311	(224)	97,324	739	-	286,150
Total revenues	5,971,620	37,052	97,324	890	-	6,106,886
Expenditures/ Expenses						
Current:						
Public Protection	1,323,577	343,745	29,554	(4,652)	-	1,692,224
Public works, transportation and commerce	332,693	75,969	(20,971)	(268)	-	387,423
Human welfare and neighborhood development	1,424,425	118,008	681	(67)	-	1,543,047
Community health	712,495	124,228	31,905	-	-	868,628
Culture and recreation	390,038	74,085	87,282	(11,889)	-	539,516
General administration and finance	303,113	140,785	(106,663)	(26)	-	337,209
General City responsibilities	121,447	954	-	22,846	-	145,247
Debt service:						
Principal retirement	283,356	-	-	-	(283,356)	-
Interest and other fiscal charges	125,091	-	-	4,664	(19,186)	110,569
Bond issuance costs	2,695	-	-	-	-	2,695
Capital outlay	297,089	-	(297,089)	-	-	-
Total expenditures	5,316,019	877,774	(275,301)	10,608	(302,542)	5,626,558
Excess (deficiency) of revenues over (under) expenditures	655,601	(840,722)	372,625	(9,718)	302,542	480,328

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital-related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Other financing sources (uses) / changes in net position						
Net transfers in (out)	(581,040)	-	(68,917)	2,015	-	(647,942)
Issuance of bonds and loans:						
Face value of bonds issued	276,570	-	-	-	(276,570)	-
Face value of loans issued	46,000	-	-	-	(46,000)	-
Premium on issuance of bonds	12,432	-	-	-	(12,432)	-
Proceeds from sale of capital assets	122,000	-	(122,000)	-	-	-
Other financing sources - capital leases	37,736	-	-	(3,552)	(34,184)	-
Total other financing sources (uses)	(86,302)	-	(190,917)	(1,537)	(369,186)	(647,942)
Net change for the year	$ 569,299	$ (840,722)	$ 181,708	$ (11,255)	$ (66,644)	$ (167,614)

(3) Property taxes that were unavailable and are reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.	$ 14,002
Other revenues that were unavailable and reported as deferred inflows of resources in the governmental funds are recognized as revenues in the statement of activities.	23,050
	$ 37,052
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	$(1,632,027)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	746,638
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.	7,615
	$ (877,774)

(Dollars in Thousands)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 486,779
Depreciation expenses	(180,738)
Gain on disposal of capital assets	97,324
Loss on disposal of capital assets	(36,427)
Transfer of assets to enterprise fund	(68,917)
Write off of construction in progress	(22,602)
Increase in construction in progress	28,289
Proceeds from sale of capital assets	(122,000)
Difference	$ 181,708

(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. $ (11,255)

(6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. $ (12,432)

Repayment of bond principal is reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders.

Principal payments made	$ 283,356

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 position and do not affect the statement of activities. Proceeds were received from:

General obligation bonds	(248,250)
Certificates of participation	(28,320)
Capital lease for equipment	(34,184)
Loans	(46,000)
	(356,754)
	$ (73,398)

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond discounts, premiums and refunding losses and gains are not expended within the fund statements.

Decrease in accrued interest	$ 877
Amortization of bond premiums and discounts	20,245
Amortization of bond refunding losses and gains	(1,936)
	$ 19,186

(4) Effects of New Accounting Pronouncements

During fiscal year 2017, the City implemented the following accounting standards:

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes. The provisions in this statement were effective for the City's year ended June 30, 2016, except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement No. 68, which are effective for the City's year ended June 30, 2017. Implementation of the standard resulted in a restatement which decreased beginning net position of governmental activities for fiscal year 2016-17 by $55.0 million.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 74 revises and establishes new accounting and financial reporting requirements for postemployment benefit plans other than pensions (OPEB). Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with OPEB and requires additional OPEB disclosures. Statement No. 74 is effective for periods beginning after June 15, 2016, and is effective for the City's year ended June 30, 2017. Statement No. 74 was implemented for the City's fiscal year 2017. The total OPEB liability, determined in accordance with GASB Statement No. 74, is presented in the notes and in the required supplementary information in the Retiree Health Care Trust Fund's separately issued financial report. Application of Statement No. 75 is effective for the City's year ending June 30, 2018.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. Statement No. 77 establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The new standard is effective for periods beginning after December 15, 2015. Application of this statement did not have a significant impact on the City for the year ended June 30, 2017.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided by state or local governments through a cost-sharing plan that meets the criteria of Statement No. 68 and is not a state or local governmental pension plan. The new standard is effective for periods beginning after December 15, 2015. Application of this statement did not have a significant impact on the City for the year ended June 30, 2017.

(Dollars in Thousands)

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*. This statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The new standard is effective for periods beginning after June 15, 2016. Application of this statement did not have a significant impact on the City for the year ended June 30, 2017.

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

In March 2016, the GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement is effective for the City's year ending June 30, 2018.

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations. The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The new standard is effective for periods beginning after June 15, 2017. Application of this statement is effective for the City's year ending June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 clarifies accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. Application of this statement is effective for the City's year ending June 30, 2018.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

(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 Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	TIDA
Deposits and investments with City Treasury	$ 3,911,280	$ 2,446,138	$ 1,342,154	$ 7,699,572	$ 7,225
Deposits and investments outside City Treasury	155,356	15,576	22,565,544	22,736,476	-
Restricted assets:					
Deposits and investments with City Treasury	-	921,349	-	921,349	-
Deposits and investments outside City Treasury	21,617	734,945	348,529	1,105,091	-
Invested in securities lending collateral	-	-	201	201	-
Total deposits & investments	$ 4,088,253	$ 4,118,008	$ 24,256,428	$ 32,462,689	$ 7,225
Cash and deposits				$ 276,278	$ -
Investments				32,186,411	7,225
Total deposits and investments				$ 32,462,689	$ 7,225

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated May 2016. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

(Dollars in Thousands)

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20%*	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 andd 53635	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	$75 million *
Money Market (Institutional Government Funds)	N/A	10% *	N/A
Money Market (Institutional Prime Funds)	60 days	5%	N/A
Supranationals	5 years	5% *	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction for which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts, derivative instruments, and private equity investments, which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policies for the year ended June 30, 2017, are as follows:

Asset Class	Target Allocation
Global Equity	40.0%
Fixed Income	20.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	5.0%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The investment policy permits the RHCTF to invest in domestic and international equity securities and investment grade bonds. It also allows investments in global equity, U.S. nominal bonds, inflation-linked bonds, global real estate, and commodities, although the RHCTF does not currently hold assets in these classes. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation	Range
Domestic Equity	37.0%	32.0-42.0%
International Equity	37.0%	32.0-42.0%
Investment Grade Bonds	26.0%	21.0-31.0%
	100.0%	

(Dollars in Thousands)

(c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2017:

		Fair Value Measurements Using		
	Fair Value 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments Held in City Treasury:				
U.S. Treasury Notes	$ 872,449	$ 872,449	$ -	$ -
U.S. Agencies - Discount	483,736	-	483,736	-
U.S. Agencies - Coupon (no call option)	3,028,514	-	3,028,514	-
U.S. Agencies (callable option)	1,195,831	-	1,195,831	-
State and Local Agencies	334,967	-	334,967	-
Negotiable Certificates of Deposits	1,053,728	-	1,053,728	-
Corporate Notes	89,933	-	89,933	-
Supranationals	358,801	-	358,801	-
Commercial Paper	836,967	-	836,967	-
Public Time Deposits	960 *	-	-	-
Money Market Mutual Funds	301,857 *	-	-	-
Subtotal	8,557,743	$ 872,449	$ 7,382,477	$ -
Investments Held Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	297,460	$ 297,460	$ -	$ -
U.S. Agencies	234,885	-	234,885	-
Commercial Paper	77,697 *	-	-	-
Money Market Mutual Funds	534,668 *	-	-	-
Certificates of Deposit	265 *	-	-	-
Subtotal Investments Outside City Treasury	1,144,975	$ 297,460	$ 234,885	$ -

* Not subject to fair value hierarchy

		Fair Value Measurements Using		
	Fair Value 6/30/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short Term Investments	$ 329,587	$ -	$ 2,967	$ 326,620
Debt Securities:				
U.S. Government & Agency Securities	1,194,634	-	1,194,634	-
Other Debt Securities	2,004,564	-	1,940,027	64,537
Equity Securities:				
Domestic Equity	4,749,997	4,654,187	203	95,607
International Equity	3,770,343	3,764,376	4,084	1,883
Foreign Currency Contracts, net	164	-	-	164
Invested securities lending collateral	201	-	-	201
Subtotal Employees' Retirement System Investments	12,049,490	$ 8,418,563	$ 3,141,915	$ 489,012
Investments measured at the net asset value (NAV)				
Short Term Investments	18,157			
Fixed Income:				
U.S. Government & Agency Securities	360,546			
Other Fixed Income	886,658			
Equities:				
Domestic Equity	916,247			
International Equity	1,121,429			
Real Assets	2,975,974			
Private Equity	3,401,547			
Absolute Return	577,967			
Total investments measured at the NAV	10,258,525			
Total investments measured at fair value	22,308,015			
Healthcare Trust (measurements at the NAV)				
Fixed Income:				
U.S. Debt Index Fund	47,627			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	67,690			
International:				
EAFE Equity Index Fund	67,584			
Money Market Investments				
Treasury Money Market Fund	2 *			
Subtotal Investments in Healthcare Trust	182,903			
Total Investments	**$ 32,193,636**			

* Not subject to fair value hierarchy

(Dollars in Thousands)

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Government Agencies, State and Local agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds and Public Time Deposits have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72.

Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Government Agencies are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to fair value hierarchy.

Employees' Retirement System Investments

Investments, at Fair Value

Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Investments, at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in private credit investments, opportunistic public equity, real assets, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset value are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limit to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private Credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. Two opportunistic public equity investments, valued at $4.2 million, are currently being liquidated. These proceeds are expected to be received over the next 3-5 years. The remaining opportunistic public equity investments are subject to a 2-year lock up with liquidity provided every December 31 with 60 days' notice. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships, but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investment Measured at NAV as of June 30, 2017

% of NAV	Redemption Frequency	Redemption Notice Period
25%*	Quarterly	65-95 days
46%	Semi-annually	95 days
10%	Annually	95 days
19%	Greater than Annually	95 days
100%		

* 5% subject to a lock-up that expires as of April 1, 2018

(Dollars in Thousands)

Retiree Health Care Trust Fund

Investments, at Net Asset Value (NAV)

At June 30, 2017 the Retiree Health Care Trust Fund had investments in equity and debt commingled index funds, the City Treasury Pool, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2017, there are no redemption restrictions on the commingled index funds.

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2017, $3.6 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's interest rate risk information is discussed in section (f) of this note.

			Investment Maturities	
	S & P Rating	Fair Value	Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	$ 872,449	$ 624,062	$ 248,387
U.S. Agencies - Coupon	NR - AA+	4,708,081	1,872,278	2,835,803
Negotiable certificates of deposits	A-1 - A-1+	1,053,728	1,025,822	27,906
Money Market Mutual Funds	AAAm	301,857	301,857	-
Public time deposits	NR	960	960	-
State/Local Agencies	A-1+, AA- - AA+	334,967	170,852	164,115
Supranationals	AAA	358,801	204,996	153,805
Corporate notes	A+ - AA-	89,933	39,794	50,139
Commercial Paper	A-1-A-1+	836,967	836,967	-
Less: Treasure Island Development Authority Investments with City Treasury	n/a	(7,225)	-	(7,225)
Less: Employees' Retirement System Investments with City Treasury		(11,800)	-	(11,800)
Less: Health Care Trust Investments with City Treasury	n/a	(2,215)	-	(2,215)
Subtotal pooled investments		8,536,503	$ 5,077,588	$ 3,458,915
Investments Outside City Treasury: (Governmental and Business - Type)				
U.S. Treasury Notes	NR/AAA/AA+	$ 297,460	$ 93,751	$ 203,709
U.S. Agencies - Coupon	AA+	8,031	-	8,031
U.S. Agencies - Discount	AA+/A-1+	226,854	31,739	195,115
Corporate notes		-	-	-
Money Market Mutual Funds	AAAm	513,349	513,349	-
U.S. Treasury Money Market Funds	AAAm	21,319	21,319	-
Commercial Paper	A-1+/A-1	77,697	77,697	-
Certificate of Deposit	NR	265	265	-
Subtotal investments outside City Treasury		1,144,975	$ 738,120	$ 406,855
Retiree Health Care Trust Investments		185,118		
Employees' Retirement System investments		22,319,815		
Total Primary Government		$ 32,186,411		
Component Units:				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	7,225	$ -	$ 7,225
Total Investments		**$ 32,193,636**		

As of June 30, 2017, the investments in the City Treasury had a weighted average maturity of 471 days.

(Dollars in Thousands)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

Concentration of Credit Risk

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2017, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank....21.9%
Federal Home Loan Mortgage Corporation....14.4%
Federal Home Loan Bank....9.5%

In addition, the following major funds hold investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2017:

Airport:
Federal National Mortgage Association....16.6%
Federal Home Loan Bank....14.0%
Federal Home Loan Mortgage Corporation....8.9%

Hetch Hetchy:
Federal Farm Credit Bank....68.2%

(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2017:

Statement of Net Position	
Net position held in trust for all pool participants	$8,628,146
Equity of internal pool participants	$7,765,530
Equity of external pool participants	862,616
Total equity	$8,628,146
Statement of Changes in Net Position	
Net position at July 1, 2016	$7,916,658
Net change in investments by pool participants	711,488
Net position at June 30, 2017	$8,628,146

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2017:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries	0.79% - 1.90%	07/06/17 - 11/30/21	$ 875,000	$ 872,449
U.S. Agencies	0.56% - 2.18%	07/03/17 - 06/02/22	4,713,145	4,708,081
State and local agencies	0.70% - 2.13%	07/01/17 - 05/15/21	334,319	334,967
Public time deposits	1.15% - 1.44%	02/21/18 - 05/16/18	960	960
Negotiable certificates of deposit	1.06% - 1.73%	07/03/17 - 03/08/19	1,052,838	1,053,728
Commercial paper	0.84% - 1.47%	07/03/17 - 03/23/18	839,400	836,967
Corporate notes	0.90% - 1.63%	08/18/17 - 01/09/19	89,775	89,933
Money market mutual funds	0.70% - 0.75%	07/01/17 - 07/01/17	301,857	301,857
Supranationals	1.00% - 1.90%	07/06/17 - 05/12/20	359,300	358,801
			$ 8,566,594	8,557,743
Carrying amount of deposits with Treasurer				70,403
Total cash and investments with Treasurer				$ 8,628,146

(Dollars in Thousands)

(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2017, are summarized as follows:

Fixed Income Investments:	
Short-term investments	$ 347,744
Investments in City Treasury	11,800
Debt securities:	
U.S. Government and agencies	1,555,180
Other debt securities	2,891,222
Subtotal debt securities	4,446,402
Total fixed income investments	4,805,946
Equity securities:	
Domestic	5,666,244
International	4,891,772
Total equity securities	10,558,016
Real assets	2,975,974
Private equity	3,401,547
Absolute return	577,967
Foreign currency contracts, net	164
Investment in lending agent's short-term investment pool	201
Total Retirement System Investments	$ 22,319,815

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2017:

		Maturities			
Investment Type	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Asset Backed Securities	$ 163,350	$ -	$ 69,301	$ 8,992	$ 85,057
Bank Loans	148,645	1,870	79,302	67,473	-
City Investment Pool	11,800	-	11,800	-	-
Collateralized Bonds	184	-	-	-	184
Commercial Mortgage-Backed	425,755	-	5,124	4,298	416,333
Commingled and Other					
Fixed Income Funds	373,993	387,199	1,084	117	(14,407)
Corporate Bonds	1,421,430	532,928	401,830	321,188	165,484
Corporate Convertible Bonds	189,953	7,342	105,315	42,489	34,807
Foreign Currencies and Cash Equivalents	134,745	134,745	-	-	-
Government Agencies	371,575	360,801	-	544	10,230
Government Bonds	1,116,583	44,633	876,704	47,440	147,806
Government Mortgage-					
Backed Securities	144,202	11	10,387	4,210	129,594
Municipal/Provincial Bonds	33,513	2,618	3,052	1,551	26,292
Non-Government Backed					
Collateralized Mortgage Obligations	55,790	3	2,511	1	53,275
Options	(12)	(12)	-	-	-
Short Term Investment Funds	212,999	212,999	-	-	-
Swaps	1,441	1,034	11	271	125
Total	$ 4,805,946	$ 1,686,171	$ 1,566,421	$ 498,574	$ 1,054,780

Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2017. Investments issued or explicitly guaranteed by the U.S. government of $1.02 billion as of June 30, 2017, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	$ 166,573	4.4%
AA	46,442	1.2%
A	203,966	5.4%
BBB	708,834	18.7%
BB	239,996	6.3%
B	252,346	6.7%
CCC	53,906	1.4%
CC	2,424	0.1%
C	2,279	0.1%
D	1,766	0.0%
Not Rated	2,105,738	55.7%
Total	$ 3,784,270	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these securities, the "Not Rated" component of credit would be approximately 20.2% for 2017.

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 5.0% (at fair value) 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, 2017, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

Custodial Credit Risk

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2017, $759.6 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.

For fiscal year 2017, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

Foreign Currency Risk

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, real assets, and swap investments. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio. Derivatives are considered investments, rather than hedges, for accounting and financial reporting purposes.

The Retirement System's net exposures to foreign currency risk as of June 30, 2017, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Foreign Currency Contracts	Total
Argentine peso	$ -	$ -	$ 3,528	$ -	$ -	$ 149	$ 3,677
Australian dollar	-	105,175	25	9,501	-	51	114,752
Brazilian real	-	20,912	23,388	-	-	(10,227)	34,073
British pound sterling	-	632,031	5,258	4,895	19,722	(5,307)	656,599
Canadian dollar	-	76,518	3,158	-	-	747	80,423
Chilean peso	-	532	2,384	-	-	(241)	2,675
Colombian peso	-	-	8,122	-	-	1,342	9,464
Czech koruna	-	1,582	2,758	-	-	1,209	5,549
Danish krone	-	43,245	-	-	-	(170)	43,075
Euro	-	944,005	79,140	150,551	103,487	(36,342)	1,240,841
Offshore Chinese yuan renminbi	-	-	-	-	-	(1,285)	(1,285)
Hong Kong dollar	-	181,729	-	-	-	(140)	181,589
Hungarian forint	-	-	-	-	-	2,166	2,166
Indian rupee	-	-	-	-	-	764	764
Indonesian rupiah	-	9,348	11,046	-	-	2,846	23,240
Japanese yen	89	688,598	-	-	43,686	(2,132)	730,241
Kenyan shilling	-	836	-	-	-	-	836
Malaysian ringgit	-	11,238	6,740	-	-	1,807	19,785
Mexican peso	-	10,314	9,232	-	-	5,338	24,884
New Israeli shekel	-	12,885	-	-	-	-	12,885
New Romanian leu	-	-	2,007	-	-	262	2,269
New Taiwan dollar	-	56,942	-	-	-	(2,332)	54,610
New Zealand dollar	-	2,233	-	-	-	-	2,233
Norwegian krone	-	12,969	-	-	-	-	12,969
Peruvian nuevo sol	-	-	4,648	-	-	168	4,816
Philippine peso	-	537	506	-	-	(57)	986
Polish zloty	-	-	10,316	-	-	5,803	16,119
Qatari riyal	-	3,114	-	-	-	-	3,114
Russian ruble	-	-	7,805	-	-	36	7,841
Singapore dollar	-	15,658	-	-	-	(592)	15,066
South African rand	-	22,378	11,508	-	-	(878)	33,008
South Korean won	-	104,362	-	-	-	(732)	103,630
Swedish krona	-	88,894	399	-	-	-	89,293
Swiss franc	-	250,421	243	-	-	(872)	249,792
Thai baht	-	7,125	118	-	-	9,928	17,171
Turkish lira	-	13,100	6,754	-	-	4,628	24,482
United Arab Emirates dirham	-	3,690	-	-	-	-	3,690
Uruguayan peso uruguayo	-	-	389	-	-	-	389
Total	$ 89	$ 3,320,371	$ 199,472	$ 164,947	$ 166,895	$ (24,063)	$ 3,827,711

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2017
(Dollars in Thousands)

Derivative Instruments

As of June 30, 2017, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2017:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ 167	$ 167
Other Contracts	(a)	(153)	(151)
Options			
Foreign Exchange Contracts	$ 3,900	(12)	76
Swaps			
Credit Contracts	5,000	(45)	73
Interest Rate Contracts	46,632	253	326
Total Return Contracts	80	1,233	1,233
Rights/Warrants			
Equity Contracts	12,458 shares	76	(2,306)
Total		$ 1,519	$ (582)

(a) The Retirement System's investment managers enter into a wide variety of forward foreign exchange and other contracts, which frequently do not involve the U.S. dollar. As a result, a U.S. dollar-based notional value is not included.

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statements of changes in fiduciary net position.

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2017, the fair value of forward currency contracts in net positions (including foreign exchange contract options) to purchase and sell international currencies were $1.0 million and $0.8 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 85.3% and credit ratings of B on 14.0% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's) while 0.7% were not rated.

(Dollars in Thousands)

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2017, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2017.

		Maturities			
Derivative Type / Contracts	**Fair Value**	**Less than 1 year**	**1-5 years**	**6-10 years**	**10+ years**
Forwards					
Foreign Exchange Contracts	$ 167	$ 178	$ (11)	$ -	$ -
Options					
Foreign Exchange Contracts	(12)	(12)	-	-	-
Swaps					
Credit Contracts	(45)	18	(63)	-	-
Interest Rate Contracts	253	(217)	74	271	125
Total Return Contracts	1,233	1,233	-	-	-
Total	$ 1,596	$ 1,200	$ -	$ 271	$ 125

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2017:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 1.93%, Pay Variable 6-Month THB	$ 311	$ 2
Interest Rate Swap	Receive Fixed 2.015%, Pay Variable 6-Month THB	589	6
Interest Rate Swap	Receive Fixed 2.115%, Pay Variable 6-Month THB	1,027	11
Interest Rate Swap	Receive Fixed 2.12%, Pay Variable 6-Month THB	386	5
Interest Rate Swap	Receive Fixed 2.175%, Pay Variable 6-Month THB	665	10
Interest Rate Swap	Receive Fixed 2.19%, Pay Variable 6-Month THB	206	3
Interest Rate Swap	Receive Fixed 2.22%, Pay Variable 6-Month THB	412	6
Interest Rate Swap	Receive Fixed 2.25%, Pay Variable 1-Day WIBOR	836	(6)
Interest Rate Swap	Receive Fixed 2.505%, Pay Variable 6-Month THB	321	7
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month THB	689	14
Interest Rate Swap	Receive Fixed 2.58%, Pay Variable 6-Month THB	386	10
Interest Rate Swap	Receive Fixed 2.625%, Pay Variable 6-Month THB	645	20
Interest Rate Swap	Receive Fixed 2.78%, Pay Variable 6-Month THB	27	1
Interest Rate Swap	Receive Fixed 5.23%, Pay Variable 3-Month CIBR	118	1
Interest Rate Swap	Receive Fixed 5.32%, Pay Variable 3-Month CIBR	540	6
Interest Rate Swap	Receive Fixed 5.33%, Pay Variable 3-Month CIBR	547	6
Interest Rate Swap	Receive Fixed 5.61%, Pay Variable 28-Day MXIBR	431	(17)
Interest Rate Swap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	1,028	(42)
Interest Rate Swap	Receive Fixed 5.84%, Pay Variable 28-Day MXIBR	348	(11)
Interest Rate Swap	Receive Fixed 6.12%, Pay Variable 3-Month CIBR	107	3
Interest Rate Swap	Receive Fixed 6.20%, Pay Variable 3-Month CIBR	98	3
Interest Rate Swap	Receive Fixed 6.24%, Pay Variable 28-Day MXIBR	138	(2)
Interest Rate Swap	Receive Fixed 6.49%, Pay Variable 28-Day MXIBR	315	(13)
Interest Rate Swap	Receive Fixed 6.80%, Pay Variable 28-Day MXIBR	133	(1)
Interest Rate Swap	Receive Fixed 7.38%, Pay Variable 28-Day MXIBR	1,293	26
Interest Rate Swap	Receive Fixed 7.50%, Pay Variable 3-Month JIBAR	2,313	13

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 7.75%, Pay Variable 3-Month JIBAR	$ 664	$ 8
Interest Rate Swap	Receive Fixed 7.86%, Pay Variable 28-Day MXIBR	1,022	54
Interest Rate Swap	Receive Fixed 8.00%, Pay Variable 3-Month JIBAR	53	1
Interest Rate Swap	Receive Fixed 8.25%, Pay Variable 3-Month JIBAR	229	4
Interest Rate Swap	Receive Fixed 8.28%, Pay Variable 28-Day MXIBR	215	17
Interest Rate Swap	Receive Fixed 8.31%, Pay Variable 28-Day MXIBR	88	7
Interest Rate Swap	Receive Fixed 8.32%, Pay Variable 28-Day MXIBR	663	56
Interest Rate Swap	Receive Fixed 8.50%, Pay Variable 3-Month JIBAR	481	18
Interest Rate Swap	Receive Fixed 8.75%, Pay Variable 3-Month JIBAR	38	2
Interest Rate Swap	Receive Fixed 9.50%, Pay Variable 3-Month JIBAR	244	25
Interest Rate Swap	Receive Fixed 9.76%, Pay Variable 1-Day BIDOR	15	(1)
Interest Rate Swap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	211	(4)
Interest Rate Swap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	1,088	58
Interest Rate Swap	Receive Fixed 11.35%, Pay Variable 1-Day BIDOR	2,151	99
Interest Rate Swap	Receive Fixed 11.38%, Pay Variable 1-Day BIDOR	1,766	68
Interest Rate Swap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,071	79
Interest Rate Swap	Receive Fixed 12.28%, Pay Variable 1-Day BIDOR	636	84
Interest Rate Swap	Receive Fixed 12.44%, Pay Variable 1-Day BIDOR	1,854	91
Interest Rate Swap	Receive Fixed 15.96%, Pay Variable 1-Day BIDOR	884	148
Interest Rate Swap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	1,722	561
Interest Rate Swap	Receive Fixed 16.95%, Pay Variable 1-Day BIDOR	80	31
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.16%	93	1
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 11.26%	724	(38)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.06%	244	(16)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.44%	5,070	(248)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.86%	630	(5)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.50%	1,088	(85)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.77%	1,581	(135)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 15.96%	4,017	(671)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 16.15%	229	(71)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 4.65%	431	9
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.50%	249	18
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.71%	751	35
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.42%	69	(3)
Interest Rate Swap	Receive Variable 3-Month CIBR, Pay Fixed 6.43%	31	(1)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.09%	511	(3)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.25%	1,120	(18)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 8.50%	168	(6)
Interest Rate Swap	Receive Fixed 2.81%, Pay Return THB	542	23
Total Interest Rate Swaps		$ 46,632	$ 253

(Dollars in Thousands)

Foreign Currency Risk

At June 30, 2017, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2017:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Argentine peso	$ 149	$ -	$ -	$ 149
Australian dollar	-	6	25	31
Brazilian real	(10,598)	-	(55)	(10,653)
British pound sterling	(6,219)	-	-	(6,219)
Canadian dollar	747	-	-	747
Chilean peso	(241)	-	-	(241)
Colombian peso	1,342	-	16	1,358
Czech koruna	1,273	-	-	1,273
Euro	(36,771)	41	567	(36,163)
Offshore Chinese yuan renminbi	(1,285)	-		(1,285)
Hong Kong dollar	(36)	-	-	(36)
Hungarian forint	2,166	-	-	2,166
Indian rupee	764	-	-	764
Indonesian rupiah	2,846	-	-	2,846
Japanese yen	(1,096)	-	-	(1,096)
Malaysian ringgit	1,807	-	-	1,807
Mexican peso	5,867	-	135	6,002
New Romanian leu	262	-	-	262
New Russian ruble	36	-	-	36
New Taiwan dollar	(2,332)	-	-	(2,332)
Peruvian nuevo sol	168	-	-	168
Philippine peso	(57)	-	-	(57)
Polish zloty	5,790	-	(6)	5,784
Singapore dollar	(592)	-	-	(592)
South African rand	(997)	-	45	(952)
South Korean won	(732)	-	-	(732)
Swedish krona	-	-	399	399
Swiss franc	(117)	-	243	126
Thai baht	9,928	-	118	10,046
Turkish lira	4,753	-	-	4,753
Total	$ (23,175)	$ 47	$ 1,487	$ (21,641)

Contingent Features

At June 30, 2017, the Retirement System held no positions in derivatives containing contingent features.

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102.0% and 105.0% of the fair value of domestic securities and international securities lent, respectively. There are no restrictions on the number of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10.0%) of total fund assets on loan at any time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral. On April 12, 2017, the Retirement Board authorized Investment Staff to discontinue the Securities Lending Program in an orderly fashion.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2017, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2017, the Retirement System lent $259 in securities and received collateral of $106 and $160 in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account by the lending agent using investment guidelines approved by the Retirement Board. Due to the increase in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at $201. The net unrealized gain of $95 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2017, are summarized in the following table:

Investment Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Non-Cash Collateral
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	$ 103	$ 106	$ -
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	156	-	160
Total	$ 259	$ 106	$ 160

The following table presents the segmented time distribution and credit risk for the reinvested cash collateral account, based upon the expected maturity (in years) as of June 30, 2017.

Investment Type	Credit Rating	Fair Value	Maturity Less Than 1 Year
Short-term Investment Funds	AA	$ 201	$ 201

(Dollars in Thousands)

Investments in Real Assets Holdings

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2017, are summarized as follows:

Beginning of the year	$ 2,341,500
Captial investments	1,434,150
Equity in net earnings	26,959
Net appreciation in fair value	232,967
Capital distributions	(1,059,602)
End of the year	$ 2,975,974

The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40.0% and 65.0%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were $7.4 million as of June 30, 2017. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a purchase and sale transaction.

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk.

As of June 30, 2017, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years
US Debt Index Fund	8.03
City Investment Pool	1.29
Treasury Money Market Fund	0.11

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The City's investment pool is not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2017, the RHCTF held investments issued by Blackrock, Inc. and Northern Trust Company that exceeded 5% of the RHCTF's fiduciary net position.

Rate of return

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 13.1 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $273.6 million for the year ended June 30, 2017.

Taxable valuation for the year ended June 30, 2017, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately $195.00 billion, an increase of 9.4%. The secured tax rate was $1.1792 per $100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about $0.65 for general government, about $0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also $0.1792 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.52% and 5.10%, respectively, of the current year tax levy, for an average delinquency rate of 0.85% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured 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, 2017, was $24.9 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.

(Dollars in Thousands)

(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2017, was as follows:

Governmental Activities:	Balance July 1, 2016	Increases *	Decreases *	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 334,261	$ 42,550	$ (16,209)	$ 360,602
Intangible assets	31,170	25,134	(1,542)	54,762
Construction in progress	456,093	385,446	(216,828)	624,711
Total capital assets, not being depreciated	821,524	453,130	(234,579)	1,040,075
Capital assets, being depreciated:				
Facilities and improvements	4,439,663	55,029	(133,553)	4,361,139
Machinery and equipment	570,948	54,654	(48,759)	576,843
Infrastructure	857,203	122,086	(24,556)	954,733
Intangible assets	54,261	1,555	-	55,816
Total capital assets, being depreciated	5,922,075	233,324	(206,868)	5,948,531
Less accumulated depreciation for:				
Facilities and improvements	1,067,480	100,373	(68,850)	1,099,003
Machinery and equipment	369,615	44,886	(46,733)	367,768
Infrastructure	170,838	35,742	(5,766)	200,814
Intangible assets	10,314	3,031	-	13,345
Total accumulated depreciation	1,618,247	184,032	(121,349)	1,680,930
Total capital assets, being depreciated, net	4,303,828	49,292	(85,519)	4,267,601
Governmental activities capital asssets, net	$ 5,125,352	$ 502,422	$ (320,098)	$ 5,307,676
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	$ 217,441	$ 22,784	$ (38)	$ 240,187
Intangible assets	12,043	-	-	12,043
Construction in progress	3,120,461	1,573,581	(620,356)	4,073,686
Total capital assets, not being depreciated	3,349,945	1,596,365	(620,394)	4,325,916
Capital assets, being depreciated:				
Facilities and improvements	16,246,429	450,521	(68,039)	16,628,911
Machinery and equipment	2,569,041	248,340	(127,395)	2,689,986
Infrastructure	1,290,206	59,650	(736)	1,349,120
Property held under Lease	697	-	-	697
Intangible assets	219,000	25,066	(44,133)	199,933
Total capital assets, being depreciated	20,325,373	783,577	(240,303)	20,868,647
Less accumulated depreciation for:				
Facilities and improvements	5,762,094	447,183	(54,106)	6,155,171
Machinery and equipment	1,456,181	152,664	(118,224)	1,490,621
Infrastructure	589,177	37,844	(17)	627,004
Property held under lease	697	-	-	697
Intangible assets	171,352	31,847	(44,010)	159,189
Total accumulated depreciation	7,979,501	669,538	(216,357)	8,432,682
Total capital assets, being depreciated, net	12,345,872	114,039	(23,946)	12,435,965
Business-type activities capital assets, net	$ 15,695,817	$ 1,710,404	$ (644,340)	$ 16,761,881

* 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	$ 30,486
Public works transportation and commerce	31,342
Human welfare and neighborhood development	756
Community Health	36,841
Culture and recreation	57,396
General administration and finance	23,917
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	3,294
Total depreciation expense - governmental activities	$ 184,032
Business-type activities:	
Airport	$ 265,841
Water	118,826
Power	17,730
Transportation	146,595
Hospitals	40,914
Wastewater	55,441
Port	24,191
Total depreciation expense - business-type activities	$ 669,538

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $3.80 billion as of June 30, 2017. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2017. The Airport had $6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2017.

During the year ended June 30, 2017, the City's enterprise funds incurred total interest expense and interest income of approximately $489.8 million and $28.5 million, respectively. Of these amounts, interest expense of approximately $80.3 million was capitalized. The Airport had write-offs and loss on disposal in the amount of $21.6 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed $2.4 million, $1.5 million, and $2.0 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the year ended June 30, 2017, the City entered into two sale-leaseback agreements for properties at 1660-1680 Mission Street and 30 Van Ness Avenue. Under the agreements, the City sold both properties with a book value of $24.7 million for a total of $122.0 million in gross proceeds and recognized a gain from the sale in the amount of $97.3 million in the government-wide financial statements. In addition, the City agreed to leaseback the office space, from the new owners, for three years with an option for two one-year extensions through 2022.

(Dollars in Thousands)

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2017 was as follows:

Treasure Island Development Authority:	Balance July 1, 2016	Increases	Decreases	Balance June 30, 2017
Capital assets, not being depreciated:				
Land	$ 5,529	$ 14,861	$ -	$ 20,390
Capital assets, being depreciated:				
Machinery and equipment	22	-	-	22
Less accumulated depreciation for:				
Machinery and equipment	5	5	-	10
Total capital assets, being depreciated, net	17	(5)	-	12
Component unit capital asssets, net	$ 5,546	$ 14,856	$ -	$ 20,402

During the year ended June 30, 2017, the Navy transferred approximately 7 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction is anticipated to begin in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

Changes in Short-Term Obligations

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2017, are as follows:

Type of Obligation	July 1, 2016	Additional Obligation	Current Maturities	June 30, 2017
Governmental activities:				
Commercial paper				
Multiple Capital Projects	$ 102,778	$ 1,350,670	$ (1,246,509)	$206,939
Direct placement revolving certificates of participation				
Transbay Transit Center Project	-	49,000	-	49,000
Governmental activities short-term obligations	$ 102,778	$ 1,399,670	$ (1,246,509)	$255,939
Business-type activities:				
Commercial paper				
San Francisco General Hospital	$ 28,572	$ 21,399	$ (30,169)	$ 19,802
San Francisco International Airport	343,050	179,000	(344,050)	178,000
San Francisco Water Enterprise	236,000	145,736	(236,736)	145,000
Hetch Hetchy Water and Power	-	20,058	-	20,058
San Francisco Wastewater Enterprise	61,000	111,411	(61,000)	111,411
Business-type activities short-term obligations	$ 668,622	$ 477,604	$ (671,955)	$474,271

City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a $150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased to $250.0 million from $150.0 million. The City currently has letters of credit supporting the $250.0 million program.

The CP is an alternative form of short-term (or interim) financing for capital projects that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures in 270 days. The CP notes are supported by two Revolving Credit Agreements (RCA) issued by State Street Bank and Trust Company ("State Street Bank") and U.S. Bank N.A. with a fee of 0.45% and 0.45%, respectively and a Letter of Credit Agreement (LOC) issued by State Street Bank with a fee of 0.50%. The State Street Bank and US Bank N.A. RCAs are scheduled to expire in May 2021 and the State Street Bank LOC is scheduled to expire in February 2019.

In fiscal year 2017, the City retired $1.25 billion and issued $1.35 billion CP to provide interim financing for the acquisition and improvement of various approved capital projects: the purchase of capital equipment for the San Francisco General Hospital and Trauma Center, rebuilding of severely distressed public housing sites while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (HOPE SF) and Moscone Center expansion. As of June 30, 2017, the outstanding principal of tax exempt and taxable CP was $205.5 million and $1.4 million, with interest rates ranging from 0.85% to 0.90% and 1.15%, respectively.

Transbay Transit Center Project Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning financing, design, development, construction, and operation of the Transbay Transit Center. In order to address a temporary cash flow shortfall during the construction of the Transbay Transit Center project, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed $260.0 million. The City has entered a Certificate Purchase Agreement with Wells Fargo to establish a revolving credit facility in an amount not to exceed $160.0 million with an annualized floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. In partnership with the MTC, the City also entered into a Certificate Purchase Agreement with the Bay Area Toll Authority (BATA) to establish a revolving credit facility in an amount not to exceed $100.0 million with an annualized floating rate based on the LIBOR plus a spread plus 0.61%. The City would issue short term variable rate notes at times and in amounts necessary to meet construction funding needs for the project. As of June 30, 2017, the TJPA had drawn a total of $49.0 million from the Wells Fargo financing facility, at a weighted average interest rate of 1.56%. The City has recorded a receivable, in the amount of $49.0 million, from the TJPA along with a loan payable related to this financing activity. The short-term notes are expected to be repaid in part from CFD special taxes and tax increment. Long-term debt will be issued to retire the notes, and such long-term debt is also expected to be repaid from such sources.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed $41.0 million to provide financing for the costs of acquisition of furniture, fixtures, and equipment for the new hospital. As of June 30, 2017, the outstanding principal amount of CP is $19.8 million. The weighted average interest rate for the CP was approximately 0.85%.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the "Note Resolution"), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of $400.0 million or the stated amount of the letter(s) of credit securing the CP. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the 1997 Note Resolution to increase the authorized maximum amount by $100.0 million, from $400.0 million to $500.00 million.

The Airport issues CP in series that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less Operation and Maintenance Expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

During fiscal year 2017, the CP program was supported by two $100.0 million principal amount direct-pay LOC issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, which, as of June 30, 2017, had expiration dates of May 2, 2019, and May 31 2019, respectively, and a third LOC issued by Royal Bank of Canada in the principal amount of $200.0 million with expiration date of May 1, 2020; and a new LOC issued on June 22, 2017, by Sumitomo Mitsui Banking Corporation acting through its New York Branch, in the principal amount of $100.0 million and with an expiration date of June 21, 2022. Each of the LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of $500.0 million as of June 30, 2017.

As of June 30, 2017, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2017, the Airport issued $67.0 million of new money CP (AMT) and $111.0 million (Non-AMT) to fund capital improvement projects. The Airport also issued and retired $1.0 million of new money CP (taxable) during fiscal year 2017 to fund costs related to various bond and note transactions. As of June 30, 2017, the interest rates on taxable, AMT, and Non-AMT CP were 0.90%, 0.36% to 1.01%, and 0.46% to 0.99%, respectively.

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to $500.0 million in CP pursuant to the voter-approved 2002 Proposition E. Prior to June 2014, the $500.0 million CP authorization was comprised of $250.0 million pursuant to voter-approved 2002 Proposition A, and $250.0 million pursuant to voter-approved Proposition E. As of June 30, 2017, no CP was outstanding under Proposition A. Amounts outstanding under Proposition E were $145.0 million at June 30, 2017. CP interest rates ranged from 0.1% to 1.3%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

Hetch Hetchy Water and Power

Effective December 2015, under Charter Sections 9.107(6) and 9.107(8), the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to $90.0 million in CP for the reconstruction or replacement of existing generation, transmission and distribution facilities of the Hetchy Power. Interest rates for the CP ranged from 0.72% to 0.93% in fiscal year 2017. The Hetch Hetchy Water and Power had $20.1 million CP outstanding as of June 30, 2017.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, in fiscal year 2017, the San Francisco Public Utilities Commission and Board of Supervisors authorized an increase in the CP authorization from $500.0 million to $750.0 million for reconstructing, expanding and repairing the Wastewater Enterprise's facilities. The Wastewater Enterprise had $111.4 million CP outstanding as June 30, 2017.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed $100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. The CP will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. No CP had been drawn or outstanding as of June 30, 2017.

(Dollars in Thousands)

Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2017:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS [(a)]:			
Affordable housing	2036	2.00% - 3.10%	$ 53,060
Earthquake safety and emergency response	2035	2.25% - 5.00%	446,210
Parks and playgrounds	2035	2.00% - 6.26%	167,150
Public health and safety	2036	3.00% - 5.00%	125,760
Road repaving and street safety	2035	2.00% - 5.00%	169,060
San Francisco General Hospital	2033	3.25% - 6.26%	542,125
Seismic safety loan program	2035	1.631% - 5.83%*	45,462
Transportation and road improvement	2035	2.75% - 5.00%	45,375
Refunding	2030	4.00% - 5.00%	475,670
General obligation bonds			2,069,872
LEASE REVENUE BONDS:			
San Francisco Finance Corporation [(b), (e) & (f)]	2034	0.83% - 5.75% **	182,030
CERTIFICATES OF PARTICIPATION:			
Certificates of participation [(c) & (d)]	2047	1.347% - 5.00%	551,760
OTHER LONG TERM OBLIGATIONS:			
Loans [(d) & (f)]	2045	2.00% - 4.5%	23,212
Revolving credit agreement loan - Transportation Authority [(c)]	2018	1.036% ***	139,664
Lease Purchase Financing - Public Safety Radio Replacement	2027	1.6991%	32,586
Governmental activities total long-term obligations			$ 2,999,124

* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2017 was 1.631%.

** Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008 - 1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2017 for Series 2008 -1 & 2 averaged to 0.83%.

*** The Revolving credit agreement loan interest rate equals to the sum of 70% of 1-month LIBOR plus 0.30%.

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.

BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2046	2.12% - 6.00%*	$ 4,757,529
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,257,800
Certificates of participation	2042	2.00% - 6.49%	109,092
Accreted interest	2019	-	6,278
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	0.00% - 5.00%	53,615
Certificates of participation	2042	2.00% - 6.49%	14,852
Municipal Transportation Agency:			
Revenue bonds	2047	3.00% - 5.00%	356,025
Loans	2046	2.86% -3.30%	850
San Francisco General Hospital Medical Center:			
Certificates of participation	2026	5.55%	15,673
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	957,265
Certificates of participation	2042	2.00% - 6.49%	28,846
Port of San Francisco:			
Revenue bonds	2044	2.20% - 7.408%	52,860
Certificates of participation	2043	4.75% - 5.25%	32,275
Loans	2029	4.50%	2,113
Laguna Honda Hospital:			
Certificates of participation	2031	4.30% - 5.25%	125,570
Business-type activities total long-term obligations			$ 10,770,643

* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2017, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.67%, 0.64%, 0.67%, & 0.67%, respectively; and for Issue 2010A, the average interest rates were 0.67%.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it is in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2017, the City's debt limit (3% of valuation subject to taxation) was $6.37 billion. The total amount of debt applicable to the debt limit was $2.28 billion. The resulting legal debt margin was $4.09 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bonds and certificates of participation issued and the Finance Corporation has evaluated each lease revenue bonds. The City and the Finance Corporation do not have a rebatable arbitrage liability as of June 30, 2017. Each enterprise fund has performed similar analysis of its debt, 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.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing and below-market rate mortgage for first time homebuyers to facilitate affordable housing and the construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes are not considered obligations of the City. As of June 30, 2017, the total obligation outstanding was $1.31 billion.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2017
(Dollars in Thousands)

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2017, are as follows:

	July 1, 2016	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$ 2,011,057	$ 248,250	$ (189,435)	$ 2,069,872	$ 123,873
Lease revenue bonds	196,055	-	(14,025)	182,030	10,880
Certificates of participation	589,580	28,320	(66,140)	551,760	39,710
Subtotal	2,796,692	276,570	(269,600)	2,803,662	174,463
Issuance premiums / discounts:					
Add: unamortized premiums	252,200	12,432	(20,718)	243,914	-
Less: unamortized discounts	(204)	-	64	(140)	-
Total bonds payable, net	3,048,688	289,002	(290,254)	3,047,436	174,463
Loans	143,059	46,000	(26,183)	162,876	140,078
Capital leases	-	34,184	(1,598)	32,586	3,189
Accrued vacation and sick leave pay	151,027	120,503	(115,390)	156,140	91,060
Accrued workers' compensation	227,825	62,977	(48,979)	241,823	42,621
Estimated claims payable	160,498	70,463	(28,472)	202,489	71,290
Governmental activities long-term obligations	$ 3,731,097	$ 623,129	$ (510,876)	$ 3,843,350	$ 522,701

	July 1, 2016	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 9,528,710	$ 2,218,920	$ (1,366,151)	$ 10,381,479	$ 286,144
Clean renewable energy bonds	55,599	-	(1,984)	53,615	2,437
Certificates of participation	338,157	-	(11,849)	326,308	12,439
Subtotal	9,922,466	2,218,920	(1,379,984)	10,761,402	301,020
Issuance premiums / discounts:					
Add: unamortized premiums	500,168	347,495	(92,379)	755,284	-
Less: unamortized discounts	(570)	(191)	42	(719)	-
Total bonds payable, net	10,422,064	2,566,224	(1,472,321)	11,515,967	301,020
Accreted interest payable	5,860	418	-	6,278	-
Notes, loans, and other payables	2,320	806	(163)	2,963	169
Capital leases	266	-	(266)	-	-
Accrued vacation and sick leave pay	108,613	55,960	(55,537)	109,036	65,212
Accrued workers' compensation	189,603	43,208	(38,883)	193,928	32,875
Estimated claims payable	117,068	14,486	(36,874)	94,680	39,424
Business-type activities long-term obligations	$ 10,845,794	$ 2,681,102	$ (1,604,044)	$ 11,922,852	$ 438,700

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund.

(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2017 for governmental and business-type activities are as follows:

Governmental Activities (1)

Fiscal Year Ending June 30	General Obligation Bonds Principal	General Obligation Bonds Interest (2)	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest (3)	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest (4)	Total Principal	Total Interest
2018	$ 123,873	$ 90,722	$ 10,880	$ 4,962	$ 182,977	$ 25,883	$ 317,730	$ 121,567
2019	124,231	84,828	12,595	4,653	32,981	23,068	169,807	112,549
2020	123,541	78,798	6,110	4,345	24,791	21,860	154,442	105,003
2021	122,085	72,847	12,740	4,066	25,291	20,864	160,116	97,777
2022	128,083	67,258	13,380	3,735	23,962	19,855	165,425	90,848
2023-2027	667,530	243,651	71,880	13,057	124,487	84,630	863,897	341,338
2028-2032	620,813	97,090	49,900	4,148	124,694	58,664	795,407	159,902
2033-2037	159,716	11,390	4,545	397	103,805	31,422	268,066	43,209
2038-2042	-	-	-	-	71,531	14,344	71,531	14,344
2043-2047	-	-	-	-	32,703	2,996	32,703	2,996
Total	$ 2,069,872	$ 746,584	$ 182,030	$ 39,363	$ 747,222	$ 303,586	$ 2,999,124	$ 1,089,533

Business-Type Activity (1)

Fiscal Year Ending June 30	Revenue Bonds (5) (6) Principal	Revenue Bonds (5) (6) Interest	Clean Renewable Energy Bonds/ Certificates of Participation (6) Principal	Clean Renewable Energy Bonds/ Certificates of Participation (6) Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2018	$ 286,144	$ 512,558	$ 14,876	$ 20,611	$ 169	$ 123	$ 301,189	$ 533,292
2019	316,040	498,032	15,526	19,920	155	116	331,721	518,068
2020	351,225	482,829	16,229	19,172	149	108	367,603	502,109
2021	371,655	465,806	16,513	18,386	156	103	388,324	484,295
2022	382,030	447,846	17,153	17,583	163	96	399,346	465,525
2023-2027	2,019,900	1,948,099	89,996	74,256	931	360	2,110,827	2,022,715
2028-2032	1,675,785	1,455,257	86,642	49,334	434	162	1,762,861	1,504,753
2033-2037	1,663,915	1,037,675	49,944	29,557	-	133	1,713,859	1,067,365
2038-2042	2,006,660	594,285	61,989	12,700	-	133	2,068,649	607,118
2043-2047	1,210,445	175,604	11,055	1,038	806	87	1,222,306	176,729
2048-2051	97,680	13,961	-	-	-	-	97,680	13,961
Total	$ 10,381,479	$ 7,631,952	$ 379,923	$ 262,557	$ 2,963	$ 1,421	$ 10,764,365	$ 7,895,930

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D. The subsidy is approximately $28.8 million and $5.9 million, respectively, through the year ending 2030. The payment of subsidy by the IRS in fiscal year 2017 was reduced by 6.9% due to federal sequestration. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 0.83%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) The San Francisco County Transportation Authority variable interest rate revolving loan expires on June 8, 2018 and has a rate of interest equal to the sum of 70% of 1-month LIBOR plus 0.30%. An assumed rate of 1.036% was used to project the interest rate payment in this table.

(5) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be $108.9 million less.

(6) The interest is before federal subsidy for the San Francisco Water Enterprise, San Francisco Wastewater and Hetch Hetchy Water and Power of $447.9 million, $64.0 million and $6.6 million through the fiscal year ending 2051 respectively. The payment of subsidy by the IRS in fiscal year 2017 was reduced by 6.9% due to federal sequestration. Future interest subsidy may be reduced as well.

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, 2017, are as follows:

Governmental Activities - General Obligation Bonds

Authorized and unissued as of June 30, 2016	$ 1,623,225
Bonds issued:	
Series 2016F Affordable Housing	(75,130)
Series 2017A Public Health and Safety	(173,120)
Net authorized and unissued as of June 30, 2017	$ 1,374,975

In November 2016, the City issued Affordable Housing General Obligation Bonds Series 2016F (the "Series 2016F") in the amount of $75.1 million with interest rates ranging from 2.0% to 3.1% and maturity from June 2017 through June 2036. The proceeds of the Series 2016F will be used to finance certain affordable housing improvements, fund a middle-income rental program, provide for homeownership down payment assistance opportunities for educators and middle-income households and pay certain costs related to the issuance of the Series 2016F.

In February 2017, the City issued Public Health and Safety General Obligation Bonds Series 2017A (the "Series 2017A") in the amount of $173.1 million to provide funds for certain public health and safety improvements and pay certain costs related to the issuance of the Series 2017A. The Series 2017A bears interest rates ranging from 2.0% to 5.0% with principal amortizing from June 2017 to June 2036.

The debt service payments are funded through ad valorem taxes on property.

Certificates of Participation

In June 2017, the City issued Certificates of Participation (Hope SF) Series 2017A for $28.3 million to provide funds to: 1) finance or refinance a portion of the costs of the acquisition, construction, installation or improvement to, or rehabilitation of, mixed-use housing development in the City's Hunters View project (Hope SF) and related improvements and equipment; 2) fund the 2017 Reserve Account of the Reserve Fund established under the Trust Agreement for the Series 2017A; and 3) pay costs of execution and delivery of the Series 2017A. The Series 2017A bears interest rates ranging from 3.2% to 4.0% with principal amortizing from April 2018 through April 2047.

As previously discussed, in May 2017, the City sold two City office buildings located at 30 Van Ness Avenue and 1660-1680 Mission Street for a combined amount of $122.0 million. The sales proceeds will be used: 1) together with the residual fund balance of the reserve funds of $22.7 million and $1.6 million were deposited in June 2017 with the escrow agent and invested in Treasury Bills. The escrow fund will be held in trust solely for the benefit of the owners of the COP Series 2001A (30 Van Ness) and Series 2007A (City Office Buildings) and the moneys and securities held in the escrow fund will be irrevocably set aside for the payment of the COP Series 2001A and Series 2007A as provided in the escrow agreement. Accordingly, the $24.8 million and $2.3 million outstanding balance of COP Series 2001A and Series 2007A, respectively, are now considered retired and defeased; 2) and will be used to help fund the development costs of a new office building at 1500 Mission Street. The planned building at 1500 Mission Street will be a One-Stop Permitting Center that would improve service to planning, building, and street permit applicants by collocating the Departments of Building Inspection, City Planning, and Public Works.

(Dollars in Thousands)

As of June 30, 2017, the City has a total of $551.8 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. The total debt service requirement on the certificates of participation is $833.0 million payable through April 1, 2047. For the year ended June 30, 2017, principal and interest paid by the City totaled $66.1 million and $25.4 million, respectively.

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2017, were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2016	$ 175,382
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	3,386
Current year maturities in Finance Corporation's equipment program	4,495
Net authorized and unissued as of June 30, 2017	$ 183,263

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is $221.4 million payable through June 2034. For the year ended June 30, 2017, principal and interest paid by the Corporation in the form of lease payments made by the City totaled $14.0 million and $4.8 million, respectively.

Equipment Lease Program - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2017, the amount authorized and outstanding was $71.1 million, and $2.0 million, respectively.

Public Safety Radio Lease Purchase Financing

In December 2016, the City, as the lessee, entered into a lease purchase financing agreement in the amount of $34.2 million with Banc of America Public Capital Corp through the Golden State Financial Marketplace, as the lessor to finance the City's public safety radio replacement project. This project is for the purchase and installation of a new citywide 800 MHz Radio public safety and service network

with Motorola, Inc. and the maintenance and support necessary to maintain the old system during the transition and the new system once it is accepted by the City. The principal obligation bears interest rate of 1.6991% to be amortized semi-annually from June 2017 to December 2026.

San Francisco County Transportation Authority Revolving Credit Agreement

In June 2015, the Transportation Authority substituted its $200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a $140.0 million tax-exempt revolving credit agreement (Revolving Credit Agreement). The commercial paper notes provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan. The Revolving Credit Agreement expires on June 8, 2018, and has a rate of interest equal to the sum of 70% of 1-month LIBOR plus 0.30%. The interest payments are due the first business day of each month and the outstanding principal payment is required to be paid at the end of the agreement June 8, 2018. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax. The Transportation Authority paid $21.0 million of the outstanding balance in December 2016 and borrowed an additional $46.0 million in April 2017. As of June 30, 2017, $139.7 million of the Revolving Credit Agreement balance was outstanding, with an interest rate of 1.036%.

Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions approved in fiscal years 2008, 2012, 2014, 2016 and 2017, the Airport has authorized the issuance of up to $7.80 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2017, $5.50 billion of the authorized capital plan bonds remained unissued.

On-Airport Hotel Second Series Revenue Bonds and Related Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2016 and 2017, the Airport has authorized the issuance of $278.0 million of Capital Plan Bonds and $260.0 million of San Francisco International Airport Hotel Special Facility Revenue Bonds to finance the development and construction of a new Airport-owned hotel and related AirTrain station. The Airport also designated the planned hotel as a "special facility" under the 1991 Master Resolution, which will allow the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds. To obtain the lowest cost of financing, the Airport does not plan to sell the Hotel Special Facility Bonds to investors, but will purchase them itself with a portion of the proceeds of the Capital Plan Bonds, which will be sold to investors. The total net proceeds of the two bond issuances are expected to be approximately $278.0 million, which will be applied to the $255.0 million construction costs of the hotel and AirTrain station, capitalized interest on the Hotel Special Facility Bonds and other costs of issuance. In fiscal years 2016 and 2017, the City's Board of Supervisors authorized the issuance of such Hotel Special Facility Bonds and Capital Plan Bonds for the hotel and AirTrain station. Airport approval of the bond sale is required before such bonds can be issued.

(Dollars in Thousands)

Second Series Revenue Bonds, Series 2016B/C

In September 2016, the Airport issued its long-term, fixed rate Capital Plan Bonds Series 2016B and 2016C in the aggregate principal amount of $740.1 million to finance and refinance (through the repayment of CP notes) the following projects, among others: (a) redevelopment of Terminal 1 including the construction of an interim Boarding Area B and the design and construction of a new 24-gate Boarding Area B facility, (b) relocation of a firehouse and vehicle security checkpoint to accommodate the expansion of Boarding Area B and the related realignment of Taxiways H and M, (c) relocation of ground transportation facilities to accommodate the expansion of Boarding Area B, (d) construction of new administration campus to consolidate some Airport administrative departments, (e) upgrades to operating systems-related components for the AirTrain extension, (f) gate enhancements to accommodate larger aircraft and address demand-driven gate needs, and (g) various technology improvements to upgrade network services.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 through 2016, the Airport has authorized the issuance of up to $8.40 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate CP notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums.

As of June 30, 2017, $1.00 billion of such refunding bonds remained authorized but unissued.

During the fiscal year 2017, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Refunding Bonds, Series 2016D

In September 2016, the Airport issued its Second Series Revenue Refunding Bonds, Series 2016D in the principal amount of $147.8 million to advance refund and legally defease long-term fixed rate Series 2010C, 2011D and 2011G bonds. The Series 2016D bonds bear interest at a fixed rate of 5.0% and final maturity of May 1, 2031. The net proceeds of $188.1 million were used to pay $0.3 million underwriter's discount and $0.2 million in costs of issuance and deposit $187.6 million into irrevocable escrow funds with the Senior Trustee to defease and refund $158.0 million in revenue bonds as described below.

	Amount Refunded	Interest Rate	Redemption Price
Second Series Revenue Bond Issue:			
2010C (Non-AMT)	$ 42,210	4.00%-5.00%	100%
2011D (Non-AMT)	39,245	5.00%	100%
2011G (Non-AMT)	76,535	5.00%-5.25%	100%
Total	$ 157,990		

The refunded bonds were legally defeased and scheduled for redemption on May 1, 2020 (Series 2010C) and May 3, 2021 (Series 2011D and Series 2011G). Accordingly, the liability for these bonds has been removed from the accompanying statements of net position. The refunding resulted in the recognition of a deferred accounting gain of $0.2 million for year ended June 30, 2017. The Airport reduced its aggregate debt service payments by approximately $15.0 million over the next fourteen years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of $13.5 million.

Variable Rate Demand Bonds

As of June 30, 2017, the Airport had outstanding aggregate principal amount of $460.8 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C and Issue 37C, and Series 2010A (collectively, the "Variable Rate Bonds"), with final maturity dates of May 1, 2026 (Issue 36A/B/C), May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport. The scheduled payment of the principal of and interest on, and payment of purchase price of the Variable Rate Bonds is secured by separate irrevocable LOC issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below. Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.45% and 0.63% per annum. As of June 30, 2017, there were no unreimbursed draws under these facilities.

The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2017, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Series 2010A
Principal Amount	$93,130	$37,820	$33,655	$86,930	$209,240
Expiration Date	June 29, 2018	April 25, 2018	April 25, 2018	January 28, 2019	June 29, 2020
Credit Provider	Wells Fargo (1)	BTMU (2)	BTMU (2)	MUFG Union Bank (3)	Bank of America (4)

(1) Wells Fargo Bank, National Association
(2) The Bank of Tokyo-Mitsubishi UFJ. Ltd.
(3) Formerly Union Bank, N.A.
(4) Bank of America, National Association

Interest Rate Swaps

Objective and Terms – In December 2004, the Airport entered into seven forward starting interest rate swaps (the 2004 swaps) with an aggregate notional amount of $405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026.

In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, in May 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the 2010 swaps). The expiration dates of the 2007 and 2010 swaps are May 1, 2029 and 2030, respectively. In the spring of 2008, the Airport refunded several issues of auction rate and variable rate bonds, including Issue 32 and Issue 33. The 2004 swaps associated with these issues then became associated with the Second Series Variable Rate Revenue Refunding Bonds, Issues 36A-D, and Issue 37A. Subsequently, in October 2008 and December 2008, the Airport refunded Issue 37A and Issue 37B, respectively. Concurrently with the refunding of Issue 37A, the three associated swaps with an aggregate notional amount of $205.1 million were terminated. The swap associated with Issue 37B was not terminated upon the refunding of Issue 37B.

(Dollars in Thousands)

In December 2010, the Airport terminated a swap with Depfa Bank plc associated with the Series 2010A-3 Bonds, with a notional amount of $72.0 million. Following the termination of the Depfa swap, the Series 2010A-3 Bonds, which are variable rate, were no longer hedged with an interest rate swap. However, the swap associated with the Issue 37B Bonds is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes. As a practical matter, the swap associated with the Issue 37B Bonds also serves as an indirect hedge on the unhedged portions of the Issue 36B and Issue 36C Bonds when viewed alongside the Airport's other swaps, and only to the extent that the swap's notional amount exceeds the outstanding amount of the Series 2010A-3 Bonds.

In September 2011, the Airport refunded the Issue 36D Bonds with proceeds of the San Francisco International Airport Second Series Revenue Refunding Bonds, Series 2011H and terminated the swap with JP Morgan Chase Bank, N.A. associated with Issue 36D, which had an initial notional amount of $30.0 million. The Airport paid a termination fee of $4.6 million to the counterparty. Under the 2004 swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.50% of USD-LIBOR-BBA plus 0.29%. Under the 2007 and 2010 swaps, the Airport receives 61.85% of USD-LIBOR-BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below which commenced on the date of issuance of the related bonds. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds. All of the outstanding interest rate swaps are terminable at any time upon making a market-based termination payment solely at the option of the Airport.

As of June 30, 2017, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2017.

No.	Current Bonds	Initial Notional Amount	Notional Amount June 30, 2017	Effective Date
1	36AB	$ 70,000	$ 65,170	2/10/2005
2	36AB	69,930	65,135	2/10/2005
3	36C	30,000	27,930	2/10/2005
4	2010A (37B)*	79,684	77,061	5/15/2008
5	37C	89,856	86,899	5/15/2008
6	2010A**	143,947	140,230	2/1/2010
	Total	$ 483,417	$ 462,425	

* The Issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

** Hedges Series 2010A-1 and 2010A-2.

Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB 72, the settlement amounts are then adjusted for the non-performance risk of each party to the swap to arrive at the fair value. For each swap, the non-performance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2017, the fair value of the Airport's six outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are as follows:

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S&P/Moody's/Fitch)	Fixed rate payable by Airport	Fair value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	$ (5,510)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.445%	(5,513)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.444%	(2,363)
4	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	(12,652)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/AA-	3.898%	(14,581)
6	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	A+/A3/A*	3.925%	(25,346)
		Total			$ (65,965)

* Reflects ratings of the guarantor.

** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

*** Hedges Series 2010A-1 and 2010A-2.

Fair Value Hierarchy

	Fair Value June 30,2017	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	$ (65,965)	$ (65,965)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2017 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2016	$ 83,614	$ 96,132
Change in fair value to year-end	(28,744)	(30,167)
Balance as of June 30, 2017	$ 54,870	$ 65,965

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow of resources (if a termination payment would be due to the counterparty) or inflow of resources (if a termination payment would be due to the Airport). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2017.

(Dollars in Thousands)

Risks

Basis Risk – The Airport has chosen a variable rate index based on a percentage of London Interbank Offered Rate (LIBOR) plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. During the year ended June 30, 2017, the Airport paid a total of $0.6 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

Credit Risk – As of June 30, 2017, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

Counterparty Risk – The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at a market-based termination value, which may result in a payment to or from the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. To diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30, 2017, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

Termination Risk – All the interest rate swaps are terminable at their termination price at any time at the option of the Airport. The Airport has limited 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 all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2017 (S&P/Moody's/Fitch)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/A3/NR
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/A3/NR
3	Issue 36C	Assured Guaranty Municipal Corp.	AA/A2/NR
4	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
5	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
6	Series 2010A	None	N/A

If the Airport is rated between Baa1/BBB+ and Baa3/BBB- (Moody's/S&P), and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable replacement credit enhancement, assign the Airport's interest in the swaps to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB- (Moody's/S&P) or its ratings are withdrawn or suspended, and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any. With respect to the Series 2010A swaps with no swap insurance, the counterparty termination provisions and the Airport rating thresholds are the same as described above.

Additional Termination Events under the swap documents with respect to the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer rating downgrades or specified insurer nonpayment 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 with respect to a counterparty or its guarantor include a rating downgrade below a specific rating threshold, 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.

In December 2016, S&P upgraded the credit rating of Goldman Sachs Bank USA, the swap counter party on the Series 2010A Swap, from "A" to "A+" and upgraded the credit rating of Merrill Lynch Derivative Products AG, the guarantor on Issue 37B (2010A) Swap, from "AA-" to "AA".

The downgrade of any swap counterparty is an indicative of an increased risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment related to the fair value of such swap, depending on market conditions at the time. As of June 30, 2017, the fair value of each swap was negative to the Airport as shown above.

Water Enterprise

Water Revenue Refunding Bonds 2016 Series AB

In October 2016, the Water Enterprise issued tax-exempt revenue bonds, 2016 Series AB in the aggregate amount of $893.8 million. The 2016 Series A bonds were issued for the purpose of refunding a portion of the outstanding 2009 Series A bonds maturing on and after November 1, 2020, a portion of the outstanding 2009 Series B bonds maturing on and after November 1, 2020, and a portion of the outstanding 2010 Series F bonds maturing on and after November 1, 2021. The 2016 Series B bonds were issued to refund, on a current basis, all the outstanding 2006 Series B and Series C bonds, and a portion of the outstanding 2010 Series A bonds maturing on and after November 1, 2020. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2016 Series AB bonds include serial bonds with interest rates ranging from 1.50% to 5.00% and have a final maturity in 2039. The Series AB bonds have a true interest cost of 2.85%. Unamortized bond issuance costs at the date of refunding were $145 for 2006 Series B bonds and $54 for 2006 Series C bonds. The refunding resulted in the recognition of a deferred accounting loss of $106.2 million, gross debt service savings of $136.0 million, and an economic gain of $107.2 million or 11.52% of refunded principal. As of June 30, 2017, the principal amount of 2016 Series AB bonds outstanding was $882.4 million.

Water Revenue Bonds 2016 Series C

In December 2016, the Water Enterprise issued taxable bonds, 2016 Series C in the amount of $259.4 million. The bonds were issued as Green Bonds. The purpose of the bonds was to refund all the outstanding taxable commercial paper notes in the approximate amount of $237.0 million, and to provide $20.0 million of new money for WSIP capital projects. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2016 Series C bonds include serial bonds with interest rates ranging from 0.87% to 3.95% and have a final maturity in 2046, and two term bonds with 4.035% and 4.185% interest rates and final maturities of 2041 and 2046. The Series C bonds have a true interest cost of 3.97%. As of June 30, 2017, the principal amount of 2016 Series C bonds outstanding was $259.4 million.

San Francisco Municipal Transportation Agency

In June 2017, the SFMTA issued Revenue Bonds, Series 2017 in the total amount of $177.8 million to provide funds for the various transit and parking capital projects for the SFMTA. The Series 2017 bonds bear interest at fixed rates between 3.0% to 5.0% and have a final maturity on March 1, 2047.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000. Also see SFERS website at http://mysfers.org.

Replacement Benefits Plan – The Replacement Benefit Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415 (b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Plan, a cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Plan, both are cost-sharing multiple-employer pension plans. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the CalPERS Miscellaneous cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010, qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010, and prior to January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012, qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976, qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

(Dollars in Thousands)

Firefighter Members and Police Members who became members on or after November 2, 1976, and prior to July 1, 2010, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010, and prior to January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012, qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2.0%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996, will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the "full funding" requirement does not apply to members who retired on or after November 6, 1996, and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even where an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when the Plan is fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

<u>CalPERS</u> – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees' Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013, are known as "PEPRA" members.

The CalPERS' provisions and benefits in effect at June 30, 2017, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2% @ 60		2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.26%		27.39%	21.33% to 26.25%

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
Hire date	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	6.89%	6.50%
Required employer contribution rates	8.88%	6.56%	26.52%	7.08%

** For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.*

At June 30, 2017, the CalPERS' City Safety Plan had a total of 2,307 members who were covered by these benefits, which includes 991 inactive employees or beneficiaries currently receiving benefits, 313 inactive employees entitled to but not yet receiving benefits, and 1,003 active employees.

Contributions

For the years ended June 30, 2017 and 2016, the City's actuarial determined contributions were as follows:

	2017	2016
SFERS Plan	$ 519,073	$ 496,343
City CalPERS Miscellaneous Plan	35	33
City CalPERS Safety Plan	27,190	23,629
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	293	280
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	970	828
Treasure Island Development Authority CalPERS Miscellaneous Plan	2	2
Replacement Benefits Plan	-	-
Total	$ 547,563	$ 521,115

<u>SFERS</u> – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2017 varied from 7.5% to 12.0% as a percentage of gross covered salary. For the year ended June 30, 2017, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2015 actuarial report, the required employer contribution rates for fiscal year 2017 were 17.90% to 21.40%.

<u>CalPERS</u> – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

(Dollars in Thousands)

Replacement Benefits Plan - The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid $1.3 million replacement benefits in the year ended June 30, 2017.

Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2017 is distributed.

Governmental activities	$ 3,306,484
Business-type activities	2,501,732
Fiduciary funds	23,281
Component Unit - Treasure Island Development Authority	27
Total	$ 5,831,524

As of June 30, 2017, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan	94.2175%	$ 5,476,654
City CalPERS Miscellaneous Plan	-0.1469%	(12,711)
City CalPERS Safety Plan	N/A	263,908
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0204%	1,765
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2691%	23,281
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	27
Replacement Benefits Plan	N/A	78,600
Total		$ 5,831,524

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2016, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2015, rolled forward to June 30, 2016, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2016 and 2015 were as follows:

	June 30, 2016 (Measurement Date)		June 30, 2015 (Measurement Date)		
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)	Change (Decrease)
SFERS Plan	94.2175%	$ 5,476,654	93.9032%	$ 2,156,049	$ 3,320,605
City CalPERS Miscellaneous Plan	-0.1469%	(12,711)	-0.2033%	(13,956)	1,245
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	0.0204%	1,765	0.0188%	1,288	477
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	0.2691%	23,281	0.2413%	16,563	6,718
Treasure Island Development Authority CalPERS Miscellaneous Plan	0.0003%	27	0.0004%	24	3
Total		$ 5,489,016		$ 2,159,968	$ 3,329,048

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2015 (VD)	$ 1,119,705	$ 930,868	$ 188,837
Change in year:			
Service cost	31,141	-	31,141
Interest on the total pension liability	85,094	-	85,094
Differences between expected and actual experience	950	-	950
Contributions from the employer	-	23,640	(23,640)
Contributions from employees	-	14,310	(14,310)
Net investment income	-	4,731	(4,731)
Benefit payments, including refunds of employee contributions	(47,774)	(47,774)	-
Administrative expense	-	(567)	567
Net changes during measurement period	69,411	(5,660)	75,071
Balance at June 30, 2016 (MD)	$ 1,189,116	$ 925,208	$ 263,908

(Dollars in Thousands)

At June 30, 2017, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CalPERS Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 519,073	$ -	$ 1,300	$ -	$ 27,190	$ -	$ -	$ -	$ 547,563	$ -
Change in assumptions	942,132	27,630	-	422	-	10,671	9,213	-	951,345	38,723
Difference between expected and actual experience	-	201,818	44	10	712	7,606	-	-	756	209,434
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions	9,627	5,132	2,045	10,183	-	-	-	-	11,672	15,315
Net differences between projected and actual earnings on plan investments	748,804	-	2,197	-	50,227	-	-	-	801,228	-
Total	$ 2,219,636	$ 234,580	$ 5,586	$ 10,615	$ 78,129	$ 18,277	$ 9,213	$ -	$2,312,564	$ 263,472

The City's NPL for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in the plan. The change in the NPL for the City Replacement Benefits Plan is as follows:

	Increase (Decrease) Net Pension Liability (Asset)
Balance at June 30, 2015 (VD)	$ 55,038
Change in year:	
Service cost	956
Interest on the total pension liability	2,112
Changes of benefits	10,310
Changes of assumptions	11,516
Benefit payments, including refunds of employee contributions	(1,332)
Net changes during measurement period	23,562
Balance at June 30, 2016 (MD)	$ 78,600

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

For the year ended June 30, 2017, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	Total
SFERS Plan	$ 971,273	$ 837,719	$ -	$ -	$ 1,808,992
City CalPERS Miscellaneous Plan	322	-	-	-	322
City CalPERS Safety Plan	31,243	-	-	-	31,243
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	134	-	-	-	134
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	-	-	3,900	-	3,900
Treasure Island Development Authority CalPERS Miscellaneous Plan	-	-	-	8	8
Replacement Benefits Plan	14,349	-	-	-	14,349
Total pension expense	$ 1,017,321	$ 837,719	$ 3,900	$ 8	$ 1,858,948

(Dollars in Thousands)

At June 30, 2017, the City reported $547.6 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30	Deferred Outflows/ (Inflows) of Resources
2018	$ 213,134
2019	214,051
2020	613,203
2021	461,141
Total	$ 1,501,529

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2016, is provided below, including any assumptions that differ from those used in the July 1, 2015, actuarial valuation.

	SFERS Plan and Replacement Benefits Plan (RBP)	CalPERS Miscellaneous and Safety Plans
Valuation date	June 30, 2015 updated to June 30, 2016	June 30, 2015 updated to June 30, 2016
Measurement date	June 30, 2016	June 30, 2016
Actuarial cost method	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return	7.50%, net of pension plan investment expenses (SFERS) Not applicable for RBP	7.50%, net of pension plan investment expense, including inflation
Municipal bond yield	3.85% as of June 30, 2015 2.85% as of June 30, 2016 Bond Buyer 20-Bond GO Index, July 2, 2015 and July 30, 2016	
Inflation	3.25%	2.75%
Projected salary increases	3.75% plus merit component based on employee classification and years of service	Varies by Entry Age and Service
Discount rate	7.50% as of June 30, 2016 (SFERS) 2.85% as of June 30, 2016 (RBP)	7.65% as of June 30, 2016
Basic COLA	Old Miscellaneous and All New Plans 2.00% Old Police and Fire: Pre 7/1/75 Retirements 2.70% Chapters A8.595 and A8.596 3.30% Chapters A8.559 and A8.585 4.40%	Miscellaneous: Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter. Safety standard COLA 2.0%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS June 30, 2015, valuation was based upon the results of an experience study for the period July 1, 2009, through June 30, 2014.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2015, valuation was based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

For the Replacement Benefits Plan beginning of the year measurements are also based on the census data as of June 30, 2015. Because the beginning and ending values are based on the same census data, no liability gains or losses due to experience are reported this year.

Discount Rates

SFERS – The beginning and end of year measurements are based on different assumptions and contribution methods that result in different discount rates. The discount rate was 7.46% as of June 30, 2015, and 7.50% as of June 30, 2016.

The discount rate used to measure SFERS Plan's total pension liability as of June 30, 2016 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation. That policy includes contributions equal to the employer portion of the Entry-Age normal costs for members as of the valuation date, a payment for the expected administrative expenses, and an amortization payment on the Unfunded Actuarial Liability.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014, are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013, is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014, are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014, are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the actuarial valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996, and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996, and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2016, of the probability and amount of Supplemental COLA for each future year. The table below shows the net assumed Supplemental COLAs for members with a 2.00% Basic COLA for sample years.

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2018	0.750%	0.000%
2023	0.750%	0.220%
2028	0.750%	0.322%
2033	0.750%	0.370%
2038+	0.750%	0.375%

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

(Dollars in Thousands)

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2093 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.85% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2016, is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	40.0%	5.1%
Fixed Income	20.0%	1.1%
Private Equity	18.0%	6.3%
Real Assets	17.0%	4.3%
Hedge Funds/Absolute Return	5.0%	3.3%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Plans and the Safety Plan total pension liability was 7.65%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects long-term expected real rate of return by asset class adopted by the Board, effective on July 1, 2015. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class	Target Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global equity	51.00%	5.25%	5.71%
Global fixed income	20.00%	0.99%	2.43%
Inflation sensitive	6.00%	0.45%	3.36%
Private equity	10.00%	6.83%	6.95%
Real estate	10.00%	4.50%	5.13%
Infrastructure and forestland	2.00%	4.50%	5.09%
Liquidity	1.00%	-0.55%	-1.05%

(1) An expected inflation of 2.5% used for this period.
(2) An expected inflation of 3.0% used for this period.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 3.85% as of June 30, 2015, and 2.85% as of June 30, 2016. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of July 2, 2015 and June 30, 2016. These are the rates used to determine the total pension liability as of June 30, 2015, and June 30, 2016.

The inflation assumption of 3.25% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of $210 for 2015 and 2016 was used for both the 2015 and 2016 measurement dates.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

Membership in the plan include 33,447 active members and 84 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate.

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
SFERS	$ 8,678,794	$ 5,476,654	$ 2,828,104
	1% Decrease Share of NPL @ 6.65%	**Current Share of NPL @ 7.65%**	**1% Increase Share of NPL @ 8.65%**
City CalPERS Miscellaneous Plan	$ (9,903)	$ (12,711)	$ (15,032)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	2,978	1,765	763
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	37,564	23,281	11,478
Treasure Island Development Authority CalPERS Miscellaneous Plan	37	27	19

The following presents the City's NPL for each of the City's agent multiple-employer plans, calculated using the discount rate, in effect as of the measurement date, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

Agent Pension Plan	1% Decrease @ 6.65%	Measurement Date @ 7.65%	1% Increase @ 8.65%
City CalPERS Safety Plan.............................	$ 425,527	$ 263,908	$ 130,402
	1% Decrease @ 1.85%	**Measurement Date @ 2.85%**	**1% Increase @ 3.85%**
Replacement Benefits Plan............................	$ 96,762	$ 78,600	$ 56,782

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

Plan Description – The City maintains a single-employer, defined benefit other postemployment benefits plan, which 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 three plan choices: City Health Plan, Kaiser, and Blue Shield. The City does not issue a separate report on its other postemployment benefit plan.

The City prefunds its OPEB obligations through the Retiree Health Care Trust Fund (RHCTF), an irrevocable trust fund that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer trust and has two participating employers: the City and the San Francisco Community College District (Community College District). From the most recent actuarial valuation reports as of July 1, 2014, there were 29,001 active members, 25,919 retirees and beneficiaries, and 2,843 vested, terminated members for the City. The Community College District had 1,369 active members and 1,041 eligible retirees.

The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund. It is governed by a Retiree Health Care Board of Administration consisting of 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 RHCTF issues a publicly available financial report consisting of financial statements and required supplementary information for the RHCTF in aggregate. The report may be obtained from City Hall, Room 316, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2017
(Dollars in Thousands)

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For the year ended June 30, 2017, the City paid $165.5 million for postemployment healthcare benefits on behalf of its retirees and contributed $18.4 million to the Retiree Health Care Trust Fund.

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. The ARC was determined based on the July 1, 2014, actuarial valuation.

The net OPEB obligations are reflected in the statements of net position 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	$ 362,700
Interest on Net OPEB obligation	98,562
Adjustment to annual required contribution	(39,860)
Annual OPEB cost	421,402
Contribution made	(183,898)
Increase in net OPEB obligation	237,504
Net OPEB obligation - beginning of year	2,147,434
Net OPEB obligation - end of year	$ 2,384,938

The table below shows how the total net OPEB obligation as of June 30, 2017, is distributed.

Governmental activities	$ 1,338,592
Business-type activities	974,031
Fiduciary funds	72,315
Net OPEB obligation - end of year	$ 2,384,938

Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 363,643	46.0%	$ 1,990,155
6/30/2016	326,133	51.8%	2,147,434
6/30/2017	421,402	43.6%	2,384,938

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty-year period. As of July 1, 2014, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 1.1%. The actuarial accrued liability for benefits was $4.26 billion, and the actuarial value of assets was $49.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of $4.21 billion. As of July 1, 2014, the estimated covered payroll (annual payroll of active employees covered by the plan) was $2.62 billion and the ratio of the UAAL to the covered payroll was 160.8%.

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, 2014, 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). Unfunded liabilities are amortized using the level percentage of payroll over a rolling 30-year period. The actuarial assumptions included a 4.50% investment rate of return on investment; 3.25% inflation rate; 3.75% payroll growth; and actual medical premiums from 2015 through 2017 and an ultimate medical inflation rate of 8.00% to 4.50% from 2018 through 2032.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009, to contribute 2.0% of pay and the employer to contribute 1.0% of pay. Between January 10, 2009, and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009, to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities.

The Charter amendment passed by voters as Proposition A on November 5, 2013, prohibits withdrawals from the RHCTF until sufficient funds are set aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10.0% of payroll expenses, and will be limited to no more than 10.0% of the RHCTF balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and did not have a net OPEB obligation as of June 30, 2017. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2015, covering the year ended June 30, 2017. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 57.3% funded and the UAAL was $0.9 million. As of the June 30, 2015, actuarial valuation, the estimated covered payroll was $3.9 million and the ratio of the UAAL was 22.2%. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2017. Financial statements for the

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Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103 or the Transportation Authority's website.

As of June 30, 2017, the Transportation Authority's annual OPEB expense of $200.5 was greater than the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2015	$ 138.4	100.0%	$ -
6/30/2016	200.7	103.0%	(5.8)
6/30/2017	200.5	97.1%	-

Successor Agency

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by CalPERS and is an agent multiple-employer trust. Copies of CalPERS' financial report may be obtained from CalPERS website at www.calpers.ca.gov or from CalPERS at 400 Q Street, Sacramento, California 95811.

Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100.0% of the annual required contribution.

The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2017, the Successor Agency contributed $1.2 million to this plan.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the ARC of the employer. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2017, and the changes in the net OPEB obligation:

Annual required contribution	$ 813
Interest on Net OPEB obligation	30
Adjustment to annual required contribution	(39)
Annual OPEB cost	804
Contribution made	(1,232)
Decrease in net OPEB obligation	(428)
Net OPEB obligation - beginning of year	430
Net OPEB obligation - end of year	$ 2

(Dollars in Thousands)

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2015	$ 918	104%	$ 833
6/30/2016	796	151%	430
6/30/2017	804	153%	2

Funded Status and Funding Progress – The funded status of the plan of the Successor Agency as of July 1, 2015, the plan's most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 10,998
Actuarial value of plan assets	2,833
Unfunded actuarial accrued liability (UAAL)	$ 8,165
Funded ratio (actuarial value of plan assets/AAL)	25.8%
Covered payroll (active plan members)	$ 4,261
UAAL as a percentage of covered payroll	191.6%

Actuarial Methods and Assumptions – 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 benefits costs between the employer and plan members to that point.

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 contributions 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 ARC for the year ended June 30, 2017, and the funding status of the plan was determined based on the July 1, 2015, actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.0%; (b) medical costs trend increases of 4.0%; (c) inflation rate of 2.75%; (d) payroll growth of 2.75%; and (e) 2014 CalPERS active mortality table for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 22 years, respectively.

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 $713.9 million in fiscal year 2016-17. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is $201.5 million to provide postemployment health care benefits for 27,561 retired participants, of which $165.4 million related to City employees. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2017, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Imprest Cash, Advances, and Long Term Receivables.	$ 525	$ 82	$ 607
Restricted			
Rainy Day	125,689	44,248	169,937
Public Protection			
Police	-	18,536	18,536
Sheriff	-	1,084	1,084
Other Public Protection	-	11,264	11,264
Public Works, Transportation & Commerce	-	207,549	207,549
Human Welfare & Neighborhood Development	-	255,546	255,546
Affordable Housing	-	300,750	300,750
Community Health	-	23,850	23,850
Culture & Recreation	-	154,290	154,290
General Administration & Finance	-	24,218	24,218
Capital Projects	-	515,405	515,405
Debt Service	-	144,280	144,280
Total Restricted	125,689	1,701,020	1,826,709
Committed			
Budget Stabilization	323,204	-	323,204
Recreation and Parks Expenditure Savings	4,403	-	4,403
Total Committed	327,607	-	327,607
Assigned			
Public Protection			
Police	5,709	1,498	7,207
Sheriff	2,620	2,728	5,348
Other Public Protection	26,700	-	26,700
Public Works, Transportation & Commerce	75,662	36,902	112,564
Human Welfare & Neighborhood Development	73,064	9,761	82,825
Affordable Housing	34,615	-	34,615
Community Health	137,819	-	137,819
Culture & Recreation	4,738	13,445	18,183
General Administration & Finance	75,206	14,079	89,285
General City Responsibilities	96,534	-	96,534
Capital Projects	145,714	-	145,714
Litigation and Contingencies	136,080	-	136,080
Subsequent Year's Budget	273,827	-	273,827
Total Assigned	1,088,288	78,413	1,166,701
Unassigned	328,594	(245,445)	83,149
Total	$ 1,870,703	$ 1,534,070	$ 3,404,773

(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the "City Reserve") and the San Francisco Unified School District (the "School Reserve"). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues" in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City's actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District's Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2017-18 through 2021-22.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2017-18 through 2021-22.

Recreation and Parks Expenditure Savings Reserve

The City maintains a Recreation and Parks Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

(c) Encumbrances

At June 30, 2017, encumbrances recorded in the General Fund and nonmajor governmental funds were $244.2 million and $277.3 million, respectively.

(d) Restricted Net Position

At June 30, 2017, the government-wide statement of net position reported restricted net position of $1,473.2 million in governmental activities and $690.6 million in business-type activities, of which $16.2 million and $90.9 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $386.5 million of unrestricted net position of governmental activities, of which $304.2 million reduced net investment in capital assets and $82.3 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Human Welfare Fund and Senior Citizens' Program Fund had deficits of $3.5 million, and $0.8 million, respectively, as of June 30, 2017. The deficits relate to unavailable revenue in various programs which is expected to be collected beyond 60 days of the end of fiscal year 2017.

The Moscone Convention Center Fund had a $241.2 million deficit as of June 30, 2017. The deficit is primarily related to the issuance of commercial paper for the construction of the Moscone Center Expansion and Improvement Project and will be covered by refinancing commercial paper as long-term debt.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of $14.8 million and $23.1 million, respectively, as of June 30, 2017, mainly due to the other postemployment benefits liability accrued per GASB Statement No. 45 and the net pension liability and pension-related deferred inflows per GASB Statement No. 68. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2017, the Successor Agency has a deficit of $388.8 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2017 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues........	$ 83,757	$ 56,126	$ 139,883
Property Tax..................................	62,512	15,843	78,355
Teeter Plan....................................	38,469	-	38,469
SB 90...	8,218	-	8,218
Advances to Successor Agency......	-	13,149	13,149
PG&E franchise tax.......................	3,346	-	3,346
Loans..	9,666	79,759	89,425
Total...	$ 205,968	$ 164,877	$ 370,845

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

(12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from

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the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a $4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Proposition AA Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In 2012, the Transportation Authority Board approved the first Proposition AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). In May 2017, the Transportation Board approved the 2017 Proposition AA Strategic Plan and programmed revenues for projects over the five-year period, covering fiscal years 2017/18 to 2021/22. The Proposition AA program is a pay-as-you-go program.

Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

(Dollars in Thousands)

(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2016 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2017, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	$ 887,920
Bond principal and interest remaining due at end of the fiscal year	7,985,585
Commercial paper issued with subordinate revenue pledge	179,000
Commercial paper principal and interest remaining due at end of the fiscal year	178,564
Net revenues	489,378
Bond principal and interest paid in the fiscal year	408,750
Commercial paper principal, interest and fees paid in the fiscal year	4,106

***Debt Service Requirement* –** Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit with the trustee an amount equal to the maximum annual debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

(i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

(ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 or $3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2017, the FAA has approved Airport applications (PFC #2 to PFC #7) for collection with a total cumulative collection amount of $2.04 billion while Airport applications (PFC #2 to PFC #6) has been approved for use with a total cumulative use amount of $1.70 billion. The final charge expiration date is estimated to be February 1, 2030. The Airport is working with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017, to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. For the year ended June 30, 2017, the Airport reported approximately $104.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were $68.2 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2017, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel), a special purpose limited liability company founded by certain airlines operating at the Airport. SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

Purchase commitments for construction, material and services as of June 30, 2017 are as follows:

Construction	$ 188,826
Operating	28,896
Total	$ 217,722

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2017 was $45.0 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, 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, 2017, was $147.4 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2017, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines 23.9%

(b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

Pledged Revenues – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 11% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the bonds is $91.4 million. The principal and interest payments made in 2017 were $4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2017, were $39.0 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for $3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is $2.8 million. Annual principal and interest payments were $0.23 million in 2017 and pledged harbor revenues were $0.12 million for the year ended June 30, 2017.

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2017, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $13.7 million for capital projects and $3.2 million for general operations.

Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to $30.0 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. Through June 30, 2017, $46.6 million expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In 2017, the $19.0 million in services provided by other City departments included $2.7 million of insurance premiums and $0.6 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project which commenced July 2016, the Port received $0.5 million from the San Francisco Municipal Transportation Agency (SFMTA) and $0.5 million from the Planning Department in support of the project.

The Port and SFMTA entered into an MOU dated January 25, 2001, which granted the SFMTA the right to use an approximately 17-acre portion of certain Port property for permitted uses, as defined therein. Pursuant to the MOU, SFMTA paid to the Port $29.7 million in 2001 for the perpetual use and future jurisdictional transfer of this property, subject to the satisfaction of various conditions. With the jurisdiction transfer conditions satisfied and the necessary approvals in place, the Board of Supervisors in July 2017 approved the interdepartmental jurisdictional transfer of this property from the Port Commission to the SFMTA for no additional consideration. The transfer price of $29.7 million paid in 2001 was the estimated fair market value determined by an independent appraisal at the time it was paid.

South Beach Harbor Project Obligations – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. In 2015, the Port and the Office of Community Investment and Infrastructure, Successor Agency to the Redevelopment Agency, completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately $7.9 million, including certain structural repairs, soft costs and recommended contingencies. The Port is working with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. An extension of time will also be sought to complete the necessary public access improvements. Port management believes that the alternate proposal will provide significant public access improvements that are relevant to the project area and at lower cost.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

A 65-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

(Dollars in Thousands)

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at $11.0 million at June 30, 2017.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2017, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2016	$ 10,969	$ 60	$ 11,029
Current year claims and changes in estimates	242	255	497
Vendor payments	-	(84)	(84)
Environmental liabilities at June 30, 2017	$ 11,211	$ 231	$ 11,442

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2017, the Water Enterprise sold water, approximately 63,717 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2017 and applicable revenues for 2017 are as follows:

Bonds issued with revenue pledge	$ 4,455,785
Bond principal and interest remaining due at end of the fiscal year	7,673,811
Net revenues	251,405
Bond principal and interest paid in the fiscal year	207,812
Funds available for revenue debt service	394,440

During fiscal year 2017, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $205.9 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2017, the City owed the Wholesale Customers $43.5 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2017, the Water Enterprise had outstanding commitments with third parties of $279.8 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2017, the total pollution remediation liability was $2.5 million, consisting of $1.5 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, $1.0 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $34.6 million and $8.5 million, respectively, for the year ended June 30, 2017, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $16.1 million for the year ended June 30, 2017 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetchy Power in fiscal year 2016. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 80.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 20% balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

(Dollars in Thousands)

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise for the year ended 2017. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
Assets:					
Current assets	$ 76,027	$ 187,635	$ 19,600	$ -	$ 283,262
Receivables from other funds and component units	-	18,673	-	(7,250)	11,423
Noncurrent restricted cash and investments	4,154	35,998	-	-	40,152
Other noncurrent assets	169	1,100	-	-	1,269
Capital assets	127,731	316,990	-	-	444,721
Total assets	208,081	560,396	19,600	(7,250)	780,827
Deferred outflows of resources related to pensions	12,659	15,473	-	-	28,132
Liabilities:					
Current liabilities	6,293	40,543	6,032	(2,000)	50,868
Noncurrent liabilities	44,753	132,005	5,350	(5,250)	176,858
Total liabilities	51,046	172,548	11,382	(7,250)	227,726
Deferred inflows of resources related to pensions	1,338	1,635	-	-	2,973
Net position:					
Net investment in capital assets	127,731	260,681	-	-	388,412
Restricted for debt service	-	485	-	-	485
Unrestricted	40,625	140,520	8,218	-	189,363
Total net position	$ 168,356	$ 401,686	$ 8,218	$ -	$ 578,260

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues	$ 35,150	$ 120,962	$ 33,867	$ 189,979
Depreciation expense	(4,505)	(13,225)	-	(17,730)
Other operating expenses	(45,594)	(103,710)	(27,096)	(176,400)
Operating income (loss)	(14,949)	4,027	6,771	(4,151)
Nonoperating revenues (expenses):				
Federal grants	-	37	-	37
Interest and investment income	46	1,718	89	1,853
Interest expense, net of amortization of premium, discount, and issuance costs	-	(2,945)	(70)	(3,015)
Other nonoperating revenues net of expenses	548	10,319	4	10,871
Transfers in (out), net	60,000	51	-	60,051
Change in net position	45,645	13,207	6,794	65,646
Net position at beginning of year	122,711	388,479	1,424	512,614
Net position at end of year	$ 168,356	$ 401,686	$ 8,218	$ 578,260

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities	$ (2,920)	$ 29,975	$ 5,859	$ 32,914
Noncapital financing activities	61,067	12,486	(66)	73,487
Capital and related financing activities	(15,080)	(25,205)	-	(40,285)
Investing activities	112	1,742	87	1,941
Increase in cash and cash equivalents	43,179	18,998	5,880	68,057
Cash and cash equivalents at beginning of year	36,367	192,923	8,174	237,464
Cash and cash equivalents at end of year	$ 79,546	$ 211,921	$ 14,054	$ 305,521

Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2017, and applicable revenues for 2017 are as follows:

Hetch Hetchy Power (excluding CleanPowerSF)	
Bonds issued with revenue pledge	$ 64,871
Bond principal and interest remaining due at end of the fiscal year	91,177
Net revenues	31,229
Bond principal and interest paid in the fiscal year	2,293
Funds available for revenue debt service	63,428

Commitments and Contingencies – As of June 30, 2017, Hetch Hetchy had outstanding commitments with third parties of $72.7 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water
To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which 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 $4.7 million in fiscal year 2017. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power
In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the Commission and the Board of Supervisors approved the extension of both agreements for one year to June 30, 2016. A second extension agreement has been subsequently approved to continue the current terms and conditions for MID through June 30, 2017. The second extension agreement for TID proposes to remove the district's rights to excess energy from the project and terminate those conditions with the first extension agreement on June 30, 2016. The Commission will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost

to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the Commission's municipal load obligations. For fiscal year 2017, energy sales to the Districts totaled 152,321 Megawatt hours (MWh) or $7.8 million.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver power to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2017, Hetch Hetchy Power purchased $8.6 million of transmission, distribution services, and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2017, Hetchy Power did not purchase power and other related products. Sales of excess power, after meeting Hetch Hetchy's obligations, were 29,050 MWh, or $0.8 million, for 2017. Sales in fiscal year 2017 were higher due to increased water flows resulting from higher precipitation levels, and fewer planned maintenance outages.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year PPA with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility.

The PPA sets the purchase price of generated energy at $235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2017, the facility generated 6,505 MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal years 2017, purchases of energy under the Agreement were $1.8 million, or 6,505 MWh.

CleanPowerSF
CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine transaction requires a reserve balance of $2.6 million as of June 30, 2017, which is equivalent to two months' worth of estimated payment obligations. At June 30, 2017, total electricity purchased from Calpine and Shiloh were $17.3 million and $1.6 million, respectively.

CleanPowerSF entered into contract with Noble Americas in November 2015 for a three-year term, not to exceed $5.6 million to provide administrative and customer care services related to electricity data management, billing, call center and related services. During fiscal year 2017, amount paid was $1.0 million. Prior year costs were included in Hetchy Power's start-up costs for CleanPowerSF.

During fiscal year 2017, there was a letter of credit outstanding that guarantees certain payment obligations of CleanPowerSF. The Letter of Credit is secured by Hetchy Power revenue at the 11th priority lien level under the Hetchy Power Indenture. The letter of credit, issued by JP Morgan Chase, was in the amount of $13.9 million as of June 30, 2017. There were no draws against the letter of credit during fiscal year 2017.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $34.6 million and purchased electricity for $8.5 million for the year ended June 30, 2017. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $10.7 million for the year ended June 30, 2017. Included in 2017 operating revenues are sales of power to departments within the City of $87.7 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately $8.7 million for the year ended June 30, 2017, and have been included in services provided by other departments.

As of June 30, 2017, operating revenues in sales of power from CleanPowerSF to Hetchy Power were $0.01 million. Operating expenses in purchase of power from Hetchy Power to CleanPowerSF were $1.9 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled $0.2 million for the fiscal years ended June 30, 2017.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA financial statements include the entire San Francisco's (the City's) surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter entity transactions have been eliminated.

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the transportation System with the resources, independence, and focus necessary to improve transit service. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A) which provided $500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B) which increases General Fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies and the largest in the Bay Area. It currently has about 226 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 19 City owned garages and 20 parking lots. In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

(Dollars in Thousands)

Three nonprofit corporations provide operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square are owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the SFMTA's parking garages account.

***Pledged Revenue* –** In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

Annual principal and interest payments for fiscal year 2017 were 38.9% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2017 and applicable revenues are as follows:

Bonds issued with revenue pledge	$ 387,670
Bond principal and interest remaining due at end of the fiscal year	596,359
Net revenues	25,952
Bond principal and interest paid in the fiscal year	16,505
Funds available for revenue debt service	42,457

Operating and Capital Grants and Subsidies – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA and Sustainable Streets as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was $415.0 million in fiscal year 2017. The General Fund subsidy includes a total revenue baseline transfer of $312.6 million, as required by the City Charter, $68.4 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City population growth. In fiscal year 2017, SFMTA received $31.0 million from this source. In fiscal year 2017, SFMTA also received additional City General Fund allocation of $3.0 million to fund various capital projects such as the planning and design on Warriors Arena transportation improvements.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2017, the SFMTA had various operating grants receivable of $32.8 million. In fiscal year 2017, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.7 million, and other federal, state, and local grants of $59.5 million, to fund project expenses that are operating in nature.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling $14.1 million in fiscal year 2017 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 re-appropriated the remaining balances of fiscal years 2009, 2010 and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2017, $76.6 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $579.8 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 $74.8 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of $388.2 million and $72.6 million, and (b) the amounts of $352.7 million and $67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2017 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date.

As of June 30, 2017, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of $98.7 million remains outstanding. All other lease transactions were terminated in prior fiscal years.

The deferred inflows of resources amortized amount was $0.3 million for the Tranche 1 Equipment in fiscal year 2017.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2017, the subsidy for LHH was $62.3 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2017, LHH's patient receivables and charges for services were as follows:

Patient Receviables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 56,281	$ 3,480	$ 1,822	$ 61,583
Less:				
Provision for Contractual Allowances	(36,348)	(2,247)	(1,177)	(39,772)
Total, net	$ 19,933	$ 1,233	$ 645	$ 21,811

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 396,316	$ 22,337	$ 11,697	$ 430,350
Less:				
Provision for Contractual Allowances	(230,130)	(15,345)	(11,438)	(256,913)
Total, net	$ 166,186	$ 6,992	$ 259	$ 173,437

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. As of June 30, 2017, LHH recorded $38.1 million of subvention receivable for matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2017, LHH recorded $29.6 million in other liabilities for third-party payor settlements payable.

Transactions with Other Funds – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled $10.9 million for the year ended June 30, 2017, and have been included in services provided by other departments.

Commitments and Contingencies – As of June 30, 2017, LHH has entered into various purchase contracts totaling $1.0 million that are related to the old building remodel phase of the Replacement Project.

The California Department of Health Care Services (DHCS) is currently in discussions with the Centers for Medicare and Medicaid Services (CMS) regarding a potential disallowance of approximately $56 million, related to payments made to LHH.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2017, the subsidy for SFGH was $62.7 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2017, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 286,908	$ 156,878	$ 129,071	$ 572,857
Less:				
Contractual Allowances	(263,858)	(143,121)	(75,755)	(482,734)
Provision for Bad Debt	-	-	(21,318)	(21,318)
Total, Net Accounts Receivable	$ 23,050	$ 13,757	$ 31,998	$ 68,805

(Dollars in Thousands)

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue	$ 1,782,843	$ 798,047	$ 856,242	$ 3,437,132
Less:				
Contractual Allowance	(1,629,125)	(671,156)	(367,437)	(2,667,718)
Bad Debt Write Off	-	-	(79,292)	(79,292)
Total, Net Patient Service Revenue	$ 153,718	$ 126,891	$ 409,513	$ 690,122

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program (LIHP). The non-federal share of these 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 Waiver approximated $33.6 million for the year ended June 30, 2017. The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes.

The Bridge to Health Care Reform waiver expired October 31, 2015. On December 30, 2015, the Centers for Medicare and Medicaid Services (CMS) approved Medi-Cal 2020, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and Federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under Medi-Cal 2020 approximated $98.6 million for the year ended June 30, 2017.

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, 2017, reimbursement under the Short-Doyle Program amounted to approximately $6.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2017, SFGH recorded approximately $315.0 million in unearned credits and other liabilities, which was comprised of $275.8 million in unearned

credits mainly related to receipts under DSH/Safety Net Care Pool, the LIHP, and AB915 programs, and $39.2 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 $227.7 million and estimated costs and expenses to provide charity care were $61.2 million in fiscal year 2016-2017.

Other Revenues – SFGH recognized $66.1 million of realignment funding for the year ended June 30, 2017. With California electing to implement a State-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected $3.9 million in fiscal year 2014-2015 and $12 million in fiscal year 2015-2016 for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2014-15 showing $0 realignment to be redirected.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2017, was approximately $166.6 million.

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

Gift – From fiscal year 2014-2015 through fiscal year 2015-2016, SFGH has received $62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2017, SFGH has spent $38.8 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining $23.6 million as Restricted Net Position.

Commitments and Contingencies – As of June 30, 2017, SFGH had outstanding commitments with third parties for capital projects totaling $16.6 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,591 residential accounts, which discharge about 16.1 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,141 non-residential accounts, which discharge about 7.8 million units of sanitary flow per year.

(Dollars in Thousands)

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2047.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2017, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 1,072,950
Bond principal and interest remaining due at end of the fiscal year	1,666,275
Net revenues	119,989
Bond principal and interest paid in the fiscal year	60,407
Funds available for revenue debt service	251,543

Commitments and Contingencies – As of June 30, 2017, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $229.7 million.

Pollution Remediation Obligations – As of June 30, 2017, the Wastewater Enterprise recorded $2.7 million in pollution remediation liability, consisting of $2.0 million cleanup cost estimate at the Yosemite Creek site, $0.6 million at the Southeast and Oceanside Treatment sites, and $0.1 million for the hazardous materials at the Southeast plant. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs.

Transactions with Other Funds –The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling $10.7 million for the year ended June 30, 2017. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $12.5 million for the year ended June 30, 2017, and have been included in services provided by other departments.

(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the California Department of Finance (DOF) granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the Recognized Obligation Payments Schedule (ROPS) as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allowed the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP pertains to the disposition and use of real properties held by the Successor Agency. Part 1 of the LRPMP, which addresses the disposition of property located at 706 Mission Street, was approved by the DOF on October 4, 2013. During fiscal year 2016, the property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement. After incorporating feedback from the DOF, the remainder of the LRPMP was approved by the Oversight Board on November 23, 2015, and by the DOF on December 7, 2015.

In September 2015, the State passed Senate Bill 107 (SB 107) which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2017, the summary of changes in capital assets is as follows:

	Balance July 1, 2016	Additions	Deletions	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land held for lease	$ 54,769	$ -	$ (10,034)	$ -	$ 44,735
Construction in progress	1,820	2,224	-	(3,791)	253
Total capital assets not being depreciated	56,589	2,224	(10,034)	(3,791)	44,988
Capital assets being depreciated:					
Furniture and equipment - General	8,144	-	-	-	8,144
Building and improvements	202,052	-	-	3,791	205,843
Total capital assets being depreciated	210,196	-	-	3,791	213,987
Less accumulated depreciation for:					
Furniture and equipment	(8,104)	(9)	-	-	(8,113)
Building and improvements	(93,460)	(4,940)	-	-	(98,400)
Total accumulated depreciation	(101,564)	(4,949)	-	-	(106,513)
Total capital assets being depreciated, net	108,632	(4,949)	-	3,791	107,474
Total capital assets, net	$ 165,221	$ (2,725)	$ (10,034)	$ -	$ 152,462

During the year ended June 30, 2017, the Successor Agency transferred land with a book value of $10.0 million to a developer for an affordable housing development project at the Transbay Project Area. The transfer of the property was recorded as a deduction in the statement of changes in fiduciary net position.

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

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds [a]	2025	5.00%	$ 30,995
Tax allocation revenue bonds [b]	2047	1.45% - 9.00%	970,381
California Department of Boating and Waterways Loan [c]	2037	4.50%	6,630
Total long-term bonds and loans			$ 1,008,006

Debt service payments are made from the following sources:

(a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
(b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.
(c) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency. On September 20, 2016, the Successor Agency issued Tax Allocation Revenue Bonds Series 2016 D (2016 Series D Bonds) for $74.7 million. On March 29, 2017, the Successor Agency issued three revenue bonds, Tax Allocation Revenue Bonds Series 2017 A (2017 Series A Bonds) for $89.8 million, Tax Allocation Revenue Bonds Series 2017 B (2017 Series B Bonds) for $19.9 million and Tax Allocation Revenue and Refunding Bonds Series 2017 C (2017 Series C Bonds) for $43.4 million.

Proceeds from the 2016 Series D Bonds were used to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The 2016 Series D Bonds bear fixed interest rates ranging from 3.00% to 5.00% and reach final maturity on August 1, 2043.

Proceeds from the 2017 Series A Bonds were used to finance certain affordable housing projects of the Successor Agency within or of benefit to the Bayview Hunters Point Redevelopment Project Area. The 2017 Series A Bonds bear fixed interest rated ranging from 2.19% to 4.38% and reach final maturity on August 1, 2044.

Proceeds from the 2017 Series B Bonds were used to finance certain infrastructure projects of the Successor Agency within or of benefit to the Transbay Redevelopment Project Area. The 2017 Series B Bonds bear fixed interest rates of 5.00% and reach final maturity on August 1, 2046.

Proceeds of $22.0 million of the 2017 Series C Bonds will be used to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. The remaining proceeds from the 2017 Series C Bonds were used to refund Tax Allocation Bonds Series 2006 A, Series 2009 E, and Series 2011 E in the amount of $3.2 million, $5.0 million, and $9.4 million, respectively. The refunding resulted in net present value savings of $2.2 million and an accounting loss of $3.1 million. The 2017 Series C Bonds bear fixed interest rates ranging from 1.45% to 4.38% and reach final maturity on August 1, 2043.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.72 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2017, were $129.2 million against the total debt service payment of $84.1 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2017
(Dollars in Thousands)

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $38.2 million. The hotel tax revenue recognized during the year ended June 30, 2017 was $4.9 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2017, are as follows:

	July 1, 2016	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2017
Bonds payable:				
Tax revenue bonds	$ 839,594	$ 227,667	$ (65,885)	$ 1,001,376
Less unamortized amounts:				
For issuance premiums	49,781	2,623	(2,749)	49,655
For issuance discounts	(2,948)	(945)	207	(3,686)
Total bonds payable	886,427	229,345	(68,427)	1,047,345
Accreted interest payable	42,215	7,226	-	49,441 [1]
Notes, loans, and other payables	6,857	-	(227)	6,630
Accrued vacation and sick leave pay	901	486	(657)	730
Other postemployment benefits obligation	430	804	(1,232)	2
Successor Agency - long term obligations	$ 936,830	$ 237,861	$ (70,543)	$ 1,104,148

[1] Amounts represent interest accretion Capital Appreciation Bonds.

As of June 30, 2017, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest*	Principal	Interest	Principal	Interest
2018	$ 53,605	$ 44,907	$ 238	$ 298	$ 53,843	$ 45,205
2019	65,495	43,206	248	288	65,743	43,494
2020	65,162	43,456	259	276	65,421	43,732
2021	60,022	41,683	272	265	60,294	41,948
2022	58,006	41,564	283	253	58,289	41,817
2023-2027	183,433	209,256	1,620	1,059	185,053	210,315
2028-2032	153,858	149,025	2,019	661	155,877	149,686
2033-2037	159,270	113,978	1,691	178	160,961	114,156
2038-2042	136,522	51,687	-	-	136,522	51,687
2043-2047	66,003	14,236	-	-	66,003	14,236
Total	$ 1,001,376	$ 752,998	$ 6,630	$ 3,278	$ 1,008,006	$ 756,276

* Includes payment of accreted interest

During the year ended June 30, 2010, the former Agency borrowed $16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of $28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. In accordance with HSC Section 34191.4(b)(3), interest is accrued quarterly at an annual rate of 3% on the principal balance due to the City. For the year ended June 30, 2017, interest in the amount of $0.3 million was accrued, and the Successor Agency made payments in the amount of $1.8 million to the City. The outstanding payable balance at June 30, 2017, was $13.1 million, which was comprised of principal of $10.0 million and accrued interest of $3.1 million.

(Dollars in Thousands)

As of June 30, 2017, the Successor Agency also has a payable to the City in the amount of $0.6 million for services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2017, the Successor Agency had outstanding encumbrances totaling approximately $46.6 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission; these are enforceable obligations of the Successor Agency. As of June 30, 2017, the Successor Agency has exercised several of the lease options. The leases require the following minimum annual payments:

Fiscal Years			Fiscal Years		
2018………………	$	870	2023-2027………..	$	4,351
2019………………		870	2028-2032………..		4,351
2020………………		870	2033-2037………..		4,351
2021………………		870	2038-2042………..		4,351
2022………………		870	2043-2047………..		4,351
			2048-2051………..		1,958
			Total………………	$	28,063

Rent payments totaling $1.4 million are included in the Successor Agency's financial statements for the year ended June 30, 2017.

Regarding rental income, the Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows:

Fiscal Years			Fiscal Years		
2018………………	$	3,716	2028-2032………..	$	18,172
2019………………		3,596	2033-2037………..		19,198
2020………………		3,582	2038-2042………..		20,292
2021………………		3,590	2043-2047………..		18,515
2022………………		3,633	2048-2050………..		1,482
2023-2027………..		18,047			
			Total………………	$	113,823

For the year ended June 30, 2017, operating lease rental income for noncancelable operating leases was $10.3 million, of which $6.5 million represents contingent rental income received. At June 30, 2017, the leased assets had a net book value of $34.9 million.

Notes and Mortgages Receivable – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2017, the Successor Agency disbursed $66.0 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2017, the gross value of the notes and mortgage receivable was $176.7 million and the allowance for uncollectible amounts was $175.0 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers 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 Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. At June 30, 2017, the Successor Agency had outstanding community facility district bonds totaling $188.6 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2017, the Successor Agency received $5.4 million from a developer and distributed the funds to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island with the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 700 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

(Dollars in Thousands)

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects – new water reservoirs and new roadways, utilities, and related facilities on Yerba Buena Island – were awarded and the contractor has mobilized, with vertical construction beginning in late 2018, and the first new homes ready for occupancy in 2020. A second transfer from the Navy to TIDA of roughly 7 acres on Treasure Island was completed in September of 2016. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, and amended several times over the intervening years, the Transportation Authority entered into a loan agreement with TIDA in the amount of $11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA was to repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. Under the Disposition and Development Agreement the loan repayment obligation was assumed by TICD. The repayment to the Transportation Authority was structured to be paid by TIDA in three installments with the first installment equal to 50% of the current balance being due 30 days after the first close of escrow for transfer of the Naval Station Treasure Island to TIDA from the Navy. The second installment was due on the anniversary of the first installment in an amount of 50% of the then current balance, and a final payment of the remaining balance of the loan was due on December 31, 2016. The initial loan and all accrued interest have been repaid. The Transportation Authority will invoice TIDA quarterly for any future project costs not eligible for federal reimbursement.

As of June 30, 2017, TIDA has the following payables to other City departments:

		6/30/2017		
Payable to	Purpose	Current	Noncurrent	Total
Transportation Authority	YBI and mobility management expenses	$ 1,389	$ -	$ 1,389
Hetch Hetchy	Utility operations under MOU	200	28	228
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 1,589	$ 2,627	$ 4,216

(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 10,108
	San Francisco Water Enterprise	7
	Municipal Transportation Agency	627
	San Francisco Wastewater Enterprise	84
	Port of San Francisco	100
		10,926
Nonmajor Governmental Funds	General Fund	178
	Nonmajor Governmental Funds	1,806
	Internal Service Funds	1,787
	Municipal Transportation Agency	2,853
		6,624
General Hospital Medical Center	Nonmajor Governmental Funds	2
San Francisco Water Enterprise	General Fund	20
	Nonmajor Governmental Funds	342
		362
Hetch Hetchy Water and Power Enterprise	Nonmajor Governmental Funds	6,618
	General Hospital Medical Center	350
	San Francisco Wastewater Enterprise	1,166
	CleanPower Enterprise	387
		8,521
Municipal Transportation Agency	General Fund	225
	Nonmajor Governmental Funds	31,517
		31,742
San Francisco Wastewater Enterprise	General Fund	137
Total		$ 58,314

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2017, Hetch Hetchy loaned $6.9 million to other City funds. Hetch Hetchy is also due $1.2 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental funds of $31.5 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 200	(1)
Nonmajor Governmental Funds	Component unit – TIDA	1,389	(1)
Nonmajor Governmental Funds	Successor Agency	192	(2)
San Francisco Water Enterprise	Successor Agency	270	(2)
Hetch Hetchy Water and Power Enterprise	Successor Agency	75	(2)
San Francisco Wastewater Enterprise	Successor Agency	23	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 2,627	(1)
Nonmajor Governmental Funds	Successor Agency	13,149	(2)

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

Transfers Out: Funds	Transfers In: Funds (in thousands)									
	General Fund	Nonmajor Govern-mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta-tion Agency	San Francisco General Hospital Medical Center	Wastewater Enterprise	Laguna Honda Hospital	Total
General Fund	$ -	$ 315,285	$ 2,153	$ 100	$ -	$ 415,014	$ 62,701	$ 40	$ 62,336	$ 857,629
Nonmajor governmental funds	29,566	183,743	-	28	100	148,646	9	-	2,442	364,534
Internal Service Funds	138	-	-	-	-	-	-	-	-	138
San Francisco International Airport	45,037	-	-	-	-	-	-	-	-	45,037
Water Enterprise	-	116	-	-	60,000	-	-	-	-	60,116
Hetch Hetchy Water and Power Enterprise	17	32	-	-	-	-	-	-	-	49
Municipal Transportation Agency	-	996	-	-	-	-	-	-	-	996
San Francisco General Hospital Medical Center	33,258	-	-	-	-	-	-	-	508	33,766
Wastewater Enterprise	30,100	647	-	-	-	-	-	-	-	30,747
Port of San Francisco	-	32	-	-	-	-	-	-	-	32
Laguna Honda Hospital	2,156	-	-	-	-	-	-	-	-	2,156
Total transfers out	$ 140,272	$ 500,851	$ 2,153	$ 128	$ 60,100	$ 563,660	$ 62,710	$ 40	$ 65,286	$ 1,395,200

The $857.6 million General Fund transfer out includes a total of $540.0 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (note 13). The transfer of $315.3 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 in the amount of $65.5 million are to provide support for various City programs and to provide resources for the payment of debt service. In addition in fiscal year 2017, the proceeds from the sale of properties at 30 Van Ness Avenue and 1660-1680 Mission Street in the amount of $93.9 million were transferred to nonmajor capital projects fund for the 1500 Mission Street development project and $24.3 million were transferred to nonmajor debt service fund to pay down outstanding certificates of participation as previously discussed.

San Francisco International Airport transferred $45.0 million to the General Fund, representing a portion of concession revenues (note 13(a)). The General Fund received transfers in of $3.0 million for interest earned by the SFGH but credited to the General Fund and $7.2 million from SFGH's return of excess project funds. SFGH transferred to the General Fund $0.1 million and Laguna Honda Hospital $0.5 million, respectively, for equipment lease payments. The General Fund also received $23.0 million from SFGH and $2.0 million from Laguna Honda Hospital to fund the DPH project and $0.2 million for interest earned by the Laguna Honda Hospital funds but credited to the General Fund. Laguna Honda Hospital funds received $2.4 million from nonmajor governmental funds for the Laguna Honda Hospital improvement project close out.

SFMTA received $148.6 million transfers from nonmajor governmental funds, of which $97.1 million was for capital activities, $23.4 million was for operating activities, and $28.1 million to fund various street improvement projects. In turn, the SFMTA transferred $1.0 million to nonmajor governmental funds to pay for various street improvement projects. SFMTA also received $68.9 million transfer of capital assets from governmental functions for various capital projects and improvements, mainly related to Sustainable Street activities, which is recorded in the governmental activities in the statement of activities.

The Water Enterprise transferred $60.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, $100 to San Francisco Recreation and Parks Department mainly for water saving improvements at Alamo Square Park, $16 credited to the transfer out from Laguna Honda Hospital funds for excess project funds, and $32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received $100 from the City mainly for the San Francisco War Memorial Veterans Building project and $28 from Recreation and Parks Department for return of excess project funds.

The Wastewater Enterprise transferred $30.1 million to the City related to the purchase of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), $0.6 million to Art Commission for art enrichment and $32 to the Office of the City Administrator for the Surety Bond Program. On the other hand, the Wastewater Enterprise received $40 transfer from General Fund for community projects.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2018	$ 54,745
2019	46,951
2020	42,078
2021	28,023
2022	23,785
2023-2027	54,234
2028-2032	839
2033-2037	135
Total	$ 250,790

(Dollars in Thousands)

Operating leases expense incurred for governmental activities for fiscal year 2016-2017 was approximately $41.0 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2018	$ 148	$ 2,680	$ 14,281	$ 17,109
2019	-	2,680	14,318	16,998
2020	-	2,680	14,242	16,922
2021	-	2,680	14,449	17,129
2022	-	2,680	13,190	15,870
2023-2027.........	-	13,402	66,531	79,933
2028-2032.........	-	13,402	77,468	90,870
2033-2037.........	-	13,402	73,428	86,830
2038-2042.........	-	13,402	85,395	98,797
2043-2047.........	-	13,402	104,600	118,002
2048-2052.........	-	13,402	-	13,402
2053-2057.........	-	13,402	-	13,402
2058-2062.........	-	13,402	-	13,402
2063-2067.........	-	5,584	-	5,584
Total....................	$ 148	$ 126,200	$ 477,902	$ 604,250

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2016-2017 was $0.2 million, $2.7 million, and $19.1 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

Fiscal Years	
2018.............	$ 1,306
2019.............	1,035
2020.............	1,014
2021.............	864
2022.............	416
2023-2027.......	1,430
2028-2032.......	854
2033-2037.......	504
2038-2042.......	504
2043-2047.......	504
2048-2052.......	504
2053-2057.......	504
2058-2062.......	504
2063-2067.......	504
2068-2072.......	504
2073-2077.......	504
Thereafter	1,655
Total.............	$ 13,110

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-type Activities
2018............	$ 92,170	$ 43,279	$ 1,559	$ 5,968	$ 142,976
2019............	54,136	38,589	1,606	5,864	100,195
2020............	26,371	33,865	1,654	4,946	66,836
2021............	20,021	30,873	1,704	3,658	56,256
2022............	16,277	27,785	1,755	2,297	48,114
2023-2027.....	16,576	98,619	9,598	8,357	133,150
2028-2032.....	-	83,220	-	6,250	89,470
2033-2037.....	-	72,471	-	6,250	78,721
2038-2042.....	-	47,794	-	6,250	54,044
2043-2047.....	-	38,841	-	6,250	45,091
2048-2052.....	-	27,889	-	6,250	34,139
2053-2057.....	-	18,683	-	4,583	23,266
2058-2062.....	-	16,694	-	-	16,694
2063-2067.....	-	12,630	-	-	12,630
2068-2072.....	-	4,941	-	-	4,941
2073-2077.....	-	4,291	-	-	4,291
Total............	$ 225,551	$ 600,464	$ 17,876	$ 66,923	$ 910,814

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 $29.6 million and $17.7 million, respectively, in fiscal year 2016-17. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately $42.5 million for fiscal year 2016-17.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of $2.1 billion, private equity in the amount of $2.6 billion, private credit Investments (formerly known as opportunistic fixed income) in the amount of $0.6 billion, and absolute return investments in the amount of $73.8 million, which totaled $5.31 billion at June 30, 2017.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(Dollars in Thousands)

(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $1.00 billion with $250.0 million in War Perils Liability, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of $1.00 billion per single occurrence and a deductible of $500 per single occurrence. The Airport carries public officials liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport does not have liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $1.1 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1.00 billion and a deductible of $750 per occurrence ($150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-insure
b. Property	Self-insure and purchase insurance
c. Workers' Compensation	Self-insure
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured for general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $3.0 million. As of June 30, 2017, the reserve was $22.4 million. Claim liabilities are actuarially determined

anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

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 are pending or threatened against the City. The City's liability as of June 30, 2017 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2015, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2015-2016	$ 264,830	$ 68,815	$ (56,079)	$ 277,566
2016-2017	277,566	84,949	(65,346)	297,169

Breakdown of the estimated claims payable at June 30, 2017 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 71,290
Long-term portion of estimated claims payable	131,199
Total	$ 202,489
Business-type activities:	
Current portion of estimated claims payables	$ 39,424
Long-term portion of estimated claims payable	55,256
Total	$ 94,680

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2017 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, 2017 was $435.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

(Dollars in Thousands)

Changes in the reported accrued workers' compensation since July 1, 2015, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2015-2016	$ 395,574	$ 108,760	$ (86,906)	$ 417,428
2016-2017	417,428	106,185	(87,862)	435,751

Breakdown of the accrued workers' compensation liability at June 30, 2017 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability…………	$ 42,621
Long-term portion of accrued workers' compensation liability……..	199,202
Total …………………………………………………………………	$ 241,823
Business-type activities:	
Current portion of accrued workers' compensation liability…………	$ 32,875
Long-term portion of accrued workers' compensation liability……..	161,053
Total …………………………………………………………………	$ 193,928

(19) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

In July 2017, the City issued Certificates of Participation (Moscone Convention Center Expansion Project) Series 2017B (Certificates) in the amount of $412.4 million, the proceeds of which will be used to: (1) retire certain commercial paper certificates of the City, the proceeds of which financed a portion of the cost of acquisition, construction, renovation, equipping of improvements to the existing site and facilities of Moscone Center; (2) finance or refinance the costs of certain capital improvements to the Moscone Center; (3) pay capitalized interest payable with respect to the Certificates through April 1, 2018; (4) fund the Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (5) pay for costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% and 5.0% and will mature from April 2019 through April 2042.

In July 2017, the City issued a total of $19.8 million tax-exempt commercial paper (CP) with interest rates of 0.90% and 0.93% and maturing in September and October 2017. The CP was issued to refund $19.8 million of maturing CP for capital equipment for the San Francisco General Hospital and Trauma Center.

In September 2017, the City issued $14.3 million tax-exempt CP to refinance $11.8 million maturing CP for the San Francisco General Hospital capital equipment project and finance $2.0 million for the Animal Care and Control project. The CP bears an interest rate of 0.85% and will mature on December 2017.

In September 2017, the San Francisco Public Utilities Commission (SFPUC) entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of $171.2 million and will bear interest rate of 1.0% for a 30-year term, with repayments beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Water Enterprise's outstanding revenue bonds. The grant is in the amount of $15.0 million.

In September 2017, the SFPUC entered into Installment Sale Agreements with the State Water Resources Control Board for three CWSRF Loans to fund certain projects of the Wastewater Enterprise's Sewer System Improvement Program. The aggregate amount of the CWSRF loans is $94.7 million, each of which will bear an interest rate equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost. The CWRSF loans will each have a 30-year term, with repayment beginning one year after substantial completion of each project's construction. The CWSRF loans are secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds.

In October 2017, the City issued $8.0 million tax-exempt CP with interest rate of 0.94% and maturity of December 2017. The CP will refinance $8.0 million maturing CP for the San Francisco General Hospital capital equipment project, the 1500 Mission project, and the Animal Care and Control project.

In November 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds Series 2017 (Series 2017) in the amount of $248.3 million. The Series 2017 was issued to (1) finance a portion of the costs of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects, including engineering, inspection, legal, fiscal agents, financial consultant and other fees and working capital; (2) repay a portion of the outstanding obligation of a revolving loan and a promissory note of the Transportation Authority; (3) pay a portion of the capitalized interest of the Series 2017; and (4) pay costs of issuance of the Series 2017. The Series 2017 matures from February 2020 through February 2034 with interest rates ranging from 3.0% to 4.0% and will be repaid through sales tax collection in the subsequent years.

In November 2017, the City, on behalf of the Community Facilities District No. 2014-1 (Transbay Transit Center) issued Special Tax Bonds Series 2017A and 2017B (2017 Bonds) in the amount of $36.1 million and $171.4 million, respectively. The 2017 Bonds were issued to fund: 1) various capital improvements; including streets and sidewalk improvement in the vicinity of the transit building (the "Salesforce Transit Center," formerly known as the Transbay Transit Center) and the development and improvement of the adjacent open space; 2) the planning, design, engineering and construction of the core and shell of the two below-grade levels of the Salesforce Transit Center; 3) a portion of the design, engineering and construction of the transit center rooftop park; 4) a debt service reserve fund; 5) capitalized interest for a portion of the interest on the 2017 Bonds; and 6) cost of issuance of the 2017 Bonds. The 2017 Bonds mature from September 2018 through September 2048 with interest rate ranging from 1.5% to 4.0%. The 2017 Bonds are limited obligations of the City, secured and payable solely from the Special Tax Revenues pledged under the Fiscal Agent Agreement and are not payable from any other source of funds. The General Fund of the City is not liable for the payment of the principal of or interest on the 2017 Bonds, and neither the credit nor the taxing power of the City or the State of California or any its political subdivision is pledged to the payment of the 2017 Bonds.

In December 2017, the City issued $21.0 million tax-exempt CP with an interest rate of 1.04% and maturity of February 2018. The CP will refinance $20.7 million maturing CP for the San Francisco General Hospital capital equipment project, 1500 Mission Street project, and Animal Care and Control project.

Issuance of Capital Plan Bonds and Refunding Bonds and Swaps Termination

In October 2017, the Airport issued $571.6 million in Second Series Revenue Bonds, Series 2017A and 2017B, a portion of which will be used to finance and refinance (through the repayment of $300.5 million of commercial paper notes) a portion of the costs of capital improvements to the Airport; $45.1 million in Second Series Revenue Refunding Bonds, Series 2017C, to fund a deposit to the Contingency Account, to finance a $12.6 million termination payment on a portion of the interest rate swaps associated with the Second Series Revenue Refunding Bonds, Issue 36A, 36B, and 36C, and to pay costs of issuance of its Second Series Revenue Refunding Bonds, Series 2017D; and $144.8 million in Second Series Revenue Refunding Bonds, Series 2017D, to refund the remaining $164.6 million principal amount of the Second Series Revenue Refunding Bonds, Issue 36A, 36B, and 36C. The Airport also expects to issue in February 2018, $115.4 million in Second Series Revenue

Refunding Bonds, Series 2018A, under a forward purchase agreement executed on October 11, 2017, for the purpose of refunding $140.1 million in outstanding Second Series Revenue Refunding Bonds, Issue 34E. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+" to these bonds.

The Airport issued an additional $152.4 million in subordinate CP notes in July 2017, for a total of $330.4 million subordinate commercial paper notes outstanding.

Interest Rate Swaps - LIBOR

In July 2017, the United Kingdom (UK) Financial Conduct Authority, the UK markets regulator, indicated that the London Interbank Overnight Rate (LIBOR) would be phased out by the end of 2021. The Airport's interest rate swap agreements calculate the variable rate payment owed from each counterparty to the Airport each month using LIBOR plus a certain spread. At least a portion of the Airport's swaps are not scheduled to terminate until May 1, 2030. The Airport expects its interest rate swap agreements to be modified to reflect the permanent discontinuation of LIBOR and its substitution with a new variable rate benchmark or variable rate-setting mechanism.

Credit Ratings Changes

In October 2017, Fitch downgraded the long-term credit rating of Wells Fargo Bank, N.A. ("Wells Fargo"), which provides a $100.0 million principal amount irrevocable letter of credit in support of the Airport's Second Series Variable Rate Revenue Refunding Bonds, Issue 36A. As a result, on October 4, 2017, Fitch lowered its long-term jointly supported rating on the Issue 36A Bonds from "AAA" to "AA+." Fitch's short-term rating on the Issue 36A Bonds ("F1+") remained unchanged. Fitch's underlying long-term rating on the Issue 36A Bonds ("A+") also remained unchanged.

Property Purchase

In July 2017, the City purchased property at 1500 Mission Street in San Francisco for $56.2 million, which will be developed into a mixed-use complex for housing, retail, and City office space. The purchase was partially funded by the sales of City property at 1660-1680 Mission Street and 30 Van Ness Avenue.

In September 2017, the Water Enterprise purchased property at 1657-1663 Rollins Road in Burlingame, CA that has served as the primary work location for various staff of the Water Enterprise. The $9.1 million purchase was funded by proceeds from Water Enterprise Revenue Bonds.

Insurance Settlement for Pacific Rod & Gun Club

In October 2017, the Board of Supervisors approved the settlement of a lawsuit between the Water Enterprise and the Pacific Rod & Gun Club. The Ordinance was signed by the Mayor on November 3, 2017. The Water Enterprise will receive an insurance settlement for $8.3 million relating to the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from the Pacific Rod & Gun Club site in the Lake Merced area.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability
June 30, 2017 *
(Dollars in Thousands)

	For the year ended June 30, 2017				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	$ 5,476,654	$ (12,711)	$ 1,765	$ 23,281	$ 27
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

	For the year ended June 30, 2016				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	$ 2,156,049	$ (13,956)	$ 1,288	$ 16,563	$ 24
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

	For the year ended June 30, 2015				
		CalPERS Miscellaneous Plans			
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	$ 1,660,365	$ (11,381)	$ 1,299	$ 15,870	$ -
Covered payroll	$ 2,398,979	$ 303	$ 3,264	$ 3,962	$ -
Proportionate share of the net pension liability as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)
June 30, 2017
(Dollars in Thousands)

Notes to Schedule:

SFERS Plan

Benefit Changes – The impact of benefit changes for the year ended June 30, 2017, which was $1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%. For the year ended June 30, 2016, the discount rate was reduced from 7.58% to 7.46%

CalPERS Miscellaneous Plans

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2015 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2017*
(Dollars in Thousands)

City CalPERS Safety Plan	2017	2016	2015
Total pension liability:			
Service cost	$ 31,141	$ 30,987	$ 32,688
Interest on the total pension liability	85,094	80,057	76,177
Changes of assumptions	-	(19,949)	-
Differences between expected and actual experience	950	(14,218)	-
Benefit payments, including refunds of employee contributions	(47,774)	(44,699)	(41,387)
Net change in total pension liability	69,411	32,178	67,478
Total pension liability, beginning	1,119,705	1,087,527	1,020,049
Total pension liability, ending	$1,189,116	$ 1,119,705	$ 1,087,527
Plan fiduciary net position:			
Plan to plan resource movement	$ -	$ (4)	$ -
Contributions from the employer	23,640	20,718	20,613
Contributions from employees	14,310	15,061	15,216
Net investment income	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions	(47,774)	(44,699)	(41,387)
Administrative expenses	(567)	(1,048)	-
Net change in plan fiduciary net position	(5,660)	10,497	133,070
Plan fiduciary net position, beginning	930,868	920,371	787,301
Plan fiduciary net position, ending	$ 925,208	$ 930,868	$ 920,371
Plan net pension liability, ending	$ 263,908	$ 188,837	$ 167,156
Plan fiduciary net position as a percentage of the total pension liability	77.81%	83.14%	84.63%
Covered payroll	$ 110,139	$ 109,462	$ 111,311
Plan net pension liability as a percentage of the covered payroll	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool as of valuation date June 30, 2015.

Changes of Assumptions – There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate remained the same as prior year, at 7.65%. The discount rate was changed from 7.50% (net of administrative expense) in fiscal year 2015 to 7.65% in fiscal year 2016.

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios (Continued)
June 30, 2017 *
(Dollars in Thousands)

City Replacement Benefits Plan*	**2017**
Net pension liability:	
Service cost	$ 956
Interest	2,112
Changes of benefits	10,310
Changes of assumptions	11,516
Benefit payments	(1,332)
Net change in net pension liability	23,562
Net pension liability, beginning	55,038
Plan net pension liability, ending	$ 78,600
Covered payroll	$ 2,681,695
Plan net pension liability as a percentage of the covered payroll	2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – The impact of benefit changes, which was $10.3 million, was recognized immediately in fiscal year 2017 as pension expense.

Changes of Assumptions – The discount rate was changed from 3.85% in the measurement period ended June 30, 2015 to 2.85% in the measurement period ended June 30, 2016.

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

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pensions
June 30, 2017*
(Dollars in Thousands)

For the year ended June 30, 2017

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 519,073	$ 35	$ 293	$ 970	$ 2	$ 27,190
Contributions in relation to the actuarially determined contributions [1]	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,881,014	$ 344	$ 4,202	$ 5,042	$ -	$ 99,281
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	27.39%

For the year ended June 30, 2016

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1]	$ 496,343	$ 33	$ 280	$ 828	$ 2	$ 23,640
Contributions in relation to the actuarially determined contributions [1]	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,681,695	$ 329	$ 3,644	$ 3,769	$ -	$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

For the year ended June 30, 2015

	City SFERS Plan	CalPERS Miscellaneous Plans: City	CalPERS Miscellaneous Plans: Transportation Authority	CalPERS Miscellaneous Plans: Successor Agency	CalPERS Miscellaneous Plans: Treasure Island	CalPERS Safety Plan
Actuarially determined contributions [1] **	$ 556,511	$ 31	$ 400	$ 598	$ 2	$ 20,718
Contributions in relation to the actuarially determined contributions [1]	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 2,529,879	$ 319	$ 3,684	$ 3,427	$ -	$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

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

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a $0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of $8.6 million.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pensions (Continued)
June 30, 2017*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date	July 1, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date	July 1, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Closed 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.50% (net of investment expenses)
Inflation	3.25% compounded annually
Projected salary increase	Wage inflation component: 3.75%

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

Valuation date	July 1, 2013
Actuarial cost method	Entry-age normal cost method
Amortization method	Level annual percentage of payroll
Remaining amortization period	Rolling 15-year period
Asset valuation method	5 year smoothed market
Investment rate of return	7.58% (net of investment expenses)
Inflation	3.33% compounded annually
Projected salary increase	Wage inflation component: 3.83%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pensions (Continued)
June 30, 2017*
(Dollars in Thousands)

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date	June 30, 2015 updated to June 30, 2016
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Actuarial Value of Assets
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	Varies by Entry-Age and Service
Inflation	2.75%
Payroll growth	3.00%

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date	June 30, 2014 updated to June 30, 2015
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method	Market Value
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date	June 30, 2013 updated to June 30, 2014
Actuarial cost method	Entry-age normal cost method
Amortization method	Level percent of payroll
Amortization period	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method	15-year smoothed market
Investment rate of return	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase	3.30% to 14.20% depending on age, service, and type of employment
Inflation	2.75%
Payroll growth	3.00%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits
June 30, 2017
(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 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.

Schedule of Funding Progress – City and County of San Francisco – Other 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
07/01/10[(1)]	$ -	$ 4,420,146	$ (4,420,146)	0.0%	$ 2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%
07/01/14	48,988	4,260,256	(4,211,268)	1.1%	2,618,426	160.8%

(1) As of July 1, 2010, the City set-aside approximately $3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

Schedule of Employer Contributions – City and County of San Francisco – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2015	$ 350,389	47.7%
2016	354,540	47.6%
2017	362,700	50.7%

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Schedules of Funding Progress and Employer Contributions
Other Postemployment Healthcare Benefits (Continued)
June 30, 2017
(Dollars in Thousands)

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date [(1)]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 405	$ 671	$ (266)	60.4%	$ 3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%
06/30/15	1,170	2,042	(872)	57.3%	3,930	22.2%

(1) The actuarial valuation report is conducted once every two years.

Schedule of Employer Contributions – San Francisco County Transportation Authority

Fiscal Year Ended	Annual Required Contribution	Actual Contribution	Percentage Contributed
06/30/15	$ 138	$ 138	100.0%
06/30/16	201	207	102.9%
06/30/17	201	195	97.1%

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date [(1)]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 1,856	$ 14,390	$ (12,534)	12.9%	$ 4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%
07/01/15	2,833	10,998	(8,165)	25.8%	4,261	191.6%

(1) The actuarial valuation report is conducted once every two years.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	$ 178,109	$ 1,526,830	$ 1,526,830	$ -
Resources (Inflows):				
Property taxes	1,412,000	1,412,000	1,481,132	69,132
Business taxes	669,450	669,450	700,536	31,086
Other local taxes:				
Sales and use tax	237,545	237,545	189,473	(48,072)
Hotel room tax	409,250	409,250	370,344	(38,906)
Utility users tax	94,310	94,310	101,203	6,893
Parking tax	92,820	92,820	84,278	(8,542)
Real property transfer tax	235,000	244,000	410,561	166,561
Other local taxes	48,320	48,320	47,728	(592)
Licenses, permits and franchises:				
Licenses and permits	11,941	11,941	12,081	140
Franchise tax	16,935	16,935	17,255	320
Fines, forfeitures, and penalties	4,580	4,671	2,734	(1,937)
Interest and investment income	13,970	13,971	24,185	10,214
Rents and concessions:				
Garages - Recreation and Park	9,843	9,843	8,711	(1,132)
Rents and concessions - Recreation and Park	5,259	4,974	5,557	583
Other rents and concessions	1,038	1,038	1,299	261
Intergovernmental:				
Federal grants and subventions	253,346	249,608	230,221	(19,387)
State subventions:				
Social service subventions	115,121	114,444	109,517	(4,927)
Health / mental health subventions	173,430	198,331	200,551	2,220
Health and welfare realignment	252,930	252,930	255,753	2,823
Public safety sales tax	102,018	102,018	100,427	(1,591)
Other grants and subventions	56,798	57,267	58,569	1,302
Other	5,456	3,654	2,847	(807)
Charges for services:				
General government service charges	77,368	77,368	77,153	(215)
Public safety service charges	42,163	42,163	45,769	3,606
Recreation charges - Recreation and Park	20,169	20,170	21,552	1,382
MediCal, MediCare and health service charges	96,402	95,790	78,042	(17,748)
Other financing sources:				
Transfers from other funds	161,995	246,779	246,779	-
Repayment of loan from Component Unit	881	881	-	(881)
Other resources (inflows)	61,334	58,776	35,010	(23,766)
Subtotal - Resources (Inflows)	4,681,672	4,791,247	4,919,267	128,020
Total amounts available for appropriation	4,859,781	6,318,077	6,446,097	128,020

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation	$ 30,380	$ 30,469	$ 28,296	$ 2,173
District Attorney	51,067	50,521	50,023	498
Emergency Communications	64,265	52,498	52,175	323
Fire Department	343,785	340,907	340,907	-
Juvenile Probation	39,620	36,073	33,024	3,049
Police Department	506,000	503,375	501,540	1,835
Public Defender	33,516	33,670	33,273	397
Sheriff	196,495	188,023	186,831	1,192
Superior Court	30,614	30,612	30,420	192
Subtotal - Public Protection	1,295,742	1,266,148	1,256,489	9,659
Public Works, Transportation and Commerce				
Board of Appeals	970	887	877	10
Business and Economic Development	36,145	32,421	32,421	-
General Services Agency - Public Works	139,653	129,129	129,129	-
Public Utilities Commission	-	2,644	2,644	-
Municipal Transportation Agency	-	1,214	1,214	-
Subtotal - Public Works, Transportation and Commerce	176,768	166,295	166,285	10
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	39,089	39,138	37,908	1,230
Commission on the Status of Women	6,732	6,802	6,802	-
County Education Office	116	116	116	-
Environment	-	35	35	-
Homelessness and Supportive Housing	177,756	150,583	144,842	5,741
Human Rights Commission	3,079	2,760	2,760	-
Human Services	743,908	717,974	703,297	14,677
Mayor - Housing/Neighborhoods	93,300	60,718	60,718	-
Subtotal - Human Welfare and Neighborhood Development	1,063,980	978,126	956,478	21,648
Community Health				
Public Health	786,218	763,496	711,410	52,086
Culture and Recreation				
Academy of Sciences	6,175	5,413	5,413	-
Arts Commission	10,548	11,257	11,257	-
Asian Art Museum	10,094	10,153	10,138	15
Fine Arts Museum	15,778	15,961	15,869	92
Law Library	1,727	1,715	1,411	304
Recreation and Park Commission	105,527	94,974	94,974	-
Subtotal - Culture and Recreation	149,849	139,473	139,062	411

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 24,865	$ 23,329	$ 21,425	$ 1,904
Board of Supervisors	14,454	14,372	13,903	469
City Attorney	14,448	14,899	14,899	-
City Planning	45,172	43,762	41,602	2,160
Civil Service	851	1,000	677	323
Controller	12,447	17,136	16,237	899
Elections	14,364	14,829	14,829	-
Ethics Commission	4,436	4,342	3,517	825
General Services Agency - Administrative Services	58,157	52,972	50,552	2,420
General Services Agency - Technology	5,715	3,986	3,986	-
Health Service System	427	318	77	241
Human Resources	15,741	18,273	17,706	567
Mayor	5,985	6,100	6,100	-
Retirement Services	1,168	1,160	1,160	-
Treasurer/Tax Collector	37,777	36,520	31,393	5,127
Subtotal - General Administration and Finance	256,007	252,998	238,063	14,935
General City Responsibilities				
General City Responsibilities	126,861	134,153	121,448	12,705
Other financing uses:				
Debt service	11,548	133	-	133
Transfers to other funds	944,856	857,528	857,528	-
Budgetary reserves and designations	47,952	9,868	-	9,868
Total charges to appropriations	4,859,781	4,568,218	4,446,763	121,455
Total Sources less Current Year Uses	$ -	$ 1,749,859	$ 1,999,334	$ 249,475

Budgetary fund balance, June 30 before reserves and designations	$ 1,999,334
Reserves and designations made from budgetary fund balance not available for appropriation	(1,222,178)
Reserves for Litigation and Contingencies and General Reserves	(231,236)
Net Available Budgetary Fund Balance, June 30	$ 545,920

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 6,446,097
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(1,526,830)
Property tax revenue - Teeter Plan net change from prior year	(2,461)
Change in unrealized gain/(loss) on investments	(1,540)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(8,206)
Interest earnings from other funds assigned to General Fund as other revenues	3,471
Grants, subventions and other receivables received after 60-day recognition period	(27,049)
Prepaid lease revenue, Civic Center Garage	84
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(246,779)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 4,636,787
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 4,446,763
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	1,765
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	(3)
Intergovernmental expense offset	(111,343)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(857,528)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 3,479,654

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2017
(In Thousands)

Notes to Budgetary Schedule:

(a) Budgetary Data

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

(In Thousands)

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.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

The budgetary process is based upon accounting for certain transactions on a basis other than GAAP. The results of operations are presented in the budget-to-actual comparison 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 60-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2017, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis	$ 1,999,334
Unrealized Gains/ (Losses) on Investments	(1,197)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis	(38,469)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis	(83,757)
Pre-paid lease revenue	(5,733)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)	525
Fund Balance - GAAP basis	$ 1,870,703

General Fund budget basis fund balance as of June 30, 2017 is composed of the following:

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 78,336	
Rainy Day - One Time Spending Account	47,353	
Committed Fund Balance:		
Budget Stabilization Reserve	323,204	
Recreation and Parks Expenditure Saving Reserve	4,403	
Assigned for Encumbrances	244,158	
Assigned for Appropriation Carryforward	434,223	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	67,450	
Salaries and benefits costs (MOU)	23,051	
Subtotal		$ 1,222,178
Available for appropriations:		
Assigned for Litigation and Contingencies	136,080	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2017-18	183,326	
Unassigned - General Reserve	95,156	
Unassigned - Budget for use in fiscal year 2018-19	288,185	
Unassigned - Contingency for fiscal year 2017-18	60,000	
Unassigned - Available for future appropriations	14,409	
Subtotal		777,156
Fund Balance, June 30, 2017 - Budget basis		$ 1,999,334

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COMBINING FINANCIAL STATEMENTS AND SCHEDULES

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CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

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 and Other Expendable Trusts Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse).

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

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. 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, 2017
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury	$ 1,174,186	$ 113,029	$ 443,563	$ 5,842	$ 1,736,620
Deposits and investments outside City Treasury	21,092	32,580	95,761	-	149,433
Receivables:					
Property taxes and penalties	9,202	12,230	-	-	21,432
Other local taxes	18,414	-	-	-	18,414
Federal and state grants and subventions	89,977	-	6,340	-	96,317
Charges for services	13,431	-	-	-	13,431
Interest and other	3,763	334	565	8	4,670
Due from other funds	3,598	-	3,026	-	6,624
Due from component unit	1,581	-	-	-	1,581
Advance to component unit	13,149	-	-	-	13,149
Loans receivable (net of allowance for uncollectible amounts)	79,759	48,798	-	-	128,557
Other assets	27,412	-	10	-	27,422
Total assets	$ 1,455,564	$ 206,971	$ 549,265	$ 5,850	$ 2,217,650
Liabilities:					
Accounts payable	$ 75,998	$ -	$ 47,545	$ 77	$ 123,620
Accrued payroll	16,451	-	1,510	-	17,961
Unearned grant and subvention revenue	17,149	-	599	-	17,748
Due to other funds	41,973	-	8,420	-	50,393
Unearned revenues and other liabilities	42,787	4,700	5,555	-	53,042
Bonds, loans, capital leases, and other payables	-	49,000	206,939	-	255,939
Total liabilities	194,358	53,700	270,568	77	518,703
Deferred inflows of resources	151,421	8,991	4,465	-	164,877
Fund balances:					
Nonspendable	82	-	-	-	82
Restricted	1,035,562	144,280	515,405	5,773	1,701,020
Assigned	78,413	-	-	-	78,413
Unassigned	(4,272)	-	(241,173)	-	(245,445)
Total fund balances	1,109,785	144,280	274,232	5,773	1,534,070
Total liabilities, deferred inflows of resources and fund balances	$ 1,455,564	$ 206,971	$ 549,265	$ 5,850	$ 2,217,650

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2017
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 185,380	$ 273,643	$ -	$ -	$ 459,023
Business taxes	1,795	-	-	-	1,795
Sales and use tax	102,237	-	-	-	102,237
Licenses, permits, and franchises	15,061	-	-	-	15,061
Fines, forfeitures, and penalties	12,736	15,312	16	-	28,064
Interest and investment income	15,934	1,486	3,180	50	20,650
Rents and concessions	84,151	728	41	272	85,192
Intergovernmental:					
Federal	181,141	-	5,116	-	186,257
State	108,186	785	9,755	-	118,726
Other	10,433	-	203	-	10,636
Charges for services	157,560	-	-	-	157,560
Other	144,070	3,900	1,647	15	149,632
Total revenues	1,018,684	295,854	19,958	337	1,334,833
Expenditures:					
Current:					
Public protection	65,629	-	-	-	65,629
Public works, transportation and commerce	166,408	-	-	-	166,408
Human welfare and neighborhood development	467,885	-	-	62	467,947
Community health	112,428	-	-	-	112,428
Culture and recreation	249,725	-	-	945	250,670
General administration and finance	65,049	-	-	-	65,049
General City responsibilities	3	-	-	-	3
Debt service:					
Principal retirement	21,393	261,963	-	-	283,356
Interest and other fiscal charges	2,485	119,854	2,752	-	125,091
Bond issuance costs	1,355	-	1,340	-	2,695
Capital outlay	-	-	297,089	-	297,089
Total expenditures	1,152,360	381,817	301,181	1,007	1,836,365
Excess (deficiency) of revenues over (under) expenditures	(133,676)	(85,963)	(281,223)	(670)	(501,532)
Other financing sources (uses):					
Transfers in	277,781	109,722	113,348	-	500,851
Transfers out	(303,831)	-	(60,698)	(5)	(364,534)
Issuance of bonds and loans:					
Face value of bonds issued	103,450	-	173,120	-	276,570
Face value of loans issued	46,000	-	-	-	46,000
Premium on issuance of bonds	612	-	11,820	-	12,432
Proceeds from sale of capital assets	122,000	-	-	-	122,000
Other financing sources - capital leases	-	-	35,971	-	35,971
Total other financing sources (uses)	246,012	109,722	273,561	(5)	629,290
Net changes in fund balances	112,336	23,759	(7,662)	(675)	127,758
Fund balances at beginning of year	997,449	120,521	281,894	6,448	1,406,312
Fund balances at end of year	$ 1,109,785	$ 144,280	$ 274,232	$ 5,773	$ 1,534,070

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2017
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Assets:						
Deposits and investments with City Treasury	$ 177,169	$ 112,047	$ 475,298	$ 28,967	$ 30,428	$ 176
Deposits and investments outside City Treasury	5	-	7,514	-	-	-
Receivables:						
Property taxes and penalties	-	3,864	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	-	1,419	11,841	23,662	-	-
Charges for services	253	1,206	-	-	2,695	141
Interest and other	226	188	650	48	-	-
Due from other funds	-	-	2,892	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	212	-	79,101	-	-	-
Other assets	-	18,358	277	-	-	-
Total assets	$ 177,865	$ 137,082	$ 577,573	$ 52,677	$ 33,123	$ 317
Liabilities:						
Accounts payable	$ 1,553	$ 14,758	$ 14,390	$ 11,202	$ 2,166	$ -
Accrued payroll	1,608	645	745	1,553	23	-
Unearned grant and subvention revenues	-	1,942	1,493	1,285	-	-
Due to other funds	-	237	5	74	-	-
Unearned revenues and other liabilities	24,383	1,282	829	-	1,635	-
Total liabilities	27,544	18,864	17,462	14,114	3,824	-
Deferred inflows of resources	212	3,083	81,921	14,713	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	150,109	115,135	468,429	23,850	29,299	317
Assigned	-	-	9,761	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	150,109	115,135	478,190	23,850	29,299	317
Total liabilities, deferred inflows of resources and fund balances	$ 177,865	$ 137,082	$ 577,573	$ 52,677	$ 33,123	$ 317

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2017
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets:						
Deposits and investments with City Treasury	$ 13,408	$ 697	$ 26,606	$ 24,160	$ 12,478	$ 5,707
Deposits and investments outside City Treasury	1,082	-	-	-	3	-
Receivables:						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	402	1,779	2,186	16	400	-
Charges for services	277	-	276	551	-	345
Interest and other	8	-	34	717	3	8
Due from other funds	-	27	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 15,177	$ 2,503	$ 29,102	$ 25,444	$ 12,884	$ 6,060
Liabilities:						
Accounts payable	$ 1,344	$ 31	$ 957	$ 170	$ 9	$ 22
Accrued payroll	161	151	800	344	53	184
Unearned grant and subvention revenues	477	898	-	394	1,251	-
Due to other funds	-	-	119	-	-	-
Unearned revenues and other liabilities	1	-	-	-	-	-
Total liabilities	1,983	1,080	1,876	908	1,313	206
Deferred inflows of resources	339	708	-	16	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	6,370	715	27,226	10,441	11,571	-
Assigned	6,485	-	-	14,079	-	5,854
Unassigned	-	-	-	-	-	-
Total fund balances	12,855	715	27,226	24,520	11,571	5,854
Total liabilities, deferred inflows of resources and fund balances	$ 15,177	$ 2,503	$ 29,102	$ 25,444	$ 12,884	$ 6,060

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2017
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury	$ -	$ 23,675	$ 43,885	$ 57,886	$ 36,088	$ 44,665
Deposits and investments outside City Treasury	-	-	-	-	-	-
Receivables:						
Property taxes and penalties	-	-	2,669	2,669	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	7,999	-	-	-	24,482	95
Charges for services	208	-	-	5	2,266	5,164
Interest and other	3	441	53	74	147	-
Due from other funds	-	-	-	-	-	100
Due from component unit	-	-	-	-	-	192
Advance to component unit	-	13,149	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts)	-	446	-	-	-	-
Other assets	1,253	681	604	82	75	4,172
Total assets	$ 9,463	$ 38,392	$ 47,211	$ 60,716	$ 63,058	$ 54,388
Liabilities:						
Accounts payable	$ 2,093	$ 2,984	$ 277	$ 2,920	$ 5,047	$ 1,565
Accrued payroll	62	47	1,039	3,074	1,202	3,087
Unearned grant and subvention revenues	138	-	-	-	9,171	100
Due to other funds	5,653	-	-	74	613	574
Unearned revenues and other liabilities	-	5,501	1,017	1,016	42	5,763
Total liabilities	7,946	8,532	2,333	7,084	16,075	11,089
Deferred inflows of resources	4,994	13,595	1,959	1,959	12,190	4,632
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	16,265	42,919	50,567	30,567	1,765
Assigned	-	-	-	1,106	4,226	36,902
Unassigned	(3,477)	-	-	-	-	-
Total fund balances	(3,477)	16,265	42,919	51,673	34,793	38,667
Total liabilities, deferred inflows of resources and fund balances	$ 9,463	$ 38,392	$ 47,211	$ 60,716	$ 63,058	$ 54,388

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2017
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Assets:					
Deposits and investments with City Treasury	$ 16,164	$ 35,953	$ -	$ 8,729	$ 1,174,186
Deposits and investments outside City Treasury	-	12,488	-	-	21,092
Receivables:					
Property taxes and penalties	-	-	-	-	9,202
Other local taxes	-	18,414	-	-	18,414
Federal and state grants and subventions	-	14,197	1,499	-	89,977
Charges for services	44	-	-	-	13,431
Interest and other	-	1,151	-	12	3,763
Due from other funds	-	579	-	-	3,598
Due from component unit	-	1,389	-	-	1,581
Advance to component unit	-	-	-	-	13,149
Loans receivable (net of allowance for uncollectible amounts)	-	-	-	-	79,759
Other assets	1,828	82	-	-	27,412
Total assets	$ 18,036	$ 84,253	$ 1,499	$ 8,741	$ 1,455,564
Liabilities:					
Accounts payable	$ 2,194	$ 11,928	$ 183	$ 205	$ 75,998
Accrued payroll	1,177	181	-	315	16,451
Unearned grant and subvention revenues	-	-	-	-	17,149
Due to other funds	-	33,314	1,310	-	41,973
Unearned revenues and other liabilities	888	-	-	430	42,787
Total liabilities	4,259	45,423	1,493	950	194,358
Deferred inflows of resources	-	10,299	801	-	151,421
Fund balances:					
Nonspendable	-	82	-	-	82
Restricted	13,777	28,449	-	7,791	1,035,562
Assigned	-	-	-	-	78,413
Unassigned	-	-	(795)	-	(4,272)
Total fund balances	13,777	28,531	(795)	7,791	1,109,785
Total liabilities, deferred inflows of resources and fund balances	$ 18,036	$ 84,253	$ 1,499	$ 8,741	$ 1,455,564

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, 2017
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes	$ -	$ 75,922	$ -	$ -	$ -	$ -
Business taxes	-	-	1,795	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	6,576	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	607	3,161	-	21
Interest and investment income	1,343	953	6,851	1,187	632	3
Rents and concessions	-	-	162	-	24,378	-
Intergovernmental:						
Federal	-	9,019	42,399	58,460	-	-
State	-	14,410	2,240	44,242	-	-
Other	-	-	2,690	-	-	-
Charges for services	73,315	-	10,874	3,574	-	2,465
Other	6	438	130,112	869	94	-
Total revenues	81,240	100,742	197,730	111,493	25,104	2,489
Expenditures:						
Current:						
Public protection	-	-	-	-	-	367
Public works, transportation and commerce	65,726	7	10,418	-	142	-
Human welfare and neighborhood development	-	192,036	171,582	1,817	383	-
Community health	-	-	-	112,355	-	-
Culture and recreation	-	-	933	-	40,896	-
General administration and finance	-	-	5,251	-	-	-
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	317	-	-	-
Bond issuance costs	-	-	1,355	-	-	-
Total expenditures	65,726	192,043	189,856	114,172	41,421	367
Excess (deficiency) of revenues over (under) expenditures	15,514	(91,301)	7,874	(2,679)	(16,317)	2,122
Other financing sources (uses):						
Transfers in	-	103,937	509	468	45,400	471
Transfers out	(68)	(13)	(14,808)	(622)	(24,876)	(2,347)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	103,450	-	-	-
Face value of loans issued	-	-	-	-	-	-
Premium on issuance of bonds	-	-	612	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	(68)	103,924	89,763	(154)	20,524	(1,876)
Net changes in fund balances	15,446	12,623	97,637	(2,833)	4,207	246
Fund balances at beginning of year	134,663	102,512	380,553	26,683	25,092	71
Fund balances at end of year	$ 150,109	$ 115,135	$ 478,190	$ 23,850	$ 29,299	$ 317

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, 2017
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	204	-	-	2,904	-	-
Fines, forfeitures, and penalties	1	-	-	-	687	-
Interest and investment income	142	1	197	92	91	36
Rents and concessions	436	-	-	1,203	-	3,593
Intergovernmental:						
Federal	97	857	-	169	-	-
State	2,041	5,943	24,403	346	-	-
Other	-	17	-	-	-	-
Charges for services	9,489	38	667	1,986	53	6,127
Other	1,143	299	12	834	5,375	-
Total revenues	13,553	7,155	25,279	7,534	6,206	9,756
Expenditures:						
Current:						
Public protection	-	-	-	189	619	-
Public works, transportation and commerce	1,096	-	24,288	-	1,191	-
Human welfare and neighborhood development	1,072	6,070	-	-	139	-
Community health	-	-	-	-	73	-
Culture and recreation	13,946	-	-	1,202	1,344	14,098
General administration and finance	14,310	14	-	4,906	99	-
General City responsibilities	-	-	-	3	-	-
Debt service:						
Principal retirement	393	-	-	-	-	-
Interest and other fiscal charges	1,069	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	31,886	6,084	24,288	6,300	3,465	14,098
Excess (deficiency) of revenues over (under) expenditures	(18,333)	1,071	991	1,234	2,741	(4,342)
Other financing sources (uses):						
Transfers in	19,112	227	3,207	129	109	5,813
Transfers out	(219)	(466)	(3,099)	(14)	(476)	(1,208)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	18,893	(239)	108	115	(367)	4,605
Net changes in fund balances	560	832	1,099	1,349	2,374	263
Fund balances at beginning of year	12,295	(117)	26,127	23,171	9,197	5,591
Fund balances at end of year	$ 12,855	$ 715	$ 27,226	$ 24,520	$ 11,571	$ 5,854

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, 2017
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ -	$ 54,729	$ 54,729	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	311	-	-	-	516	-
Fines, forfeitures, and penalties	13	-	-	-	8,025	221
Interest and investment income	-	2,041	195	409	336	411
Rents and concessions	-	2,899	-	3	-	5
Intergovernmental:						
Federal	21,286	-	-	-	30,433	-
State	307	-	165	227	11,728	-
Other	61	1,773	-	-	10	2,906
Charges for services	376	-	-	630	18,032	28,831
Other	-	2,516	-	1	10	1,562
Total revenues	22,354	9,229	55,089	55,999	69,090	33,936
Expenditures:						
Current:						
Public protection	-	-	-	-	64,454	-
Public works, transportation and commerce	-	-	139	973	-	17,807
Human welfare and neighborhood development	30,586	41,299	-	-	3,787	12,957
Community health	-	-	-	-	-	-
Culture and recreation	-	-	46,687	115,546	-	-
General administration and finance	-	-	-	-	3,025	135
General City responsibilities	-	-	-	-	-	-
Debt service:						
Principal retirement	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Total expenditures	30,586	41,299	46,826	116,519	71,266	30,899
Excess (deficiency) of revenues over (under) expenditures	(8,232)	(32,070)	8,263	(60,520)	(2,176)	3,037
Other financing sources (uses):						
Transfers in	6,762	-	1,180	77,828	1	1,211
Transfers out	-	(3)	(1)	(7,881)	(1,541)	(519)
Issuance of bonds and loans:						
Face value of bonds issued	-	-	-	-	-	-
Face value of loans issued	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	6,762	(3)	1,179	69,947	(1,540)	692
Net changes in fund balances	(1,470)	(32,073)	9,442	9,427	(3,716)	3,729
Fund balances at beginning of year	(2,007)	48,338	33,477	42,246	38,509	34,938
Fund balances at end of year	$ (3,477)	$ 16,265	$ 42,919	$ 51,673	$ 34,793	$ 38,667

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, 2017
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 185,380
Business taxes	-	-	-	-	1,795
Sales and use tax	-	102,237	-	-	102,237
Licenses, permits, and franchises	-	4,550	-	-	15,061
Fines, forfeitures, and penalties	-	-	-	-	12,736
Interest and investment income	158	773	-	83	15,934
Rents and concessions	48,015	-	-	3,457	84,151
Intergovernmental:					
Federal	-	13,583	4,838	-	181,141
State	-	1,315	819	-	108,186
Other	472	2,504	-	-	10,433
Charges for services	677	-	-	426	157,560
Other	-	70	8	721	144,070
Total revenues	49,322	125,032	5,665	4,687	1,018,684
Expenditures:					
Current:					
Public protection	-	-	-	-	65,629
Public works, transportation and commerce	31	44,464	-	126	166,408
Human welfare and neighborhood		-			
development	-	-	6,157	-	467,885
Community health	-	-	-	-	112,428
Culture and recreation	-	-	-	15,073	249,725
General administration and finance	37,309	-	-	-	65,049
General City responsibilities	-	-	-	-	3
Debt service:					
Principal retirement	-	21,000	-	-	21,393
Interest and other fiscal charges	-	1,099	-	-	2,485
Bond issuance costs	-	-	-	-	1,355
Total expenditures	37,340	66,563	6,157	15,199	1,152,360
Excess (deficiency) of revenues over (under) expenditures	11,982	58,469	(492)	(10,512)	(133,676)
Other financing sources (uses):					
Transfers in	-	-	11	11,406	277,781
Transfers out	(129,332)	(116,321)	-	(17)	(303,831)
Issuance of bonds and loans:					
Face value of bonds issued	-	-	-	-	103,450
Face value of loans issued	-	46,000	-	-	46,000
Premium on issuance of bonds	-	-	-	-	612
Proceeds from sale of capital assets	122,000	-	-	-	122,000
Total other financing sources (uses)	(7,332)	(70,321)	11	11,389	246,012
Net changes in fund balances	4,650	(11,852)	(481)	877	112,336
Fund balances at beginning of year	9,127	40,383	(314)	6,914	997,449
Fund balances at end of year	$ 13,777	$ 28,531	$ (795)	$ 7,791	$ 1,109,785

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2017
(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	$ -	$ -	$ -	$ -	$ 72,570	$ 72,570	$ 75,922	$ 3,352
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,696	6,696	6,576	(120)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	559	559	1,370	811	325	315	1,006	691
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,610	9,413	8,981	(432)
State	-	-	-	-	13,706	11,885	11,932	47
Other	-	-	-	-	-	-	-	-
Charges for services	57,496	57,496	73,315	15,819	-	-	-	-
Other	-	-	6	6	490	438	438	-
Total revenues	64,751	64,751	81,267	16,516	96,701	94,621	98,279	3,658
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	70,068	68,062	65,726	2,336	-	7	7	-
Human welfare and neighborhood development	-	-	-	-	211,600	192,433	192,036	397
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	70,068	68,062	65,726	2,336	211,600	192,440	192,043	397
Excess (deficiency) of revenues over (under) expenditures	(5,317)	(3,311)	15,541	18,852	(114,899)	(97,819)	(93,764)	4,055
Other financing sources (uses):								
Transfers in	-	-	-	-	102,440	103,937	103,937	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	102,440	103,937	103,937	-
Net changes in fund balances	(5,317)	(3,311)	15,541	18,852	(12,459)	6,118	10,173	4,055
Budgetary fund balances, July 1	5,317	134,610	134,610	-	12,459	105,117	105,117	-
Budgetary fund balances, June 30	$ -	$ 131,299	$ 150,151	$ 18,852	$ -	$ 111,235	$ 115,290	$ 4,055

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	2,000	2,000	1,795	(205)	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	607	607	2,602	3,257	3,161	(96)
Interest and investment income	9	4,832	7,025	2,193	1,553	1,165	1,168	3
Rents and concessions	15	126	162	36	-	-	-	-
Intergovernmental:								
Federal	16,244	44,166	44,166	-	68,493	60,788	60,788	-
State	455	2,299	2,299	-	49,377	43,708	43,708	-
Other	-	2,640	2,640	-	-	-	-	-
Charges for services	12,255	14,377	10,874	(3,503)	131	3,574	3,574	-
Other	44,553	162,935	130,112	(32,823)	1,960	1,005	1,005	-
Total revenues	75,531	233,375	199,680	(33,695)	124,116	113,497	113,404	(93)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	38,987	10,418	10,418	-	-	-	-	-
Human welfare and neighborhood development	42,738	172,194	171,582	612	2,267	1,817	1,817	-
Community health	-	-	-	-	122,373	112,355	112,355	-
Culture and recreation	19,464	933	933	-	-	-	-	-
General administration and finance	7,572	5,251	5,251	-	-	-	-	-
Debt service:								
Principal retirement	-	20,202	20,202	-	-	-	-	-
Interest and other fiscal charges	-	317	317	-	-	-	-	-
Bond issuance costs	13,750	919	919	-	-	-	-	-
Total expenditures	122,511	210,234	209,622	612	124,640	114,172	114,172	-
Excess (deficiency) of revenues over (under) expenditures	(46,980)	23,141	(9,942)	(33,083)	(524)	(675)	(768)	(93)
Other financing sources (uses):								
Transfers in	1	509	509	-	-	468	468	-
Transfers out	(10)	(14,727)	(14,727)	-	-	(589)	(589)	-
Issuance of commercial paper	-	8,723	8,723	-	-	-	-	-
Issuance of bonds	38,750	103,450	103,450	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	175	175	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	38,741	98,130	98,130	-	-	(121)	(121)	-
Net changes in fund balances	(8,239)	121,271	88,188	(33,083)	(524)	(796)	(889)	(93)
Budgetary fund balances, July 1	8,239	397,860	397,860	-	524	39,462	39,462	-
Budgetary fund balances, June 30	$ -	$ 519,131	$ 486,048	$ (33,083)	$ -	$ 38,666	$ 38,573	$ (93)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	10	10	22	12
Interest and investment income	-	1,622	437	(1,185)	-	-	-	-
Rents and concessions	22,450	22,450	22,703	253	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	2,311	2,311	2,465	154
Other	150	480	94	(386)	-	-	-	-
Total revenues	22,600	24,552	23,234	(1,318)	2,321	2,321	2,487	166
Expenditures:								
Current:								
Public protection	-	-	-	-	2,792	461	367	94
Public works, transportation and commerce	-	142	142	-	-	-	-	-
Human welfare and neighborhood development	-	383	383	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	81,486	51,874	40,896	10,978	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	506	506	506	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	81,992	52,905	41,927	10,978	2,792	461	367	94
Excess (deficiency) of revenues over (under) expenditures	(59,392)	(28,353)	(18,693)	9,660	(471)	1,860	2,120	260
Other financing sources (uses):								
Transfers in	45,400	45,400	45,400	-	471	471	471	-
Transfers out	-	(24,175)	(24,175)	-	-	(2,344)	(2,344)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	45,400	21,225	21,225	-	471	(1,873)	(1,873)	-
Net changes in fund balances	(13,992)	(7,128)	2,532	9,660	-	(13)	247	260
Budgetary fund balances, July 1	13,992	31,533	31,533	-	-	80	80	-
Budgetary fund balances, June 30	$ -	$ 24,405	$ 34,065	$ 9,660	$ -	$ 67	$ 327	$ 260

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	221	221	204	(17)	-	-	-	-
Fines, forfeitures, and penalties	-	1	1	-	-	-	-	-
Interest and investment income	25	25	62	37	-	-	-	-
Rents and concessions	379	379	436	57	-	-	-	-
Intergovernmental:								
Federal	-	97	97	-	-	771	771	-
State	-	1,343	1,343	-	225	5,443	5,443	-
Other	-	-	-	-	94	3	3	-
Charges for services	8,487	9,777	9,489	(288)	478	478	38	(440)
Other	1,729	1,889	1,143	(746)	2,350	2,048	318	(1,730)
Total revenues	10,841	13,732	12,775	(957)	3,147	8,743	6,573	(2,170)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	1,060	1,096	1,096	-	-	-	-	-
Human welfare and neighborhood development	-	1,072	1,072	-	3,312	8,140	6,070	2,070
Community health	-	-	-	-	-	-	-	-
Culture and recreation	14,331	14,138	13,946	192	-	-	-	-
General administration and finance	13,621	14,310	14,310	-	-	14	14	-
Debt service:								
Principal retirement	691	393	393	-	-	-	-	-
Interest and other fiscal charges	1,049	1,350	1,350	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	30,752	32,359	32,167	192	3,312	8,154	6,084	2,070
Excess (deficiency) of revenues over (under) expenditures	(19,911)	(18,627)	(19,392)	(765)	(165)	589	489	(100)
Other financing sources (uses):								
Transfers in	18,320	19,112	19,112	-	165	227	227	-
Transfers out	(55)	(137)	(137)	-	(465)	(465)	(465)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	18,265	18,975	18,975	-	(300)	(238)	(238)	-
Net changes in fund balances	(1,646)	348	(417)	(765)	(465)	351	251	(100)
Budgetary fund balances, July 1	1,646	17,413	17,413	-	465	1,172	1,172	-
Budgetary fund balances, June 30	$ -	$ 17,761	$ 16,996	$ (765)	$ -	$ 1,523	$ 1,423	$ (100)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017

(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	3,120	3,120	2,904	(216)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	42	212	170	45	45	99	54
Rents and concessions	-	-	-	-	-	1,203	1,203	-
Intergovernmental:								
Federal	-	-	-	-	171	149	149	-
State	18,799	21,898	24,403	2,505	525	346	346	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	800	667	(133)	1,861	1,886	1,986	100
Other	-	-	12	12	1,601	850	850	-
Total revenues	19,641	22,740	25,294	2,554	7,323	7,599	7,537	(62)
Expenditures:								
Current:								
Public protection	-	-	-	-	280	189	189	-
Public works, transportation and commerce	23,905	24,288	24,288	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	1,202	1,202	-
General administration and finance	-	-	-	-	9,091	4,907	4,907	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	23,905	24,288	24,288	-	9,371	6,298	6,298	-
Excess (deficiency) of revenues over (under) expenditures	(4,264)	(1,548)	1,006	2,554	(2,048)	1,301	1,239	(62)
Other financing sources (uses):								
Transfers in	3,190	3,207	3,207	-	159	127	127	-
Transfers out	-	(3,099)	(3,099)	-	-	(14)	(14)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	3,190	108	108	-	159	113	113	-
Net changes in fund balances	(1,074)	(1,440)	1,114	2,554	(1,889)	1,414	1,352	(62)
Budgetary fund balances, July 1	1,074	26,120	26,120	-	1,889	23,197	23,197	-
Budgetary fund balances, June 30	$ -	$ 24,680	$ 27,234	$ 2,554	$ -	$ 24,611	$ 24,549	$ (62)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017

(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	663	687	24	-	-	-	-
Interest and investment income	-	7	17	10	10	10	39	29
Rents and concessions	-	-	-	-	3,584	3,584	3,593	9
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	53	53	-	7,271	7,271	6,127	(1,144)
Other	2,561	5,760	5,359	(401)	-	-	-	-
Total revenues	2,561	6,483	6,116	(367)	10,865	10,865	9,759	(1,106)
Expenditures:								
Current:								
Public protection	500	619	619	-	-	-	-	-
Public works, transportation and commerce	-	1,191	1,191	-	-	-	-	-
Human welfare and neighborhood development	1,245	139	139	-	-	-	-	-
Community health	-	73	73	-	-	-	-	-
Culture and recreation	882	1,344	1,344	-	15,498	14,632	14,098	534
General administration and finance	-	99	99	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	2,627	3,465	3,465	-	15,498	14,632	14,098	534
Excess (deficiency) of revenues over (under) expenditures	(66)	3,018	2,651	(367)	(4,633)	(3,767)	(4,339)	(572)
Other financing sources (uses):								
Transfers in	-	109	109	-	5,813	5,813	5,813	-
Transfers out	(400)	(400)	(400)	-	(1,180)	(1,208)	(1,208)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(400)	(291)	(291)	-	4,633	4,605	4,605	-
Net changes in fund balances	(466)	2,727	2,360	(367)	-	838	266	(572)
Budgetary fund balances, July 1	466	9,200	9,200	-	-	5,593	5,593	-
Budgetary fund balances, June 30	$ -	$ 11,927	$ 11,560	$ (367)	$ -	$ 6,431	$ 5,859	$ (572)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	240	240	311	71	-	-	-	-
Fines, forfeitures, and penalties	-	-	13	13	-	-	-	-
Interest and investment income	-	-	-	-	-	1,636	2,055	419
Rents and concessions	-	-	-	-	-	3,783	2,899	(884)
Intergovernmental:								
Federal	39,935	23,384	23,384	-	-	-	-	-
State	347	316	316	-	-	-	-	-
Other	165	74	74	-	1,747	1,773	1,773	-
Charges for services	364	364	376	12	-	-	-	-
Other	275	-	-	-	-	1,662	4,431	2,769
Total revenues	41,326	24,378	24,474	96	1,747	8,854	11,158	2,304
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	48,081	30,522	30,522	-	4,481	41,198	41,198	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	48,081	30,522	30,522	-	4,481	41,198	41,198	-
Excess (deficiency) of revenues over (under) expenditures	(6,755)	(6,144)	(6,048)	96	(2,734)	(32,344)	(30,040)	2,304
Other financing sources (uses):								
Transfers in	6,697	6,697	6,697	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,697	6,697	6,697	-	-	-	-	-
Net changes in fund balances	(58)	553	649	96	(2,734)	(32,344)	(30,040)	2,304
Budgetary fund balances, July 1	58	864	864	-	2,734	50,699	50,699	-
Budgetary fund balances, June 30	$ -	$ 1,417	$ 1,513	$ 96	$ -	$ 18,355	$ 20,659	$ 2,304

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 51,838	$ 51,838	$ 54,729	$ 2,891	$ 51,838	$ 51,838	$ 54,729	$ 2,891
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	150	150	220	70	222	222	346	124
Rents and concessions	-	-	-	-	4	4	3	(1)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	170	170	165	(5)	220	232	227	(5)
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	731	731	630	(101)
Other	-	-	-	-	-	-	1	1
Total revenues	52,158	52,158	55,114	2,956	53,015	53,027	55,936	2,909
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	139	139	-	-	973	973	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	54,290	47,802	46,687	1,115	124,808	115,644	115,546	98
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	54,290	47,941	46,826	1,115	124,808	116,617	116,519	98
Excess (deficiency) of revenues over (under) expenditures	(2,132)	4,217	8,288	4,071	(71,793)	(63,590)	(60,583)	3,007
Other financing sources (uses):								
Transfers in	1,180	1,180	1,180	-	72,510	77,828	77,828	-
Transfers out	-	(1)	(1)	-	-	(7,790)	(7,790)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	(2,098)	(2,098)	-	2,098	(717)	(617)	-	617
Total other financing sources (uses)	(918)	(919)	1,179	2,098	71,793	69,421	70,038	617
Net changes in fund balances	(3,050)	3,298	9,467	6,169	-	5,831	9,455	3,624
Budgetary fund balances, July 1	3,050	33,464	33,464	-	-	44,995	44,995	-
Budgetary fund balances, June 30	$ -	$ 36,762	$ 42,931	$ 6,169	$ -	$ 50,826	$ 54,450	$ 3,624

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	516	516	516	-	-	-	-	-
Fines, forfeitures, and penalties	6,876	6,876	4,025	(2,851)	-	200	351	151
Interest and investment income	3	3	136	133	-	-	-	-
Rents and concessions	-	-	-	-	-	-	5	5
Intergovernmental:								
Federal	33,087	36,689	36,689	-	-	-	-	-
State	13,975	11,908	11,908	-	-	-	-	-
Other	15	10	10	-	-	1,823	1,823	-
Charges for services	1,790	16,429	17,645	1,216	15,474	28,099	29,984	1,885
Other	-	6	6	-	-	2,062	1,267	(795)
Total revenues	56,262	72,437	70,935	(1,502)	15,474	32,184	33,430	1,246
Expenditures:								
Current:								
Public protection	47,813	64,454	64,454	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	2,354	17,809	17,809	-
Human welfare and neighborhood development	3,740	3,787	3,787	-	13,120	13,098	12,957	141
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	4,630	3,025	3,025	-	-	135	135	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	56,183	71,266	71,266	-	15,474	31,042	30,901	141
Excess (deficiency) of revenues over (under) expenditures	79	1,171	(331)	(1,502)	-	1,142	2,529	1,387
Other financing sources (uses):								
Transfers in	-	1	1	-	-	1,211	1,211	-
Transfers out	(1,898)	(1,332)	(1,332)	-	-	(108)	(108)	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,898)	(1,331)	(1,331)	-	-	1,103	1,103	-
Net changes in fund balances	(1,819)	(160)	(1,662)	(1,502)	-	2,245	3,632	1,387
Budgetary fund balances, July 1	1,819	49,223	49,223	-	-	38,030	38,030	-
Budgetary fund balances, June 30	$ -	$ 49,063	$ 47,561	$ (1,502)	$ -	$ 40,275	$ 41,662	$ 1,387

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	108,219	108,219	102,237	(5,982)
Licenses, permits, and franchises	-	-	-	-	4,834	4,834	4,550	(284)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	335	335	773	438
Rents and concessions	11,822	55,442	48,015	(7,427)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	8,691	18,274	13,583	(4,691)
State	-	-	-	-	793	2,099	1,315	(784)
Other	472	472	472	-	2,876	5,364	2,504	(2,860)
Charges for services	875	875	677	(198)	-	-	-	-
Other	341	341	-	(341)	47	67	70	3
Total revenues	13,510	57,130	49,164	(7,966)	125,795	139,192	125,032	(14,160)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	31	31	-	229,244	244,235	160,785	83,450
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	15,631	45,167	37,309	7,858	-	-	-	-
Debt service:								
Principal retirement	-	2,798	-	2,798	21,000	21,000	21,000	-
Interest and other fiscal charges	-	-	-	-	960	1,327	1,099	228
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	15,631	47,996	37,340	10,656	251,204	266,562	182,884	83,678
Excess (deficiency) of revenues over (under) expenditures	(2,121)	9,134	11,824	2,690	(125,409)	(127,370)	(57,852)	69,518
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(129,175)	(129,175)	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	25,000	46,336	46,000	(336)
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	122,000	122,000	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(7,175)	(7,175)	-	25,000	46,336	46,000	(336)
Net changes in fund balances	(2,121)	1,959	4,649	2,690	(100,409)	(81,034)	(11,852)	69,182
Budgetary fund balances, July 1	2,121	8,710	8,710	-	40,383	40,383	40,383	-
Budgetary fund balances, June 30	$ -	$ 10,669	$ 13,359	$ 2,690	$ (60,026)	$ (40,651)	$ 28,531	$ 69,182

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Senior Citizens' Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	70	70
Rents and concessions	-	-	-	-	2,737	3,288	3,457	169
Intergovernmental:								
Federal	6,007	5,349	5,349	-	-	-	-	-
State	705	794	794	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	324	390	426	36
Other	-	10	10	-	-	-	721	721
Total revenues	6,712	6,153	6,153	-	3,061	3,678	4,674	996
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	126	126	-
Human welfare and neighborhood development	6,712	6,147	6,147	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	15,888	15,655	15,073	582
General administration and finance	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement	-	-	-	-	-	-	-	-
Interest and other fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	6,712	6,147	6,147	-	15,888	15,781	15,199	582
Excess (deficiency) of revenues over (under) expenditures	-	6	6	-	(12,827)	(12,103)	(10,525)	1,578
Other financing sources (uses):								
Transfers in	-	-	-	-	12,127	11,406	11,406	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Issuance of bonds	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Premium on issuance of bonds	-	-	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	12,127	11,406	11,406	-
Net changes in fund balances	-	6	6	-	(700)	(697)	881	1,578
Budgetary fund balances, July 1	-	2	2	-	700	6,874	6,874	-
Budgetary fund balances, June 30	$ -	$ 8	$ 8	$ -	$ -	$ 6,177	$ 7,755	$ 1,578

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2017
(In Thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 176,246	$ 176,246	$ 185,380	$ 9,134
Business taxes	2,000	2,000	1,795	(205)
Sales and use tax	108,219	108,219	102,237	(5,982)
Licenses, permits, and franchises	15,627	15,627	15,061	(566)
Fines, forfeitures, and penalties	9,488	11,007	8,867	(2,140)
Interest and investment income	3,278	10,968	15,035	4,067
Rents and concessions	40,991	90,259	82,476	(7,783)
Intergovernmental:				
Federal	182,238	199,080	193,957	(5,123)
State	99,297	102,441	104,199	1,758
Other	5,369	12,159	9,299	(2,860)
Charges for services	110,648	144,911	158,326	13,415
Other	56,057	179,553	145,843	(33,710)
Total revenues	809,458	1,052,470	1,022,475	(29,995)
Expenditures:				
Current:				
Public protection	51,385	65,723	65,629	94
Public works, transportation and commerce	365,618	368,517	282,731	85,786
Human welfare and neighborhood development	337,296	470,930	467,710	3,220
Community health	122,373	112,428	112,428	-
Culture and recreation	326,647	263,224	249,725	13,499
General administration and finance	50,545	72,908	65,050	7,858
Debt service:				
Principal retirement	22,197	44,899	42,101	2,798
Interest and other fiscal charges	2,009	2,994	2,766	228
Bond issuance costs	13,750	919	919	-
Total expenditures	1,291,820	1,402,542	1,289,059	113,483
Excess (deficiency) of revenues over (under) expenditures	(482,362)	(350,072)	(266,584)	83,488
Other financing sources (uses):				
Transfers in	268,473	277,703	277,703	-
Transfers out	(4,008)	(185,564)	(185,564)	-
Issuance of commercial paper	-	8,723	8,723	-
Issuance of bonds	38,750	103,450	103,450	-
Issuance of loans	25,000	46,336	46,000	(336)
Premium on issuance of bonds	-	175	175	-
Proceeds from sale of capital assets	-	122,000	122,000	-
Budget reserves and designations	(2,815)	(2,715)	-	2,715
Total other financing sources (uses)	325,400	370,108	372,487	2,379
Net changes in fund balances	(156,962)	20,036	105,903	85,867
Budgetary fund balances, July 1	96,936	1,064,601	1,064,601	-
Budgetary fund balances, June 30	$ (60,026)	$ 1,084,637	$ 1,170,504	$ 85,867

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 70,068	$ 67,597	$ 65,261	$ 2,336
Public Utilities Commission	-	400	400	-
Public Works	-	65	65	-
	70,068	68,062	65,726	2,336
Total Building Inspection Fund	70,068	68,062	65,726	2,336
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	13,241	13,223	12,826	397
Children and Families Commission	11,803	8,281	8,281	-
Human Services	39,473	33,740	33,740	-
Mayor's Office	147,083	137,189	137,189	-
	211,600	192,433	192,036	397
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	7	7	-
Total Children and Families Fund	211,600	192,440	192,043	397
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	16,288	6,962	6,962	-
Municipal Transportation Agency	-	56	56	-
Public Works	22,699	3,392	3,392	-
Public Utilities Commission	-	8	8	-
	38,987	10,418	10,418	-
Human Welfare and Neighborhood Development				
Homelessness And Supportive Housing	-	1,681	1,681	-
Human Services	6,534	1,572	1,572	-
Mayor's Office	28,665	161,575	161,575	-
Rent Arbitration Board	7,539	7,366	6,754	612
	42,738	172,194	171,582	612
Culture and Recreation				
Arts Commission	50	31	31	-
Recreation and Park Commission	19,414	902	902	-
	19,464	933	933	-
General Administration and Finance				
Administrative Services	2,200	2,040	2,040	-
City Planning	5,372	3,211	3,211	-
	7,572	5,251	5,251	-
Total Community / Neighborhood Development Fund	108,761	188,796	188,184	612
COMMUNITY HEALTH SERVICES FUND				
Community Health				
Community Health Network	122,373	112,355	112,355	-
Human Welfare & Neighborhood Development				
Homelessness And Supportive Housing	2,267	1,817	1,817	-
Total Community Health Services Fund	124,640	114,172	114,172	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	67	67	-
Public Works	-	75	75	-
	-	142	142	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	383	383	-
Culture and Recreation				
Administrative Services	81,486	51,874	40,896	10,978
Total Convention Facilities Fund	81,486	52,399	41,421	10,978
COURT'S FUND				
Public Protection				
Trial Courts	2,792	461	367	94
Total Court's Fund	2,792	461	367	94
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	1,060	1,068	1,068	-
Public Works	-	28	28	-
	1,060	1,096	1,096	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	1,072	1,072	-
Culture and Recreation				
Arts Commission	4,560	5,082	5,082	-
Asian Art Museum	762	397	397	-
Fine Arts Museums	3,404	3,791	3,791	-
Recreation and Park Commission	5,605	4,868	4,676	192
	14,331	14,138	13,946	192
General Administration and Finance				
City Planning	-	20	20	-
Administrative Services	13,621	14,290	14,290	-
	13,621	14,310	14,310	-
Total Culture and Recreation Fund	29,012	30,616	30,424	192
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	3,312	8,140	6,070	2,070
General Administration and Finance				
City Planning	-	14	14	-
Total Environmental Protection Fund	3,312	8,154	6,084	2,070
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	408	408	-
Public Utilities Commission	-	818	818	-
Public Works	23,905	23,062	23,062	-
Total Gasoline Tax Fund	23,905	24,288	24,288	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GENERAL SERVICES FUND				
Public Protection				
District Attorney	-	26	26	-
Trial Courts	280	163	163	-
	280	189	189	-
Culture and Recreation				
Fine Arts Museum	-	1,202	1,202	-
General Administration and Finance				
Administrative Services	223	1	1	-
Assessor/Recorder	3,899	2,041	2,041	-
Board of Supervisors	32	26	26	-
Human Resources	91	994	994	-
Mayor's Office	150	139	139	-
Telecommunications and Information Services	3,336	1,064	1,064	-
Treasurer/Tax Collector	1,360	642	642	-
	9,091	4,907	4,907	-
Total General Services Fund	9,371	6,298	6,298	-
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney	-	5	5	-
Fire Department	-	427	427	-
Police Department	500	187	187	-
	500	619	619	-
Public Works, Transportation and Commerce				
Public Works	-	1,191	1,191	-
Human Welfare and Neighborhood Development				
Environment	-	40	40	-
Mayor's Office	719	-	-	-
Homelessness And Supportive Housing	-	55	55	-
Social Services	504	21	21	-
Commission on Status of Women	22	23	23	-
	1,245	139	139	-
Community Health				
Community Health Network	-	73	73	-
Culture and Recreation				
Arts Commission	-	199	199	-
Fine Arts Museums	-	760	760	-
Public Library	5	10	10	-
Recreation and Park Commission	877	375	375	-
	882	1,344	1,344	-
General Administration and Finance				
Board of Supervisors	-	7	7	-
Administrative Services	-	81	81	-
City Attorney	-	9	9	-
Telecommunications and Information Services	-	2	2	-
	-	99	99	-
Total Gift and Other Expendable Trusts Fund	2,627	3,465	3,465	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	15,498	14,632	14,098	534
Total Golf Fund	15,498	14,632	14,098	534
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	298	231	231	-
Homelessness And Supportive Housing	36,859	20,637	20,637	-
Social Services	10,924	9,654	9,654	-
Total Human Welfare Fund	48,081	30,522	30,522	-
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	4,481	41,198	41,198	-
Total Low and Moderate Income Housing Asset Fund	4,481	41,198	41,198	-
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Public Works	-	139	139	-
Culture and Recreation				
Arts Commission	-	2	2	-
Recreation and Park Commission	54,290	47,800	46,685	1,115
	54,290	47,802	46,687	1,115
Total Open Space and Park Fund	54,290	47,941	46,826	1,115
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Works	-	973	973	-
Culture and Recreation				
Arts Commission	-	11	11	-
Public Library	124,808	115,633	115,535	98
	124,808	115,644	115,546	98
Total Public Library Fund	124,808	116,617	116,519	98
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	3,640	3,211	3,211	-
District Attorney	6,027	6,394	6,394	-
Emergency Communications Department	25,367	23,094	23,094	-
Fire Department	-	6,772	6,772	-
Juvenile Probation	2,166	1,426	1,426	-
Police Commission	6,387	20,199	20,199	-
Public Defender	179	181	181	-
Sheriff	4,047	3,177	3,177	-
	47,813	64,454	64,454	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,740	3,713	3,713	-
Commission on Status of Women	-	74	74	-
	3,740	3,787	3,787	-
General Administration and Finance				
City Attorney	4,630	3,025	3,025	-
Total Public Protection Fund	56,183	71,266	71,266	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	2,354	17,809	17,809	-
Human Welfare and Neighborhood Development				
Mayor's Office	13,120	13,098	12,957	141
General Administration and Finance				
City Planning	-	135	135	-
Total Public Works, Transportation and Commerce Fund	15,474	31,042	30,901	141
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	31	31	-
General Administration and Finance				
Administrative Services	15,631	45,167	37,309	7,858
Total Real Property Fund	15,631	45,198	37,340	7,858
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	229,244	244,235	160,785	83,450
Total SF County Transportation Authority Fund	229,244	244,235	160,785	83,450
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	6,712	6,147	6,147	-
Total Senior Citizens' Program Fund	6,712	6,147	6,147	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	15,888	15,655	15,073	582
Public Works, Transportation and Commerce				
Public Utilities Commission	-	29	29	-
Public Works	-	97	97	-
	-	126	126	-
Total War Memorial Fund	15,888	15,781	15,199	582
Total Special Revenue Funds With Legally Adopted Budgets	$1,253,864	$ 1,353,730	$1,243,273	$ 110,457

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2017
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 113,029	$ -	$ -	$ 113,029
Deposits and investments outside City Treasury	-	32,377	203	32,580
Receivables:				
Property taxes and penalties	12,230	-	-	12,230
Interest and other	324	10	-	334
Loans receivable (net of allowance for uncollectible amounts)	-	-	48,798	48,798
Total assets	$ 125,583	$ 32,387	$ 49,001	$ 206,971
Liabilities:				
Unearned revenues and other liabilities	$ 4,700	$ -	$ -	$ 4,700
Bonds, loans, capital leases, and other payables	-	-	49,000	49,000
Total liabilities	4,700	-	49,000	53,700
Deferred inflows of resources	8,991	-	-	8,991
Fund balances:				
Restricted	111,892	32,387	1	144,280
Total fund balances	111,892	32,387	1	144,280
Total liabilities, deferred inflows of resources and fund balances	$ 125,583	$ 32,387	$ 49,001	$ 206,971

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, 2017
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 273,643	$ -	$ -	$ 273,643
Fines, forfeitures, and penalties	15,312	-	-	15,312
Interest and investment income	1,417	68	1	1,486
Rents and concessions	-	728	-	728
Intergovernmental				
State	785	-	-	785
Other	3,746	-	154	3,900
Total revenues	294,903	796	155	295,854
Expenditures:				
Debt service:				
Principal retirement	189,435	66,140	6,388	261,963
Interest and other fiscal charges	93,399	25,617	838	119,854
Total expenditures	282,834	91,757	7,226	381,817
Excess (deficiency) of revenues over (under) expenditures	12,069	(90,961)	(7,071)	(85,963)
Other financing sources (uses):				
Transfers in	13,069	89,581	7,072	109,722
Total other financing sources, net	13,069	89,581	7,072	109,722
Net changes in fund balances	25,138	(1,380)	1	23,759
Fund balances at beginning of year	86,754	33,767	-	120,521
Fund balances at end of year	$ 111,892	$ 32,387	$ 1	$ 144,280

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Fund
Year Ended June 30, 2017
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 182,751	$ 182,751	$ 273,643	$ 90,892
Fines, forfeitures, and penalties	15,154	15,154	15,312	158
Interest and investment income	-	-	1,479	1,479
Intergovernmental				
State	800	800	785	(15)
Other	-	3,749	3,746	(3)
Total revenues	198,705	202,454	294,965	92,511
Expenditures:				
Debt service:				
Principal retirement	197,979	193,483	189,435	4,048
Interest and other fiscal charges	8,822	93,399	93,399	-
Total expenditures	206,801	286,882	282,834	4,048
Excess (deficiency) of revenues over (under) expenditures	(8,096)	(84,428)	12,131	96,559
Other financing sources:				
Transfers in	-	13,069	13,069	-
Net changes in fund balances	(8,096)	(71,359)	25,200	96,559
Budgetary fund balance, July 1	8,096	94,893	94,893	-
Budgetary fund balance, June 30	$ -	$ 23,534	$ 120,093	$ 96,559

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2017
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets:				
Deposits and investments with City Treasury	$ 337,869	$ -	$ 3,966	$ -
Deposits and investments outside City Treasury	83,890	-	-	11,732
Receivables:				
Federal and state grants and subventions	-	-	-	-
Interest and other	397	-	6	-
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total assets	$ 422,156	$ -	$ 3,972	$ 11,732
Liabilities:				
Accounts payable	$ 6,686	$ -	$ 125	$ 33,613
Accrued payroll	752	-	2	80
Unearned grant and subvention revenue	-	-	-	-
Due to other funds	-	-	-	8,373
Unearned revenues and other liabilities	38	-	48	3,900
Bonds, loans, capital leases, and other payables	-	-	-	206,939
Total liabilities	7,476	-	175	252,905
Deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted	414,680	-	3,797	-
Unassigned	-	-	-	(241,173)
Total fund balances	414,680	-	3,797	(241,173)
Total liabilities, deferred inflows of resources and fund balances	$ 422,156	$ -	$ 3,972	$ 11,732

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2017
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets:				
Deposits and investments with City Treasury	$ -	$ 40,124	$ 61,604	$ 443,563
Deposits and investments outside City Treasury	-	-	139	95,761
Receivables:				
Federal and state grants and subventions	-	2,796	3,544	6,340
Interest and other	-	64	98	565
Due from other funds	-	1,787	1,239	3,026
Other assets	-	-	10	10
Total assets	$ -	$ 44,771	$ 66,634	$ 549,265
Liabilities:				
Accounts payable	$ -	$ 3,476	$ 3,645	$ 47,545
Accrued payroll	-	174	502	1,510
Unearned grant and subvention revenue	-	598	1	599
Due to other funds	-	-	47	8,420
Unearned revenues and other liabilities	-	59	1,510	5,555
Bonds, loans, capital leases, and other payables	-	-	-	206,939
Total liabilities	-	4,307	5,705	270,568
Deferred inflows of resources	-	2,333	2,132	4,465
Fund balances:				
Restricted	-	38,131	58,797	515,405
Unassigned	-	-	-	(241,173)
Total fund balances	-	38,131	58,797	274,232
Total liabilities, deferred inflows of resources and fund balances	$ -	$ 44,771	$ 66,634	$ 549,265

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, 2017
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Fines, forfeitures, and penalties	$ -	$ -	$ -	$ -
Interest and investment income	2,048	-	43	7
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Other	-	-	-	-
Other	-	-	-	-
Total revenues	2,048	-	43	7
Expenditures:				
Debt service:				
Interest and other fiscal charges	18	-	-	2,726
Bond issuance costs	1,327	-	-	-
Capital outlay	103,075	-	2,976	137,602
Total expenditures	104,420	-	2,976	140,328
Deficiency of revenues under expenditures	(102,372)	-	(2,933)	(140,321)
Other financing sources (uses):				
Transfers in	101,041	-	-	521
Transfers out	(15,126)	(17)	(226)	-
Issuance of bonds:				
Face value of bonds issued	173,120	-	-	-
Premium on issuance of bonds	11,820	-	-	-
Other financing sources-capital leases	34,184	-	-	-
Total other financing sources, net	305,039	(17)	(226)	521
Net changes in fund balances	202,667	(17)	(3,159)	(139,800)
Fund balances at beginning of year	212,013	17	6,956	(101,373)
Fund balances at end of year	$ 414,680	$ -	$ 3,797	$ (241,173)

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, 2017
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Fines, forfeitures, and penalties	$ -	$ 16	$ -	$ 16
Interest and investment income	-	427	655	3,180
Rents and concessions	-	-	41	41
Intergovernmental:				
Federal	-	904	4,212	5,116
State	-	9,672	83	9,755
Other	-	-	203	203
Other	-	1,559	88	1,647
Total revenues	-	12,578	5,282	19,958
Expenditures:				
Debt service:				
Interest and other fiscal charges	-	3	5	2,752
Bond issuance costs	-	-	13	1,340
Capital outlay	-	40,225	13,211	297,089
Total expenditures	-	40,228	13,229	301,181
Deficiency of revenues under expenditures	-	(27,650)	(7,947)	(281,223)
Other financing sources (uses):				
Transfers in	-	107	11,679	113,348
Transfers out	(417)	-	(44,912)	(60,698)
Issuance of bonds:				
Face value of bonds issued	-	-	-	173,120
Premium on issuance of bonds	-	-	-	11,820
Other financing sources-capital leases	-	1,787	-	35,971
Total other financing sources, net	(417)	1,894	(33,233)	273,561
Net changes in fund balances	(417)	(25,756)	(41,180)	(7,662)
Fund balances at beginning of year	417	63,887	99,977	281,894
Fund balances at end of year	$ -	$ 38,131	$ 58,797	$ 274,232

CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Net Position
Internal Service Funds
June 30, 2017
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 2,784	$ -	$ 1,902	$ 25,233	$ 29,919
Receivables:					
Charges for services	49	-	46	-	95
Interest and other	-	3	-	739	742
Capital leases receivable	-	11,233	-	-	11,233
Restricted assets:					
Deposits and investments outside City Treasury	-	21,617	-	-	21,617
Total current assets	2,833	32,853	1,948	25,972	63,606
Noncurrent assets:					
Capital leases receivable	-	167,710	-	-	167,710
Capital assets:					
Facilities and equipment, net of depreciation	433	-	448	10,720	11,601
Total noncurrent assets	433	167,710	448	10,720	179,311
Total assets	3,266	200,563	2,396	36,692	242,917
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	1,012	-	-	1,012
Deferred outflows related to pensions	6,931	-	-	18,975	25,906
Total deferred outflows of resources	6,931	1,012	-	18,975	26,918
Liabilities:					
Current liabilities:					
Accounts payable	387	-	130	3,130	3,647
Accrued payroll	509	-	78	1,655	2,242
Accrued vacation and sick leave pay	384	-	-	1,469	1,853
Accrued workers' compensation	-	-	-	331	331
Bonds, loans, capital leases, and other payables	-	10,880	-	-	10,880
Accrued interest payable	-	1,224	-	-	1,224
Due to other funds	-	1,787	-	-	1,787
Unearned revenues and other liabilities	-	15,781	-	34	15,815
Total current liabilities	1,280	29,672	208	6,619	37,779
Noncurrent liabilities:					
Accrued vacation and sick leave pay	268	-	-	1,095	1,363
Accrued workers' compensation	-	-	-	1,469	1,469
Other postemployment benefits obligation	5,584	-	-	20,809	26,393
Bonds, loans, capital leases, and other payables	-	171,903	-	-	171,903
Net pension liability	17,100	-	-	46,819	63,919
Total noncurrent liabilities	22,952	171,903	-	70,192	265,047
Total liabilities	24,232	201,575	208	76,811	302,826
Deferred inflows of resources:					
Deferred inflows related to pensions	732	-	-	2,005	2,737
Net position:					
Net investment in capital assets	433	-	448	10,720	11,601
Unrestricted (deficit)	(15,200)	-	1,740	(33,869)	(47,329)
Total net position	$ (14,767)	$ -	$ 2,188	$ (23,149)	$ (35,728)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2017
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 30,129	$ -	$ 7,527	$ 107,628	$ 145,284
Rents and concessions	-	-	-	176	176
Total operating revenues	30,129	-	7,527	107,804	145,460
Operating expenses:					
Personal services	18,072	-	2,063	58,041	78,176
Contractual services	3,240	-	4,682	51,224	59,146
Materials and supplies	10,974	-	275	3,259	14,508
Depreciation and amortization	149	-	70	3,075	3,294
General and administrative	48	-	-	360	408
Services provided by other departments	1,586	-	498	7,506	9,590
Other	-	-	5	3,179	3,184
Total operating expenses	34,069	-	7,593	126,644	168,306
Operating income (loss)	(3,940)	-	(66)	(18,840)	(22,846)
Nonoperating revenues (expenses):					
Interest and investment income	-	4,332	9	129	4,470
Interest expense	(2)	(4,662)	-	-	(4,664)
Other, net	-	330	1	408	739
Total nonoperating revenues (expenses)	(2)	-	10	537	545
Income (loss) before transfers	(3,942)	-	(56)	(18,303)	(22,301)
Transfers in	2	-	-	2,151	2,153
Transfers out	-	-	(9)	(129)	(138)
Change in net position	(3,940)	-	(65)	(16,281)	(20,286)
Net position (deficit) at beginning of year	(10,827)	-	2,253	(6,868)	(15,442)
Net position (deficit) at end of year	$ (14,767)	$ -	$ 2,188	$ (23,149)	$ (35,728)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2017
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 30,080	$ 17,743	$ 7,535	$ 108,103	$ 163,461
Cash paid for employees' services	(13,777)	-	(2,047)	(42,817)	(58,641)
Cash paid to suppliers for goods and services	(16,699)	(2,707)	(5,472)	(68,492)	(93,370)
Net cash provided by (used in) operating activities	(396)	15,036	16	(3,206)	11,450
Cash flows from noncapital financing activities:					
Transfers in	2	-	-	2,151	2,153
Transfers out	-	-	(9)	(129)	(138)
Net cash provided by (used in) noncapital financing activities	2	-	(9)	2,022	2,015
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(18)	-	(107)	(3,785)	(3,910)
Retirement of capital lease obligation	-	(14,025)	-	-	(14,025)
Interest paid on long-term debt	-	(4,753)	-	-	(4,753)
Net cash used in capital and related financing activities	(18)	(18,778)	(107)	(3,785)	(22,688)
Cash flows from investing activities:					
Interest and investment income	-	10	9	129	148
Other investing activities	(2)	-	-	-	(2)
Net cash provided by (used in) investing activities	(2)	10	9	129	146
Change in cash and cash equivalents	(414)	(3,732)	(91)	(4,840)	(9,077)
Cash and cash equivalents at beginning of year	3,198	25,349	1,993	30,073	60,613
Cash and cash equivalents at end of year	$ 2,784	$ 21,617	$ 1,902	$ 25,233	$ 51,536
Reconciliation of operating loss to net cash provided by operating activities:					
Operating loss	$ (3,940)	$ -	$ (66)	$ (18,840)	$ (22,846)
Adjustments for non-cash and other activities:					
Depreciation and amortization	149	-	70	3,075	3,294
Other	-	-	1	408	409
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:					
Receivables, net	(49)	12,760	7	(109)	12,609
Accounts payable	(836)	-	(12)	(2,955)	(3,803)
Accrued payroll	68	-	16	296	380
Accrued vacation and sick leave pay	(115)	-	-	229	114
Accrued workers' compensation	-	-	-	(64)	(64)
Other postemployment benefits obligation	352	-	-	2,523	2,875
Due to other funds	(15)	-	-	(9)	(24)
Unearned revenue and other liabilities	-	2,276	-	-	2,276
Net pension liability and pension related deferred outflows and inflows of resources	3,990	-	-	12,240	16,230
Total adjustments	3,544	15,036	82	15,634	34,296
Net cash provided by (used in) operating activities	$ (396)	$ 15,036	$ 16	$ (3,206)	$ 11,450
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 2,784	$ -	$ 1,902	$ 25,233	$ 29,919
Deposits and investments outside City Treasury:					
Restricted	-	21,617	-	-	21,617
Cash and cash equivalents at end of year on statement of cash flows	$ 2,784	$ 21,617	$ 1,902	$ 25,233	$ 51,536
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 1,787	$ -	$ 210	$ 1,997

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll 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 Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2017
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees' Retirement System	**Health Service System**	**Retiree Health Care**	**Total**
Assets				
Deposits and investments with City Treasury	$ 11,800	$ 36,767	$ 2,215	$ 50,782
Deposits and investments outside City Treasury:				
Cash and deposits	65,697	-	-	65,697
Short term investments	347,744	-	-	347,744
Debt securities	4,446,402	-	47,627	4,494,029
Equity securities	10,558,016	-	135,274	10,693,290
Real assets	2,975,974	-	-	2,975,974
Private equity and other alternative investments	3,979,514	-	2	3,979,516
Foreign currency contracts, net	164	-	-	164
Invested in securities lending collateral	201	-	-	201
Receivables:				
Employer and employee contributions	11,594	21,002	2,057	34,653
Brokers, general partners and others	145,795	-	-	145,795
Interest and other	33,771	80	257	34,108
Other assets	-	45,402	-	45,402
Total assets	22,576,672	103,251	187,432	22,867,355
Liabilities				
Accounts payable	18,808	314	6	19,128
Estimated claims payable	-	27,755	-	27,755
Payable to brokers	147,095	-	-	147,095
Deferred Retirement Option Program	313	-	-	313
Payable to borrowers of securities	106	-	-	106
Other liabilities	-	2,656	-	2,656
Total liabilities	166,322	30,725	6	197,053
Net Position				
Restricted for pension and other employee benefits	$ 22,410,350	$ 72,526	$ 187,426	$ 22,670,302

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2017
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Retiree Health Care	Total
Additions:				
Employee contributions	$ 316,844	$ 133,043	$ 31,898	$ 481,785
Employer contributions	551,809	713,910	195,465	1,461,184
Total contributions	868,653	846,953	227,363	1,942,969
Investment income/loss:				
Interest	159,065	474	16,873	176,412
Dividends	209,951	-	-	209,951
Net appreciation (depreciation) in fair value of investments	2,356,332	(29)	2,129	2,358,432
Securities lending and other income	9,004	-	-	9,004
Total investment income	2,734,352	445	19,002	2,753,799
Less investment expenses:				
Securities lending borrower rebates and expenses	(3,489)	-	-	(3,489)
Other investment expenses	(47,395)	-	(202)	(47,597)
Total investment expenses	(50,884)	-	(202)	(51,086)
Total additions, net	3,552,121	847,398	246,163	4,645,682
Deductions:				
Benefit payments	1,264,633	843,475	173,410	2,281,518
Refunds of contributions	13,507	-	-	13,507
Administrative expenses	18,134	-	109	18,243
Total deductions	1,296,274	843,475	173,519	2,313,268
Change in net position	2,255,847	3,923	72,644	2,332,414
Net position at beginning of year	20,154,503	68,603	114,782	20,337,888
Net position at end of year	$ 22,410,350	$ 72,526	$ 187,426	$ 22,670,302

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2017
(In Thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury	$ 20,269	$ 3,078	$ 2,982	$ 20,365
Receivables:				
Interest and other	22	169	163	28
Total assets	$ 20,291	$ 3,247	$ 3,145	$ 20,393
Liabilities				
Accounts payable	$ 22	$ 413	$ 435	$ -
Agency obligations	20,269	5,172	5,048	20,393
Total liabilities	$ 20,291	$ 5,585	$ 5,483	$ 20,393
Deposits Fund				
Assets				
Deposits and investments with City Treasury	$ 16,461	$ 30,190	$ 30,687	$ 15,964
Deposits and investments outside City Treasury	1	-	1	-
Receivables:				
Interest and other	30	76	70	36
Other assets	45,538	-	-	45,538
Total assets	$ 62,030	$ 30,266	$ 30,758	$ 61,538
Liabilities				
Accounts payable	$ 734	$ 11,113	$ 11,225	$ 622
Agency obligations	61,296	29,634	30,014	60,916
Total liabilities	$ 62,030	$ 40,747	$ 41,239	$ 61,538
Payroll Deduction Fund				
Assets				
Deposits and investments with City Treasury	$ 18,469	$ 1,710	$ 13	$ 20,166
Receivables:				
Employer and employee contributions	43,571	7,994	-	51,565
Total assets	$ 62,040	$ 9,704	$ 13	$ 71,731
Liabilities				
Accounts payable	$ 43,595	$ 66,874	$ 43,594	$ 66,875
Agency obligations	18,445	377	13,966	4,856
Total liabilities	$ 62,040	$ 67,251	$ 57,560	$ 71,731

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 3,091	$ 15,444	$ 18,000	$ 535
Deposits and investments outside City Treasury	1	-	1	-
Receivables:				
Interest and other	-	1	1	-
Total assets	$ 3,092	$ 15,445	$ 18,002	$ 535
Liabilities				
Accounts payable	$ 179	$ 16,393	$ 16,498	$ 74
Agency obligations	2,913	15,455	17,907	461
Total liabilities	$ 3,092	$ 31,848	$ 34,405	$ 535
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury	$ 29,579	$ 4,424,944	$ 4,377,537	$ 76,986
Deposits and investments outside City Treasury	762	2,605	763	2,604
Receivables:				
Interest and other	275,954	2,724,681	2,719,836	280,799
Total assets	$ 306,295	$ 7,152,230	$ 7,098,136	$ 360,389
Liabilities				
Accounts payable	$ 364	$ 116,970	$ 117,333	$ 1
Agency obligations	305,931	3,560,850	3,506,393	360,388
Total liabilities	$ 306,295	$ 3,677,820	$ 3,623,726	$ 360,389
Transit Fund				
Assets				
Deposits and investments with City Treasury	$ 3,502	$ 80,292	$ 82,258	$ 1,536
Receivables:				
Interest and other	3	28	27	4
Total assets	$ 3,505	$ 80,320	$ 82,285	$ 1,540
Liabilities				
Accounts payable	$ 2,259	$ 32,282	$ 34,541	$ -
Agency obligations	1,246	49,848	49,554	1,540
Total liabilities	$ 3,505	$ 82,130	$ 84,095	$ 1,540

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2017
(In Thousands)

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
Other Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 47,423	$ 418,960	$ 414,114	$ 52,269
Deposits and investments outside City Treasury	53	629	53	629
Receivables:				
Interest and other	309	424	373	360
Total assets	$ 47,785	$ 420,013	$ 414,540	$ 53,258
Liabilities				
Accounts payable	$ 6,499	$ 119,301	$ 123,587	$ 2,213
Agency obligations	41,286	421,655	411,896	51,045
Total liabilities	$ 47,785	$ 540,956	$ 535,483	$ 53,258
Total Agency Funds				
Assets				
Deposits and investments with City Treasury	$138,794	$4,974,618	$4,925,591	$187,821
Deposits and investments outside City Treasury	817	3,234	818	3,233
Receivables:				
Employer and employee contributions	43,571	7,994	-	51,565
Interest and other	276,318	2,725,379	2,720,470	281,227
Other assets	45,538	-	-	45,538
Total assets	$505,038	$7,711,225	$7,646,879	$569,384
Liabilities				
Accounts payable	$ 53,652	$ 363,346	$ 347,213	$ 69,785
Agency obligations	451,386	4,082,991	4,034,778	499,599
Total liabilities	$505,038	$4,446,337	$4,381,991	$569,384

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STATISTICAL SECTION

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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.

CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013 [1]	2014	2015 [2]	2016	2017
Governmental activities										
Net investment in capital assets	$ 1,436,842	$ 1,725,203	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963	$ 2,483,086	$ 2,684,808	$ 2,750,782	$ 2,873,927
Restricted for:										
Reserve for rainy day	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689
Debt service	23,130	30,724	34,308	36,805	48,202	98,754	91,900	87,772	83,029	108,179
Capital projects	-	-	63,323	82,315	91,997	154,502	110,608	28,263	198,962	257,634
Community development	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691
Transportation Authority activities	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189
Building inspection programs	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109
Children and families	43,666	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284
Culture, recreation, grants and other purposes	112,219	116,032	113,917	155,152	150,383	158,973	206,368	209,399	240,524	265,444
Unrestricted (deficit)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)	(2,560,735)
Total governmental activities net position	$ 1,585,056	$ 1,305,203	$ 1,152,985	$ 1,310,279	$ 1,920,010	$ 1,820,159	$ 2,341,631	$ 1,287,214	$ 2,009,063	$ 1,786,411
Business-type activities										
Net investment in capital assets	$ 3,935,008	$ 4,204,644	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,691,579	$ 4,832,659	$ 5,117,679	$ 5,690,741	$ 5,752,069
Restricted for:										
Debt service	282,187	58,716	71,128	62,421	53,951	58,970	64,143	100,923	127,073	202,262
Capital projects	111,463	140,932	188,580	161,580	176,570	299,942	363,601	358,745	340,896	394,634
Other purposes	28,254	31,459	18,854	18,741	18,913	13,046	24,721	35,986	70,505	93,696
Unrestricted	491,437	324,395	259,533	268,328	242,842	610,565	732,736	(335,083)	(231,379)	(670,759)
Total business-type activities net position	$ 4,848,349	$ 4,760,146	$ 4,815,894	$ 4,992,474	$ 5,031,266	$ 5,674,102	$ 6,017,860	$ 5,278,250	$ 5,997,836	$ 5,771,902
Primary government										
Net investment in capital assets [3]	$ 5,371,850	$ 5,630,550	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499	$ 7,032,674	$ 7,520,698	$ 8,151,422	$ 8,321,778
Restricted for:										
Reserve for rainy day	117,792	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689
Debt service	305,317	89,440	105,436	99,226	102,153	157,724	156,043	188,695	210,102	310,441
Capital projects [3]	111,463	140,932	239,209	223,694	246,027	356,002	418,103	330,213	423,132	569,948
Community development	95,136	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691
Transportation Authority activities	1,693	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189
Building inspection programs	16,475	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109
Children and families	43,666	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284
Culture, recreation, grants and other purposes	140,473	147,491	132,771	173,893	169,296	172,019	231,089	245,385	311,029	359,140
Unrestricted (deficit) [3]	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752	(2,355,480)	(1,897,787)	(2,844,956)
Total primary activities net position	$ 6,433,405	$ 6,065,349	$ 5,968,879	$ 6,302,753	$ 6,951,276	$ 7,494,261	$ 8,359,491	$ 6,565,464	$ 8,006,899	$ 7,558,313

Notes:

(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

(3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2009. See Note 10(d) in the Notes to Basic Financial Statements for details.

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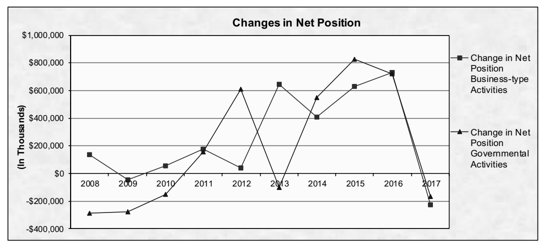
CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2008	2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016	2017
Net (expenses)/revenue										
Governmental activities	$ (2,130,989)	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)	$ (2,333,555)	$ (2,175,896)	$ (2,316,380)	$ (3,697,381)
Business-type activities	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)	(212,209)	(1,159,842)
Total primary government net expenses	$ (2,730,680)	$ (2,929,796)	$ (2,738,576)	$ (2,466,360)	$ (2,845,171)	$ (2,172,503)	$ (2,341,279)	$ (2,276,461)	$ (2,528,589)	$ (4,857,223)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 1,189,511	$ 1,302,071	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068	$ 1,521,471	$ 1,640,383	$ 1,808,917	$ 1,951,696
Business taxes	396,025	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331
Sales and use tax	190,967	172,794	164,769	181,474	198,236	208,025	227,636	240,424	270,051	291,395
Hotel room tax	219,089	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344
Utility users tax	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203
Other local taxes	155,951	126,017	194,070	251,285	353,746	359,808	391,638	451,994	399,882	542,567
Interest and investment income	57,929	35,434	27,877	17,645	31,453	7,862	21,887	20,737	24,048	35,240
Other	25,939	44,086	54,410	58,524	91,236	52,865	70,024	46,906	59,266	182,933
Transfers - internal activities of primary government	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)	(671,173)	(647,942)
Extraordinary gain (loss)	-	-	-	-	323,130	(201,670)	-	-	-	-
Total governmental activities	1,845,034	1,980,057	1,985,747	2,205,810	2,871,489	2,169,714	2,881,297	3,000,826	3,038,229	3,529,767
Business-type activities:										
Interest and investment income	67,217	49,691	44,471	42,299	82,533	1,009	29,843	25,999	28,566	28,547
Other	233,244	181,759	176,064	214,993	288,584	61,737	82,737	200,148	240,636	257,419
Special item	(41,026)	-	-	-	-	-	-	-	-	-
Transfers - internal activities of primary government	477,341	393,259	435,824	337,132	251,088	483,028	311,627	504,791	671,173	647,942
Extraordinary gain (loss)	-	-	-	-	-	-	(6,843)	-	-	-
Total business-type activities	736,776	624,709	656,359	594,424	622,205	545,774	417,364	730,938	940,375	933,908
Total primary government	$ 2,581,810	$ 2,604,766	$ 2,642,106	$ 2,800,234	$ 3,493,694	$ 2,715,488	$ 3,298,661	$ 3,731,764	$ 3,978,604	$ 4,463,675
Change in Net Position										
Governmental activities	$ (285,955)	$ (279,853)	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)	$ 547,742	$ 824,930	$ 721,849	$ (167,614)
Business-type activities	137,085	(45,177)	55,748	176,580	38,792	642,836	409,640	630,373	728,166	(225,934)
Total primary government	$ (148,870)	$ (325,030)	$ (96,470)	$ 333,874	$ 648,523	$ 542,985	$ 957,382	$ 1,455,303	$ 1,450,015	$ (393,548)



Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.
(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2008	2009 (1)	2010	2011	2012	2013	2014	2015 (2)	2016	2017
Expenses										
Governmental activities:										
Public protection	$ 1,020,457	$ 1,109,311	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922	$ 1,229,591	$ 1,108,200	$ 1,222,549	$ 1,692,224
Public works, transportation and commerce	342,411	254,955	225,589	239,230	210,415	189,124	200,712	270,454	418,978	387,423
Human welfare and neighborhood development	848,195	908,449	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403	1,543,047
Community health	567,410	608,733	599,741	613,883	673,905	751,491	786,761	735,040	747,071	868,628
Culture and recreation	347,433	319,994	310,063	318,083	307,269	338,042	357,620	355,676	311,028	539,516
General administration and finance	250,295	238,601	221,471	224,027	237,818	249,271	298,563	249,823	246,383	337,209
General City responsibilities	80,887	72,634	80,246	84,444	96,147	83,895	85,239	94,577	113,490	145,247
Unallocated Interest on long-term debt and cost of issuance (1)	97,694	93,387	102,635	110,142	110,145	107,790	115,880	115,030	115,357	113,264
Total governmental activities expenses	3,554,782	3,606,064	3,562,093	3,574,794	3,736,840	3,903,097	4,083,556	4,002,452	4,408,259	5,626,558
Business-type activities:										
Airport	651,581	683,335	662,347	690,875	746,610	756,961	827,658	853,338	900,621	1,122,802
Transportation	830,411	863,218	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586
Port	67,495	71,778	73,573	68,661	72,307	81,422	88,551	88,436	91,449	118,361
Water	252,802	277,162	325,242	362,802	431,248	445,804	470,200	438,885	470,254	572,509
Power	109,436	96,228	119,109	119,282	130,709	129,790	137,639	149,438	153,472	198,621
Hospitals	812,399	820,236	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618	1,370,154
Sewer	182,712	184,977	201,403	201,629	214,593	223,727	243,466	239,556	244,289	273,077
Market	1,052	1,144	1,119	1,152	1,138	1,231	120	-	-	-
Total business-type activities expenses	2,907,888	2,998,078	3,130,975	3,234,913	3,510,259	3,658,348	3,816,454	3,784,299	4,017,123	5,124,110
Total primary government expenses	$ 6,462,670	$ 6,604,142	$ 6,693,068	$ 6,809,707	$ 7,247,099	$ 7,561,445	$ 7,900,010	$ 7,786,751	$ 8,425,382	$ 10,750,668
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 66,343	$ 90,044	$ 58,980	$ 62,105	$ 61,412	$ 60,190	$ 69,673	$ 70,444	$ 86,164	$ 83,896
Public works, transportation and commerce	115,939	72,287	71,288	101,846	93,809	105,981	135,842	128,661	130,410	148,804
Human welfare and neighborhood development	108,956	33,988	25,813	56,628	68,794	69,997	99,848	96,012	273,986	164,755
Community health	52,455	60,708	65,756	64,419	58,864	60,856	67,680	93,130	90,078	68,601
Culture and recreation	70,576	74,477	81,855	76,528	78,828	93,612	89,969	98,302	98,205	97,614
General administration and finance	20,376	33,530	35,190	37,601	44,358	76,903	66,071	89,403	52,417	45,385
General City responsibilities	26,980	27,377	37,806	29,316	29,142	50,121	39,445	37,031	45,922	37,367
Operating Grants and Contributions	926,089	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262
Capital Grants and Contributions	36,079	44,048	50,349	57,719	41,174	29,718	39,379	48,233	24,795	19,493
Total Governmental activities program revenues	1,423,793	1,346,154	1,424,128	1,526,278	1,475,082	1,633,532	1,750,001	1,826,556	2,091,879	1,929,177
Business-type activities:										
Charges for services:										
Airport	535,771	551,283	578,041	607,323	668,672	726,358	770,691	815,364	866,991	926,800
Transportation	257,341	257,083	311,311	334,140	350,464	494,805	521,628	499,584	495,296	500,030
Port	64,498	66,438	66,579	72,266	77,260	80,202	85,019	95,296	99,733	113,353
Water	234,216	265,781	265,218	288,395	342,101	721,470	379,882	426,047	419,516	460,331
Power	119,855	115,274	128,590	140,035	127,309	133,927	134,438	147,803	164,736	189,979
Hospitals	558,167	568,210	606,276	726,522	740,920	868,244	951,038	894,718	922,320	873,221
Sewer	202,549	208,654	209,843	229,216	244,155	252,554	260,097	256,002	261,775	277,341
Market	1,564	1,546	1,681	1,655	1,672	1,715	141	-	-	-
Operating Grants and Contributions	181,725	186,805	182,572	204,153	200,318	224,382	190,351	191,101	199,623	270,167
Capital Grants and Contributions	152,511	107,118	180,253	213,364	173,975	251,753	515,445	357,819	374,924	353,046
Total business-type activities program revenues	2,308,197	2,328,192	2,530,364	2,817,069	2,926,846	3,755,410	3,808,730	3,683,734	3,804,914	3,964,268
Total primary government program revenues	$ 3,731,990	$ 3,674,346	$ 3,954,492	$ 4,343,347	$ 4,401,928	$ 5,388,942	$ 5,558,731	$ 5,510,290	$ 5,896,793	$ 5,893,445

Notes:
(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.
(2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

CITY AND COUNTY OF SAN FRANCISCO

FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

Fiscal Year

	2008	2009
General Fund		
Reserved for rainy day	$ 117,792	$ 98,297
Reserved for assets not available for appropriation	11,358	11,307
Reserved for encumbrances	63,068	65,902
Reserved for appropriation carryforward	99,959	91,075
Reserved for subsequent years' budgets	36,341	6,891
Unreserved	77,117	28,203
Total general fund	$ 405,635	$ 301,675
All other governmental funds		
Reserved for assets not available for appropriation	$ 19,814	$ 19,781
Reserved for debt service	47,334	75,886
Reserved for encumbrances	193,461	167,169
Reserved for appropriation carryforward	314,051	501,006
Reserved for subsequent years' budgets	13,504	11,245
Unreserved reported in:		
Special revenue funds	(27,758)	(69,468)
Capital projects funds	2,126	(26,153)
Permanent fund	3,502	3,871
Total other governmental funds	$ 566,034	$ 683,337

	2010 (1)	2011	2012	2013	2014	2015	2016	2017
General Fund								
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854	$ 24,022	$ 24,786	$ 522	$ 525
Restricted	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689
Committed	4,677	33,431	79,276	137,487	145,126	142,815	187,170	327,607
Assigned	132,645	240,635	305,413	353,191	508,903	705,076	879,567	1,088,288
Unassigned	-	-	17,329	-	74,317	157,550	241,797	328,594
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871	$ 835,562	$ 1,145,196	$ 1,429,162	$ 1,870,703
All other governmental funds								
Nonspendable	$ 192	$ 192	$ 1,104	$ 274	$ 441	$ 329	$ 82	$ 82
Restricted	861,188	831,269	1,189,102	1,191,189	1,115,226	1,110,836	1,443,956	1,701,020
Assigned	27,493	27,622	28,006	30,759	50,733	66,740	66,085	78,413
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)	(34,158)	(103,811)	(245,445)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690	$ 1,101,417	$ 1,143,747	$ 1,406,312	$ 1,534,070

Notes:
(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2008	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017
Other financing sources (uses):										
Transfers in	244,770	352,693	302,790	304,682	335,600	447,734	563,283	556,287	580,737	641,123
Transfers out	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)
Issuance of bonds and loans:										
Face value of bonds issued	310,155	456,935	393,010	232,965	804,090	557,490	257,175	449,530	595,925	276,570
Face value of loans issued	1,829	-	599	1,813	4,359	5,890	8,735	136,763	-	46,000
Premium on issuance of bonds	13,071	12,875	16,647	16,799	89,336	64,469	19,773	69,833	32,845	12,432
Payment to refunded bond escrow agent	(283,494)	(120,000)	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-	-	-	122,000
Other financing sources - capital leases	24,254	24,881	20,746	19,769	12,304	13,470	12,869	7,750	5,650	37,736
Total other financing sources (uses)	(413,587)	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)	(168,578)	(86,302)
Extraordinary gain (loss)	-	-	-	-	197,314	(172,651)	-	-	-	-
Net change in fund balances	$ (280,270)	$ 13,343	$ 14,073	$ 128,481	$ 409,515	$ 131,480	$ 268,418	351,964	546,531	569,299
Debt service as a percentage of noncapital expenditures	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%	8.46%
Debt service as a percentage of total expenditures	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%	7.68%

Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(In Thousands)

	Fiscal Year									
	2008	2009 (1)	2010	2011	2012	2013	2014	2015	2016	2017
Revenues:										
Property taxes	$ 1,179,688	$ 1,272,385	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764	$ 1,517,261	$ 1,642,159	$ 1,798,776	$ 1,937,694
Business taxes	396,025	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331
Sales and use tax	190,967	172,794	164,769	181,474	198,236	208,025	227,636	240,424	267,443	291,710
Hotel room tax	219,089	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344
Utility users tax	86,964	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203
Other local taxes	155,951	126,017	194,070	251,285	353,889	359,808	391,638	451,994	399,882	542,567
Licenses, permits and franchises	30,943	32,153	33,625	35,977	39,770	40,901	42,371	42,959	43,722	44,397
Fines, forfeitures and penalties	13,217	9,694	22,255	11,770	30,090	49,841	28,425	28,154	36,169	30,798
Interest and investment income	54,256	33,547	27,038	17,041	31,371	7,489	21,678	20,583	23,931	35,089
Rent and concessions	70,160	77,014	78,527	78,995	89,183	98,770	90,712	99,102	135,865	100,544
Intergovernmental:										
Federal	328,315	362,582	448,890	484,704	420,974	420,775	426,314	465,196	416,823	411,369
State	561,095	575,774	552,641	581,119	588,532	656,141	721,735	751,574	776,866	823,012
Other	15,907	15,186	7,397	32,017	33,181	41,789	9,408	15,774	85,872	13,814
Charges for services	288,689	280,407	243,128	258,015	264,856	296,059	333,904	359,044	392,665	378,437
Other	81,321	30,318	51,023	97,194	83,634	81,014	134,923	123,605	264,722	188,311
Total revenues	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273	5,345,741	5,789,974	5,971,620
Expenditures										
Public protection	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577
Public works, transportation and commerce	236,569	248,161	243,454	226,920	250,879	223,218	232,005	293,999	416,152	332,693
Human welfare and neighborhood development	828,903	886,686	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588	1,424,425
Community health	543,046	578,828	581,392	595,222	653,263	734,736	761,439	753,832	776,612	712,495
Culture and recreation	309,612	313,442	303,134	310,392	311,156	328,794	331,914	352,852	364,909	390,038
General administration and finance	215,054	190,680	187,221	191,641	203,157	211,138	233,977	251,370	277,729	303,113
General City responsibilities	71,205	73,147	86,498	85,463	96,150	81,775	86,996	98,658	114,684	121,447
Debt service:										
Principal retirement	106,580	126,501	154,051	148,231	167,465	154,542	190,266	200,497	252,456	283,356
Interest and fiscal charges	75,844	74,466	89,946	101,716	103,706	108,189	119,142	121,371	119,723	125,091
Bond issuance costs	1,090	4,746	2,145	2,161	5,386	2,913	2,185	2,734	7,108	2,695
Capital outlay	133,155	152,473	182,448	214,817	270,094	410,994	449,726	412,740	223,904	297,089
Total expenditures	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339	4,793,629	5,074,865	5,316,019
Excess of revenues over expenditures	133,317	32,137	20,630	325,536	196,621	145,871	330,934	552,112	715,109	655,601

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

Fiscal Year (4)	Assessed Value: Real Property	Assessed Value: Personal Property	Assessed Value: Total	Exemptions (2): Non-reimbursable	Exemptions (2): Reimbursable	Exemptions (2): Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate
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%
2010.......	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011.......	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012.......	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013.......	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014.......	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015.......	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%
2016.......	197,889,670	4,667,489	202,557,159	8,252,472	654,116	15,798,019	177,852,552	1.00%
2017.......	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%

Source:
Controller, City and County of San Francisco

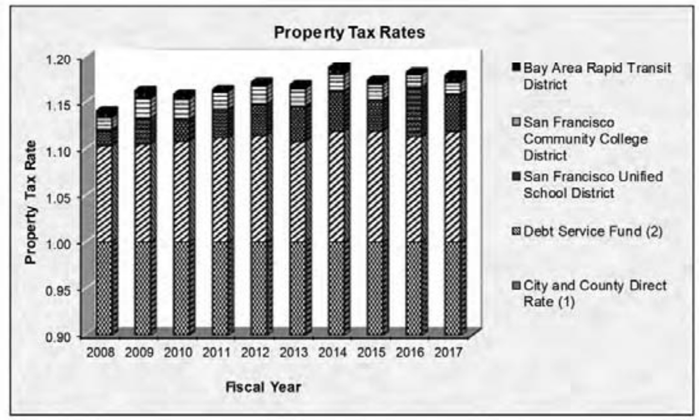
Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
(a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
(b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
(c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate (1)	Overlapping Rates: Debt Service Fund (2)	Overlapping Rates: San Francisco Unified School District	Overlapping Rates: San Francisco Community College District	Overlapping Rates: Bay Area Rapid Transit District	Total
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
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743
2016	1.00000000	0.11346583	0.05246647	0.01407283	0.00260000	1.1826
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792



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 2017			Fiscal Year 2008		
Assessee	Type of Business	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
Elm Property Venture LLC	Office, Commercial	$ 995,506	1	0.47%	$ -		-
HWA 555 Owners LLC	Office, Commercial	978,872	2	0.46%	869,072	1	0.61%
PPF Paramount Market Plaza Owner LP	Office, Commercial	801,901	3	0.38%	-		-
Union Investment Real Estate GMBH	Office, Commercial	473,755	4	0.22%	-		-
Emporium Mall LLC	Retail, Commercial	447,989	5	0.21%	293,703	9	0.21%
SPF China Basin Holdings LLC	Office, Commercial	440,310	6	0.21%	-		-
SHC Embarcadero LLC	Office, Commercial	414,829	7	0.20%	-		-
Wells REIT II - 333 Market St LLC	Office, Commercial	411,153	8	0.19%	-		-
SF Hilton Inc	Hotel	405,210	9	0.19%	-		-
Post Montgomery Associates	Office, Commercial	402,849	10	0.19%	355,945	5	0.25%
EOP - One Market LLC	Office, Commercial	-		-	433,499	2	0.31%
Four Embarcadero Center Venture	Office, Commercial	-		-	367,395	4	0.26%
One Embarcadero Center Venture	Office, Commercial	-		-	316,673	6	0.22%
Three Embarcadero Center Venture	Office, Commercial	-		-	298,160	7	0.21%
Embarcadero Center Associates	Office, Commercial	-		-	297,006	8	0.21%
Marriott Hotel	Hotel	-		-	405,542	3	0.29%
101 California Venture	Office, Commercial	-		-	293,475	10	0.21%
Total		$ 5,772,374		2.96%	$ 3,930,470		3.34%

Source: Assessor, City and County of San Francisco

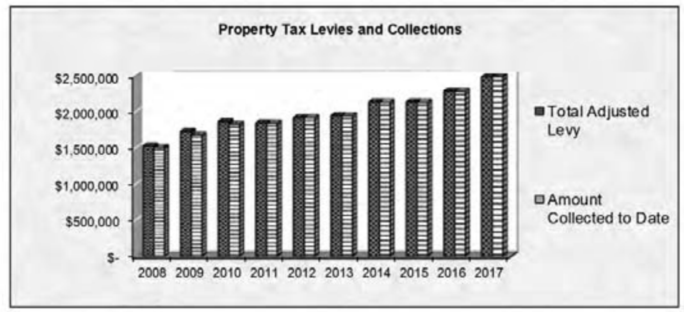
Notes:
(1) Data for fiscal year 2016-2017 updated as of August 1, 2016.
(2) Assessed values for fiscal years 2016-2017 and 2007-2008 are from the tax rolls of calendar years 2016 and 2007, respectively.

CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS (1) (2)

Last Ten Fiscal Years
(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
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
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82
2016	2,290,280	2,268,876	99.07	19,156	2,288,032	99.90
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03



Source: Controller, City and County of San Francisco

Notes:
(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.
(2) Does not include SB-813 supplemental property taxes.
(3) Collections in subsequent years reflect assessment appeals reduction.

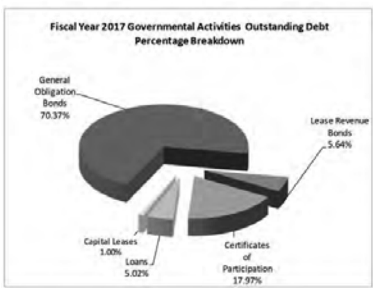
CITY AND COUNTY OF SAN FRANCISCO

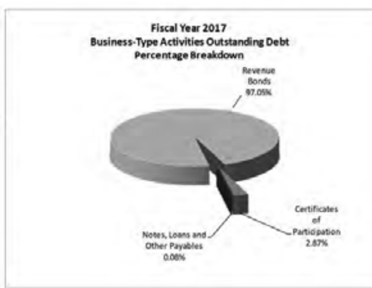
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years
(In Thousands, except per capita amount)

	Governmental Activities						
Fiscal Year [1]	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation	Subtotal
2008......	$ 1,135,205	$ 283,469	$ 408,745	$ 12,495	$ 174,149	$ 20,779	$ 2,034,842
2009......	1,208,353	294,973	564,754	11,329	164,383	14,019	2,257,811
2010......	1,442,448	286,653	591,613	10,607	152,273	7,105	2,490,699
2011......	1,411,769	283,155	587,121	10,072	141,377	-	2,433,494
2012......	1,617,397	275,876	552,998	13,878	22,878	-	2,483,027
2013......	2,052,155	264,828	574,683	19,184	9,741	-	2,920,591
2014......	2,105,885	243,503	544,817	27,441	3,085	-	2,924,731
2015......	2,096,765	216,527	507,504	163,837	-	-	2,984,633
2016......	2,227,515	197,217	623,956	143,059	-	-	3,191,747
2017......	2,281,894	182,783	582,759	162,876	32,586	-	3,242,898

	Business-Type Activities								
Fiscal Year	Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [1]	Per Capita [1]
2008......	$ 5,373,878	$ 89,101	$ -	$ 13,749	$ 3,843	$ 5,480,571	$ 7,515,413	12.91	$ 9,301
2009......	4,928,729	75,339	-	324,042	2,635	5,330,745	7,588,556	13.66	9,307
2010......	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.31	12,386
2011......	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	17.11	13,284
2012......	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	17.23	14,723
2013......	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	17.31	14,995
2014......	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	16.79	15,214
2015......	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	15.12	15,533
2016......	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	14.57	15,642
2017......	11,185,043	-	330,924	9,241	-	11,525,208	14,768,106	15.39	16,785





Notes:
[1] 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 amount)

Fiscal Year	General Obligation Bonds [1]	Less: Amounts Restricted for Debt Service	Total	Per Capita [2] [3]	Percentage of Taxable Assessed Value [4]
2008	$ 1,135,205	$ 31,883	$ 1,103,322	$ 1,365	0.82%
2009	1,208,353	40,907	1,167,446	1,432	0.78
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,318	1.16
2014	2,105,885	95,451	2,010,434	2,358	1.14
2015	2,096,765	91,292	2,005,473	2,327	1.10
2016	2,227,515	86,754	2,140,761	2,458	1.10
2017	2,281,894	111,892	2,170,002	2,466	1.02

Notes:
(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
(2) Population data can be found in Demographic and Economic Statistics.
(3) Fiscal years 2015 and 2016 updated from last year's CAFR with newly available data.
(4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years
(In Thousands)

	Fiscal Year				
	2008	2009	2010	2011	2012
Debt limit	$ 4,050,223	$ 4,497,000	$ 4,853,760	$ 4,785,098	$ 4,962,746
Total net debt applicable to limit	1,135,205	1,208,353	1,442,448	1,411,769	1,617,397
Legal debt margin	$ 2,915,018	$ 3,288,647	$ 3,411,312	$ 3,373,329	$ 3,345,349
Total net debt applicable to the limit as a percentage of debt limit	28.03%	26.87%	29.72%	29.50%	32.59%

	Fiscal Year				
	2013	2014	2015	2016	2017
Debt limit	$ 5,030,049	$ 5,279,242	$ 5,482,482	$ 5,829,141	$ 6,368,988
Total net debt applicable to limit	2,052,155	2,105,885	2,096,765	2,227,514	2,281,894
Legal debt margin	$ 2,977,894	$ 3,173,357	$ 3,385,717	$ 3,601,627	$ 4,087,094
Total net debt applicable to the limit as a percentage of debt limit	40.80%	39.89%	38.24%	38.21%	35.83%

Legal Debt Margin Calculation for Fiscal Year 2017

Total assessed value	$ 221,360,736
Less: non-reimbursable exemptions [(1)]	9,061,126
Assessed value [(1)]	$ 212,299,610
Debt limit (three percent of valuation subject to taxation)[(2)]	$ 6,368,988
Debt applicable to limit - general obligation bonds	2,281,894
Legal debt margin	$ 4,087,094

Notes:
(1) Source: Assessor, City and County of San Francisco
(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, 2017

Debts	Total Debt Outstanding (In thousands)	Estimated Percentage Applicable to City and County [(1)]	Estimated Share of Overlapping Debt (In thousands)
Direct Debt			
General Obligation Bonds			$ 2,281,894
Lease Revenue Bonds	$ 182,783	100.00%	182,783
Certificates of Participation	582,759	100.00%	582,759
Loans	162,876	100.00%	162,876
Lease Purchase Financing	32,586	100.00%	32,586
Total Direct Debt			3,242,898
Overlapping Debt			
General Obligation Bonds			
San Francisco Unified School District	893,824	100.00%	893,824
San Francisco Community College District	285,043	100.00%	285,043
Bay Area Rapid Transit District	600,180	32.00%	192,058
Total Overlapping Debt			1,370,925
Total Direct and Overlapping Debt			$ 4,613,823

Assessed valuation (net of non- reimbursable exemption)	$ 212,299,610
Population - 2017 [(2)]	879,862

Percentage of direct and overlapping general obligation debt per assessed valuation	1.72%
Percentage of total direct and overlapping debt per assessed valuation	2.17%
Estimated total direct and overlapping total debt per capita	$5.244

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts bounderies and dividing it by the City's total taxable assessed value.

(2) Sources: US Census Bureau

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years

(In Thousands)

San Francisco International Airport (1)

Fiscal Year	Operating Revenues (2)	Less: Operating Expenses (3)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department (4)

Fiscal Year	Gross Revenues (5)	Less: Operating Expenses (6)	Adjustments (8)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2008	$ 246,885	$ 223,052	$ 134,215	$ 158,048	$ 19,170	$ 45,023	$ 64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 (7)	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 (7)	139,534	4.12
2014	390,789	333,555	426,527	483,761	25,850	115,476 (7)	141,326	3.42
2015	431,836	296,950	310,139	445,025	25,850	166,462 (7)	192,312	2.31
2016	423,111	314,786	283,568	391,893	29,695	189,500 (7)	219,195	1.79
2017	464,662	421,827	351,605	394,440	41,310	166,502 (7)	207,812	1.90

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2017 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges (9)(10)	Less: Operating Expenses (11)(12)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
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
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	471,490	135,635	3,075	1,856	4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds, the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise (13)

Fiscal Year	Gross Revenues (14)	Less: Operating Expenses (15)	Adjustments (16)	Net Available Revenue (17)	Debt Service Principal	Debt Service Interest (17)	Debt Service Total (17)	Coverage (17)
2008	$ 206,648	$ 165,245	$ 66,109	$ 107,512	$ 34,500	$ 15,698	$ 50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563	44,883	2.41
2012	247,936	195,857	107,125	159,204	22,010	20,180 (18)	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655 (18)	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047 (18)	64,852	3.38
2015	257,209	216,485	190,236	230,960	30,895	30,006 (18)	60,901	3.79
2016	262,960	221,553	198,524	239,931	31,115	28,907 (18)	60,022	4.00
2017	279,668	244,220	216,095	251,543	20,870	39,537 (18)	60,407	4.16

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(14) Gross revenue consists of charges for services, rental income and other income.

(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.

(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.

(17) Restated to match the published Annual Disclosure Reports for FY2008 and FY2009.

(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2017 also includes a "springing" amendment.

Port of San Francisco (19)

Fiscal Year	Total Operating Revenues (20)	Less: Operating Expenses (21)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2008	$ 68,111	$ 56,406	$ 11,705	$ 4,070	$ 348	$ 4,418	2.65
2009	68,734	57,574	11,160	4,185	222	4,407	2.53
2010	69,741	58,756	10,985	4,320	75	4,395	2.50
2011	73,675	51,871	21,804	485	2,358	2,843	7.67
2012	79,273	55,471	23,802	670	2,175	2,845	8.37
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(20) Total revenues consist of operating revenues and interest and investment income.

(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power (22) (23)

Fiscal (27) Year	Gross Revenues (24)	Less: Operating Expenses (25)	Adjustments (26)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2008	$ -	$ -	$ -	$ -	$ -	$ -	$ -	-
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33
2015	117,704	105,222	38,714	51,196	1,321	625	1,946	26.31
2016	122,954	110,012	20,102	33,044	-	-	-	-
2017	122,187	116,935	58,176	63,428	-	-	-	-

(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(23) There were no Hetch Hetchy bonds in FY2008.

(24) Gross revenues consists of charges for power services, rental income and other income.

(25) Operating expenses only include power operating expense.

(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

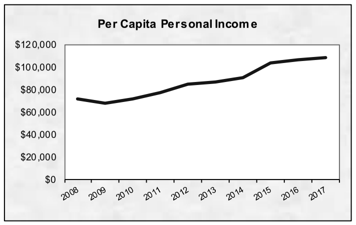
(27) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

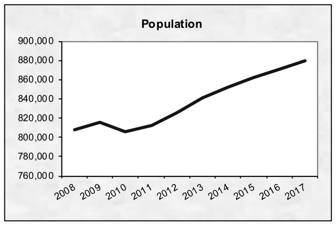
CITY AND COUNTY OF SAN FRANCISCO

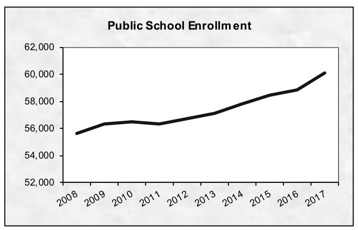
DEMOGRAPHIC AND ECONOMIC STATISTICS

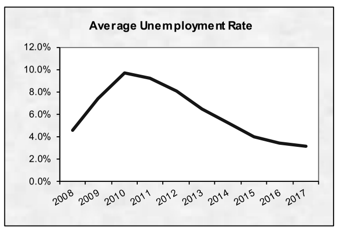
Last Ten Fiscal Years

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)
2008	808,001	$58,199,006	$72,028	40.0	55,590	4.6%
2009	815,358	55,559,545	68,141	40.4	56,315	7.4%
2010	805,235	57,619,120	71,556	38.5	56,454	9.7%
2011	812,826	63,102,121	77,633	37.3	56,299	9.2%
2012	825,863	70,573,974	85,455	38.5	56,758	8.1%
2013	841,138	72,858,445	86,619	37.9	57,105	6.5%
2014	852,469	77,233,279	90,600	37.4	57,860	5.2%
2015	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	870,887 (7)	93,526,594 (8)	107,392 (9)	37.8 (10)	58,865	3.4%
2017	879,862 (7)	95,946,973 (8)	109,048 (9)	37.9 (10)	60,133	3.1%









Sources:
(1) US Census Bureau. Fiscal years 2015 and 2016 are updated from last year's CAFR with newly available data.
(2) US Bureau of Economic Analysis. Fiscal year 2015 was updated from last year's CAFR with newly available data.
(3) US Bureau of Economic Analysis. Fiscal year 2015 was updated from last year's CAFR with newly available data.
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:
(7) 2016 is updated from last year's CAFR with newly available data. 2017 population was estimated by multiplying the estimated 2017 population by the 2015 - 2016 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2016 and 2017 remained at the 2015 level of 4.26 percent. Fiscal years 2015 to 2016 are updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2016 and 2017 was estimated by dividing the estimated personal income for 2016 and 2017 by the reported and estimated population in 2016 and 2017, respectively. Fiscal years 2015 and 2016 are updated from last year's CAFR with newly available data.
(10) Median age for FY2016 was estimated by averaging the median age in 2014 and 2015. The median age for FY2017 was estimated by averaging the median age in 2015 and 2016.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers

Current Year and Nine Years Ago

	Year 2016 (1)			Year 2007		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	29,962	1	5.53%	26,665	1	6.44%
University of California, San Francisco	25,398	2	4.69%	17,500	2	4.23%
San Francisco Unified School District	9,227	3	1.70%	5,579	6	1.35%
Wells Fargo & Co	8,195	4	1.51%	8,139	3	1.96%
Salesforce	6,600	5	1.22%	-	-	-
California Pacific Medical Center	6,000	6	1.11%	5,569	5	1.34%
PG&E Corporation	4,325	7	0.80%	4,800	8	1.16%
Gap, Inc	4,268	8	0.79%	4,075	9	0.98%
Kaiser Permanente	4,100	9	0.76%	3,918	10	0.95%
Uber Technologies Inc	3,650	10	0.67%	-	-	-
State of California	-	-	-	6,226	4	1.50%
United States Postal Service	-	-	-	4,935	7	1.19%
Total	101,725		18.78%	87,406		21.10%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2016 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION [(1)]

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Fiscal Year				
Public Protection										
Fire Department	1,726	1,602	1,532	1,512	1,474	1,463	1,464	1,494	1,575	1,620
Police	2,870	2,949	2,757	2,681	2,665	2,655	2,727	2,784	2,871	3,013
Sheriff	951	1,016	1,048	953	1,010	1,013	984	1,015	1,006	1,056
Other	1,019	996	981	969	956	1,021	1,032	1,049	1,077	1,081
Total Public Protection	6,566	6,563	6,318	6,115	6,105	6,152	6,207	6,342	6,529	6,770
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,358	4,528	4,358	4,160	4,141	4,388	4,484	4,685	4,931	5,160
Airport Commission	1,228	1,248	1,233	1,294	1,377	1,443	1,460	1,473	1,493	1,541
Department of Public Works	1,060	1,030	822	791	783	808	825	852	925	981
Public Utilities Commission	1,609	1,580	1,549	1,584	1,616	1,620	1,621	2,002	2,023	1,637
Other	543	565	490	508	536	583	612	626	627	637
Total Public Works, Transportation and Commerce	8,798	8,951	8,452	8,337	8,453	8,842	9,002	9,638	9,999	9,956
Community Health										
Public Health	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806
Total Community Health	6,196	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806
Human Welfare and Neighborhood Development										
Human Services	1,812	1,810	1,662	1,685	1,691	1,750	1,855	1,964	2,046	2,068
Other	312	309	296	284	269	244	244	246	242	375
Total Human Welfare and Neighborhood Development	2,124	2,119	1,958	1,969	1,960	1,994	2,099	2,210	2,288	2,443
Culture and Recreation										
Recreation and Park Commission	942	919	898	851	834	841	870	905	923	935
Public Library	641	649	649	645	628	640	652	661	662	683
War Memorial	96	97	63	63	63	63	57	58	65	68
Other	204	203	199	201	199	210	213	214	214	211
Total Culture and Recreation	1,883	1,868	1,809	1,760	1,724	1,754	1,792	1,838	1,864	1,897
General Administration and Finance										
Administrative Services	505	539	647	616	637	723	716	751	804	830
City Attorney	327	318	306	300	299	303	308	308	306	307
Telecommunications and Information Services	307	265	252	210	196	199	216	209	221	228
Controller	188	198	180	194	201	198	204	219	253	263
Human Resources	155	144	138	119	123	124	135	157	166	155
Treasurer/Tax Collector	208	212	220	211	208	202	211	225	218	219
Mayor	57	55	49	42	37	49	49	50	55	56
Other	571	547	554	540	567	561	602	615	658	695
Total General Administration and Finance	2,318	2,278	2,346	2,232	2,268	2,359	2,441	2,534	2,681	2,753
Subtotal annually funded positions	27,885	27,802	26,721	26,109	26,181	26,901	27,667	28,846	29,963	30,625
Capital project funded positions	1,750	1,519	1,928	1,885	1,892	1,486	1,569	1,310	1,380	2,124
Total annually funded positions	29,635	29,321	28,649	27,994	28,073	28,387	29,236	30,156	31,343	32,749

Source: Controller, City and County of San Francisco

Note:

(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION

Last Ten Fiscal Years

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
						Fiscal Year				
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:36	7:06	7:13	7:19	7:18	7:36	8:30	8:12	7:41	7:40
Police										
Average time from dispatch to arrival on scene for highest priority calls [(1)]	4:08	3:49	3:33	4:07	4:15	4:35	4:20	4:55	4:57	5:10
Number of homicides per 100,000 population	11.8	8.2	5.3	6.3	7.4	6.2	4.7	6.6	6.2	7.9
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	N/A	50%	N/A	52%	N/A	N/A	N/A	54%	N/A	51%
Number of blocks of City streets repaved	334	310	312	427	346	521	323	474	721	704
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good)	N/A	2.98	N/A	3.55	3.02	3.38	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%	56.1%	59.9%	57.3%
Percentage of scheduled service hours delivered [(2)]	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%	97.0%	99.0%	98.9%
Airport										
Percent change in air passenger volume	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%	6.7%	4.9%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	70%	72%	77%	78%	80%	N/A	N/A	N/A	N/A	N/A
Culture and Recreation										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected	88%	89%	91%	90%	91%	91%	91%	85%	86%	86%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	N/A	79%	N/A	79%	N/A	85%	N/A	92%	N/A	N/A
Circulation of materials at San Francisco libraries	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums [(3)]	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378

Source: Controller, City and County of San Francisco

Notes:

(1) Measure changed from median time to average time in FY 2008. Values for FY 2006 through FY 2007 reflect median time, FY 2008 through FY 2015 reflects average time.
(2) Values for FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(3) 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

	Fiscal Year									
Function	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,455	2,356	2,261	2,288	2,243	2,164	2,130	2,203	2,332	2,315
Fire protection (2)										
Number of stations	42	42	42	46	46	46	46	47	47	47
Number of firefighters	978	809	768	778	718	817	896	907	995	1,029
Public works										
Miles of street (3)	1,291	1,318	1,317	1,317	1,315	1,315	1,299	1,287	1,287	1,287
Number of streetlights (4)	42,957	43,492	43,973	44,530	44,594	44,655	44,656	44,907	44,498	44,686
Water (4)										
Number of services	172,471	172,885	172,680	173,033	173,454	173,744	173,970	174,111	174,083	174,394
Average daily consumption (million gallons)	247.5	236.6	219.9	213.6	212.0	215.1	217	190	171	175
Miles of water mains	1,457	1,465	1,465	1,473	1,488	1,488	1,488	1,499	1,489	1,488
Sewers (4)										
Miles of collecting sewers	993	993	993	993	959	986	993	993	993	993
Miles of transport/storage sewers	17	17	17	17	17	24	17	17	17	17
Recreation and cultures										
Number of parks (5)	222	222	220	220	220	221	221	220	220	220
Number of libraries (6)	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) (6)	2.8	2.9	3.3	3.5	3.6	3.5	3.6	3.6	3.8	3.9
Public school education (7)										
Attendance centers	112	112	115	115	115	115	116	116	117	117
Number of classrooms	3,269	2,723	2,779	2,797	2,797	2,877	3,135	3,160	3,219	3,219
Number of teachers, full-time equivalent	3,113	3,167	3,312	3,132	3,245	3,129	3,129	3,281	3,339	3,272
Number of students	56,259	55,272	55,779	55,571	56,310	56,970	57,620	58,414	58,865	60,133

Sources:

(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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.

"Assignment Agreement" means the Assignment Agreement dated as of August 1, 2018, by and between the Corporation and the Trustee, as such Assignment Agreement may be amended from time to time.

"Authorized Representative" means, with respect to the Corporation, the Corporation's President, Chief Financial Officer, or Secretary, and, with respect to the City, the City's Mayor, Controller, Director of Real Estate, City Librarian, or Director of Public Finance, 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.

"Base Rental" means all amounts payable to the Corporation by the City as Base Rental pursuant to the Lease (but excluding Additional Rental).

"Base Rental Payment Schedule" means the schedule of Base Rental payments payable to the Corporation from the City pursuant to the Lease, as the same may be revised or supplemented in connection with the issuance of Parity Bonds as provided in the Lease and in the Trust Agreement.

"Bondowner," "Owner," "Holder" and "Bondholder" mean the Person in whose name such Bond will be registered.

"Bond Financed Facilities Component" means a component of the Project that is part of the Facilities.

"Bonds" means the Series 2018 Bonds and all Parity Bonds issued in accordance with the Trust Agreement and the Lease.

"Bond Insurer" means, collectively, any municipal bond insurance company that has issued an unconditional guarantee of the principal of and interest on any series of Bonds.

"Business Day" means any day other than a Saturday, a Sunday, 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, a day on which trading on the New York Stock Exchange is suspended for more than four hours or 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 will be read and construed as a single instrument.

"Certificate of Substantial Completion" means the notice filed with the Trustee by the City pursuant to the Lease in the form attached thereto.

"Charter" means the Charter of the City and County of San Francisco as the same may be amended from time to time.

"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 short term rating of at least equal "P-1," "A-1," or "F1" from two or more rating agencies (Moody's, S&P or Fitch) 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 at least one rating of "Aa3" (or higher) from Moody's, or "AA-" (or higher) 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 the Lease, as such Facilities may be revised pursuant to the terms of the Lease.

"Facilities Lease" means the Facilities Lease dated as of March 1, 2009, as amended by the First Amendment to Facilities Lease dated as of August 1, 2018, each between the City, as lessee, and the Corporation, as lessor, 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.

"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.

"Law" means the California Nonprofit Public Benefit Corporation Law, being Part 2 of Title 1 (commencing with Section 5110) of the California Corporations Code.

"Lease" means the Master Lease, made and entered into as of March 1, 2009, as amended by the First Amendment to Master Lease dated as of August 1, 2018, each 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.

"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 will 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 will have been given as provided in the Trust Agreement or some other provision satisfactory to the Trustee will have been made for the giving of such notice; and

(3) Bonds in lieu of or in substitution for which other Bonds will 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 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 270 days;

(k) Repurchase agreements with maturities of either (a) 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) above, which, exclusive of accrued interest, will be maintained at least 100% of par. In addition, repurchase agreements will meet the following criteria: (i) the third party (who will 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 will 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.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Pre-Parity Bonds" means bonds issued in accordance with the Trust Agreement prior to the completion of the Bond Financed Facilities Component to which they relate. Upon delivery of a Certificate of Substantial Completion relating to such Bond Financed Facilities Component and the revisions to the Lease required under provisions of the Trust Agreement and the Lease pertaining to Parity and Pre-Parity Bonds, Pre-Parity Bonds will cease to be Pre-Parity Bonds and shall become Parity Bonds.

"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 will be conducted.

"Principal Payment Date" means (i) with respect to the Series 2018 Bonds any June 15 commencing June 15, 2019; and (ii) with respect to Parity Bonds, commencing on such date as provided in a Parity Bond Instrument.

"Project" means the projects financed with the proceeds of the Bonds, which projects will be limited to items permitted to be financed with funds on deposit in the Library Preservation Fund as provided under Section 16.109 of the Charter.

"Rebate Fund" means the Rebate Fund established pursuant to the Trust Agreement.

"Reserve Fund" means the fund by that name created pursuant to the Trust Agreement.

"Reserve Fund Requirement" means, with respect to any series of Parity Bonds issued pursuant to the Trust Agreement and in accordance with the Parity Bond Instrument relating thereto, the amount specified for such series of Parity Bonds within such Parity Bond Instrument, provided that in no event shall such amount exceed the least of (i) 125% of the average annual debt service on such series of Parity Bonds Outstanding as of such date secured by such Reserve Fund (or the series-designated account therein) established therefor, (ii) Maximum Annual Debt Service on such series of Parity Bonds Outstanding as of such date secured by such Reserve Fund (or the series-designated account therein) established therefor, and (iii) 10% of the principal amount of such series of Parity Bonds Outstanding as of such date secured by such Reserve Fund (or the series-designated account therein) established therefor.

"Series 2018 Bonds" means the City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program).

"Site" means the real property described in the Lease as the same may be amended or revised from time to time as provided in the Lease.

"Tax Certificate" means the Tax Certificate executed and delivered by the City and the Corporation setting forth certain conditions, covenants, expectations and elections with respect to the Series 2018 Bonds in accordance with the Code.

"Trust Agreement" means the Master Trust Agreement dated as of March 1, 2009, as amended by the First Supplemental Trust Agreement dated as of August 1, 2018, each 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 will deposit all Revenues in the Revenue Fund. The Trustee will 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 will establish, maintain and hold in trust. Such Revenues will 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 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, will 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 the Trust Agreement as described in subsection (a) above, will 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 the Trust Agreement as described in subsections (a) and (b) above, the Trustee will 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) will 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 will be applied solely for the purpose of paying the interest on the Bonds as the same will 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 will, on or before any May 1 and November 1 occurring while any Bonds are Outstanding, be transferred to the Revenue Fund or as otherwise directed in a Request of the City.

Notwithstanding anything to the contrary within the Trust Agreement, at the option of the City, amounts required under the Trust Agreement 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 will not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Bonds (and the Corporation will notify each Rating Agency prior to making any such substitution), and (ii) the Trustee will 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 will be released to or 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 will be deposited in the Insurance and Eminent Domain Proceeds Fund and applied as set forth in the Trust Agreement, as applicable.

Reimbursement of Rental

All moneys in any of the funds and accounts established pursuant to the Trust Agreement, other than the Reserve Fund, may be used at any time for reimbursement to the City for any rental period paid by the City under the Lease for a period of time during which the payment of rental under the Lease is abated pursuant to the Lease and for which no other moneys are available.

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, will be invested in Permitted Investments (subject in each case to the limitations as to maturities hereinafter described). The Trustee will 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, will comply with the restrictions and instructions set forth in the Tax Certificate. Moneys in all funds and accounts held under the Trust Agreement will 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 fails to provide the Trustee with written direction with respect to any moneys subject to investment, the Trustee will, 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) of the definition of Permitted Investments in the Trust Agreement 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 will 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 will instead invest such moneys in Permitted Investments listed in clause (d) of the definition of Permitted Investments in the Trust Agreement that would mature on the day prior to the next Interest Payment Date.

The Trustee acknowledges in the Trust Agreement that any investment and reinvestments will be made after giving full consideration to the time at which funds are required to be available under the Trust Agreement. The Trustee may act as agent in the making or disposing of any investment. The Trustee will 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.

Covenants of the Corporation

Payment of Principal and Interest. The Corporation will pay the principal and the interest (and premium, if any) to become due in respect of every Bond issued under the Trust Agreement at the times and places and in the manner provided in the Trust Agreement and in the Bonds. When and as paid in full, all Bonds will be cancelled by the Trustee, and thereafter they will be destroyed, and the Trustee will deliver to the Corporation a certificate of destruction.

Extension of Payment of Bonds. The Corporation will not directly or indirectly extend the dates upon which principal of or interest on the Bonds are required to be paid or redeemed. Nothing in the Trust Agreement will be deemed to limit the right of the Corporation to issue any securities for the purpose of providing funds for the redemption or payment of the Bonds and such issuance will not be deemed to constitute an extension of the maturity of the Bonds.

Receipt and Deposit of Revenues in the Revenue Fund. In order to carry out and effectuate the pledge, charge and lien contained in the Trust Agreement, the Corporation agrees and covenants in the Trust Agreement that all Revenues when and as received will be received by the Corporation in trust under the Trust Agreement for the benefit of the Owners and will be deposited when and as received by the Corporation in the Revenue Fund. All Revenues will be accounted for through and held in trust in the Revenue Fund and the Corporation will have no beneficial right or interest in any of the Revenues except as provided in the Trust Agreement. All Revenues, whether received by the Corporation in trust or deposited with the Trustee as provided in the Trust Agreement, will nevertheless be allocated, applied and disbursed solely to the purposes and uses set forth in the Trust Agreement, and will be accounted for separately and apart from all other accounts, funds, moneys or other resources of the Corporation.

Compliance with Trust Agreement. The Corporation will observe and perform all the covenants, conditions and requirements of the Trust Agreement faithfully, and will not suffer or permit any default to occur under the Trust Agreement, nor do or permit to be done in, upon or about the Facilities, or any part thereof, anything that might in any way weaken, diminish or impair the security intended to be given pursuant to the Trust Agreement.

Compliance with Lease. The Corporation will keep, perform and comply promptly and faithfully in all respects with all the terms, provisions, covenants, conditions and agreements of the Lease to be kept, performed and complied with by it.

Payment of Taxes. The Corporation will pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Facilities or any part thereof, or upon the Revenues or any part thereof, promptly as and when the same will become due and payable; and the Corporation will keep the Trustee advised of such payments, upon request of the Trustee, from time to time. The Corporation will not suffer the Facilities, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Observance of Laws and Regulations. To the extent material to the issuance of and security for the Bonds, the Corporation will keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Corporation, including its right to exist and carry on business as a public body, corporate and politic, to the end that such rights, privileges and franchises will be maintained and preserved, and will not become abandoned, forfeited or in any manner impaired.

Prosecution and Defense of Suits. The Corporation will promptly take or cause the City to promptly take such action as may be necessary to cure any defect in the title of the Facilities or any part thereof, whether now existing or hereafter occurring, and will prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Against Encumbrances or Sales. The Corporation will not create or suffer to be created any mortgage, pledge, lien, or charge upon the Facilities or any part thereof or the Revenues, or upon any real or personal property essential to the operation of the Facilities, other than the pledge, lien and charge referred to in the Lease or provided for in the Trust Agreement, and other than Permitted Encumbrances. The Corporation will not issue any bonds or obligations payable from Revenues or secured by a pledge, lien or charge upon Revenues, other than the Bonds, and will not sell or otherwise dispose of any property essential to the proper operation of the Facilities or to the maintenance of the Revenues.

Compliance with Contracts. The Corporation will comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Facilities to which it is a party, and all other contracts and agreements materially affecting or involving the Facilities.

Insurance and Eminent Domain.

(a) *Application of Insurance Proceeds*. If the Facilities or any portion thereof is damaged or destroyed, the City will make an election either to redeem Bonds or to repair or replace the Facilities or affected portion thereof, or a combination thereof, in accordance with the provisions of the Lease. Notwithstanding the provisions of the Lease, the City will, within 90 days of making its decision whether to repair or replace the Facilities or affected portion thereof or to redeem Bonds, notify the Trustee of its election in a Request of the City. The proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of the Facilities will 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, will be applied to redeem Bonds in accordance with the Trust Agreement or applied to the cost of repair or replacement of such Facilities or the affected portion thereof, or a combination thereof, in either case upon receipt of a Request of the City. The Trustee may conclusively rely on any such 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 insurance, including amounts available from any self-insurance, remaining after the portion of the Facilities that was damaged or destroyed is restored to and made available to the City in substantially the same condition and fair rental value as that which existed prior to the damage or destruction or the redemption, or provision for the redemption of Bonds as required in the Trust Agreement, in each case as evidenced by a Certificate of the City to such effect, will be deposited into 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 will, if there is first delivered to the Trustee a Certificate of the City to the effect that the annual fair rental value of the Facilities after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, 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, 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 will be used to redeem Bonds pursuant to the Trust Agreement.

(b) *Eminent Domain*. If the Facilities or any portion thereof will be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the provisions set forth in the Lease as described under the heading "THE LEASE—Eminent Domain" below will apply. Notwithstanding the provisions of the Lease, the City will, within 90 days of making its decision whether or not such Facilities will be replaced or the Bonds redeemed, notify the Trustee in writing of whether or not such Facilities will be replaced or the Bonds redeemed. The proceeds of any condemnation award will 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, will be applied to redeem Bonds in accordance with the Trust Agreement or applied to the cost of replacement of the Facilities, in either case upon receipt of a Request of the City. The Trustee may conclusively rely on any such 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 as required in the Trust Agreement, in each case as evidenced by a Certificate of the City to such effect, will 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 will, 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 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 will be used to redeem Bonds pursuant to the Trust Agreement.

(c) *Application of Proceeds in the Event of Substitution*. In the event of insurable damage to or destruction of the Facilities or in the event of a taking by eminent domain or the sale of the Facilities upon the threat thereof, if the City and the Corporation agree to substitute Substitute Facilities in lieu of redeeming Bonds pursuant to the Trust Agreement, the proceeds of such insurance or eminent domain proceedings will be transferred by the Trustee to the City for use on any capital project of the City, provided that the City will have first obtained an Opinion of Bond Counsel to the effect that such use of proceeds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

(d) *Title Insurance*. Proceeds of any policy of title insurance received by the Trustee in respect of the Facilities or any portion thereof will be deposited by the Trustee in the Insurance and Eminent Domain Proceeds Fund and disbursed by the Trustee as follows:

(i) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of the Facilities and will not result in an abatement of Base Rental payable by the City under the Lease, such proceeds will be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Fund Requirement. Amounts not required to be so deposited will, if there is first delivered to the Trustee a Certificate of the City to the effect that the annual fair rental value of the Facilities, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental and Additional Rental becoming due under the Lease in the then current Fiscal Year or any subsequent Fiscal Year, will 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 such amounts will be used to redeem Bonds pursuant to the Trust Agreement.

(ii) If any portion of the Facilities has been affected by such title defect, and if the City determines that such title defect will result in an abatement of Base Rental payable by the City under the Lease, then either (1) the City will use the insurance proceeds to remove the title defect, or (2) the Trustee will, if not notified in writing by the City within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, apply such proceeds to the redemption of Bonds in the manner provided in the Trust Agreement.

Recordation and Filing. The Corporation will record and file the Lease and the Assignment Agreement and all documents relating to Parity Bonds and any other documents as may be required by law (together with whatever else may be necessary or be reasonably required by the Trustee), all in such manner, at such times and in such places as may be required by law in order to preserve, protect and perfect fully the security of the Bondowners.

Validity of Bonds. The recital contained in the Bonds that the same are regularly issued pursuant to the Law will be conclusive evidence of their validity and of compliance with the provisions of the Law in their issuance.

Tax Covenants. The Corporation covenants that it will not take any action, or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code. Without limiting the generality of the foregoing, the Corporation covenants that it will comply with the requirements of the Tax Certificate, which is incorporated in the Trust Agreement as if fully set forth in the Trust Agreement. This covenant will survive the payment in full or the defeasance of the Bonds.

In the event that at any time the Corporation is of the opinion that it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee under the Trust Agreement, the Corporation will so instruct the Trustee in a Request of the Corporation accompanied by a supporting Opinion of Bond Counsel, and the Trustee will take such action as may be directed in accordance with such instructions.

Notwithstanding any provisions of the Trust Agreement as described under this heading, if the Corporation provides to the Trustee an Opinion of Bond Counsel to the effect that any action required under Trust Agreement as described under this heading is no longer required, or to the effect that some further or different action is required, to maintain the exclusion from gross income tax of interest on the Bonds pursuant to Section 103 of the Code, the Trustee may conclusively rely on such opinion in complying with the provisions of the Trust Agreement as described under this heading and the covenants under the Trust Agreement will be deemed to be modified to that extent.

Events of Default

Any one or more of the following events are an "Event of Default" under the Trust Agreement:

(i) a default occurs under the Lease; or

(ii) the Corporation fails 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 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 will 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 will 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 will 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 will, 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 will state that a default has occurred and will 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 will be given by first-class mail, postage prepaid, to the Owners within 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 will be cumulative and will 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 will 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 will 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 will 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 will 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 will be restored to their former positions and rights, respectively, but such waiver will be limited to the particular breach so waived and will 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 will have first made written request of the Trustee after the right to exercise such powers or right of action will have arisen, and will 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 will have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee will 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 will 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 will 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 will 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 will 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 Trust Agreement as described in 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 will 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 will 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 will 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), will have been filed with the Trustee. No such supplement or amendment will (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 will 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 will 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 will 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 will not have a material adverse effect on the interests of the Owners of the Bonds;

(vi) (a) 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, (b) 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 will not adversely affect the interests of the Owners of the Bonds then Outstanding, or (c) 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.

<u>Disqualified Bonds.</u> 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) will 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 will not be entitled to vote upon, consent to, or take any other action provided for in the Trust Agreement.

<u>Effect of Supplement or Amendment.</u> From and after the time any supplement or amendment to the Trust Agreement becomes effective, the Trust Agreement will 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 will 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 will be deemed to be part of the terms and conditions of the Trust Agreement for any and all purposes.

<u>Endorsement or Replacement of Bonds Issued After Amendments.</u> The Corporation may determine that Bonds issued and delivered after the effective date of such action taken as provided in the Trust Agreement will 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 will 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, will be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond will be exchanged in the

Principal Corporate Trust Office of the Trustee, 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 will 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 will 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 will 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 will cease and terminate, which Certificate of the Corporation will be filed with the Trustee), and notwithstanding that any Bonds will 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 will 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 thereon. The discharge of the obligations of the Corporation under the Trust Agreement will 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, will be deemed to be paid and retired.

Discharge of Liability on 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 the maturity thereof, notice of such redemption will have been given as provided in the Trust Agreement or other provision satisfactory to the Trustee will have been made for the giving of such notice, all liability of the Corporation in respect of such Bonds will cease, terminate and be completely discharged and the Owners thereof will 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 will 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) will then be repaid to the Corporation, and the Owners of such Bonds will thereafter be entitled to look only to the Corporation for payment thereof, and all liability of the Trustee with respect to such moneys will 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 thereof. In the event of the repayment of any such moneys to the Corporation as described above in this paragraph, the Owners of the Bonds in respect of which such moneys were deposited will 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 to the Trust Agreement that after payment in full of (i) the Bonds, or after provision for such payment will 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) will belong to the City, and will be paid to the City by the Trustee.

Miscellaneous

Liability of Corporation Limited to Revenues. The Corporation will not be required to take any action not expressly provided for in the Trust Agreement and its obligation with respect to the Bonds will be limited as described in the Trust Agreement. Notwithstanding anything in the Trust Agreement, the Corporation will not be required to pay or advance any moneys derived from any source other than the Revenues for the payment of the principal of or interest (and premium, if any) on the Bonds, for the maintenance and operation of the Facilities, or for any other purpose of the Trust Agreement. Nevertheless, the Corporation may advance, but will not be required under any circumstances whatsoever, for any of the purposes of the Trust Agreement, any funds of the Corporation that may be made available to it for such purposes.

The Bonds are special obligations of the Corporation and are payable, as to interest thereon and principal thereof, exclusively from Revenues, and the Corporation is not obligated to pay them except from Revenues. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and the principal of the Bonds, to the extent set forth in the Trust Agreement. The Bonds are not a debt of the City, the State or any of its political subdivisions, and neither the City, the State nor any of its political subdivisions is liable therefor, nor in any event will the Bonds be payable out of any funds or properties other than those of the Corporation pledged therefor provided in the Trust Agreement. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

Limitation of Rights to Parties and Bondowners. Nothing in the Trust Agreement or in the Bonds expressed or implied is intended or will be construed to give to any Person other than the Corporation, the Trustee, and the Owners of the Bonds issued under the Trust Agreement, any legal or equitable right, remedy or claim under or in respect of the Trust Agreement or any covenant, condition or provisions in the Trust Agreement or in the Trust Agreement contained; and all such covenants, conditions and provisions are and will be held to be for the sole and exclusive benefit of the Corporation, the Trustee, and the Owners of the Bonds issued under the Trust Agreement.

Evidence of Rights of Bondowners. Any request, consent or other instrument required by the Trust Agreement to be signed and executed by Bondowners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bondowners in Person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, will be sufficient for any purpose of the Trust Agreement and will be conclusive in favor of the Trustee and of the Corporation if made in the manner provided in the Trust Agreement and described in this section.

Waiver of Personal Liability. No member, officer, agent or employee of the Corporation will be individually or personally liable for the payment of the principal of or interest on the Bonds or for anything else contained in the Trust Agreement; but nothing in the Trust Agreement contained will relieve any such member, officer, agent or employee from the performance of any official duty provided by law.

THE LEASE

Fair Rental Value

The payments of the Base Rental and Additional Rental during the term of the Lease will 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.

Defaults and Remedies

(a) The City will be deemed to be in default under the Lease:

(i) if it will (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 will 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)(B) of the preceding sentence of the Lease, unless the City will 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, will have the option under the Lease 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 will be for library purposes in accordance with the Charter). In the event the Corporation does not elect to terminate the Lease in the manner provided for in subparagraph (2), below, the City will remain liable under the Lease and agrees to keep or perform all covenants and conditions contained in the Lease to be kept or performed by the City; provided, however, that for so long as the Facilities are not re-let, the Corporation will 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 will 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 pursuant to the Lease 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 pursuant to the Lease 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 in the Lease 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 in the Lease that no acts of the Corporation in effecting such re-letting will 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 will vest in the Corporation to be effected in the sole and exclusive manner provided for in the Lease and described in subparagraph (2) below. The City further agrees in the Lease 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 and described 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 will have received an Opinion of Bond Counsel to the effect that the exercise of such remedy will 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 in the Lease 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 contained 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 will of itself operate to terminate the Lease, and no termination of the Lease on account of default by the City will be or become effective by operation of law or acts of the parties to the Lease, or otherwise, unless and until the Corporation will 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 in the Lease that no surrender of the Facilities or of the remainder of the term of the Lease or any termination of the Lease will be valid in any manner or for any purpose whatsoever unless stated by the Corporation by such written notice.

The City waives in the Lease 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 will 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 will be for library purposes as provided in the Charter.

(b) The City will 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 is 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 files any petition or institutes any proceeding under any act or acts, state or federal, dealing with or relating to the subject(s) 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, where 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 will be appointed by any court, except a receiver appointed at the instance or Request of the Corporation, or if the City will make a general or any assignment for the benefit of the City's creditors; or (3) the City will abandon or vacate any portion or portions of the Facilities.

(c) The City will 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 will 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 the Lease as described in this section, upon the occurrence of an event of default as described in the Lease, the Corporation and its assignee will 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 will 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 will have the right to bring the following actions:

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.

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.

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 will 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 will 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 will limit the remedies given to the Corporation under the Lease, the Corporation nevertheless will be entitled to whatever remedies are allowable under any statute or rule of law, except those specifically waived in the Lease. Under no circumstances, will the Corporation or the Trustee have the remedy of acceleration.

In the event the Corporation will prevail in any action brought to enforce any of the terms and provisions of the Lease, the City agrees in the Lease 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 will 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 will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes.

Eminent Domain

If the entire Facilities (or portions thereof such that the remainder is not usable for public purposes by the City) will be taken under the power of eminent domain, the term of the Lease will cease as of the day that possession will be so taken. If less than the entire Facilities will be 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 the parties waive the benefits of any law to the contrary, and in such event there will 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 Lease, in no event will 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 will be outstanding, any award made in eminent domain proceedings for taking the Facilities or any portion thereof will 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 therefor made, will be paid to the Corporation and to the City as their respective interests may appear.

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.

Removal of Leased Property

The City will have, and is granted under the Lease, the option at any time and from time to time during the term of the Lease to remove from the Lease any portion of the Facilities or the Site, as applicable; provided that the City will satisfy all of the following requirements, which are declared to be conditions precedent to such removal:

(a) No event of default has occurred and is continuing under the Lease;

(b) The City will file with the Corporation and the Trustee a Certificate of the City stating that (i) the annual fair rental value of the Facilities after such release is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the Lease at the time of such release and (ii) the useful life of the Facilities after such release is equal to or greater than the Facilities before such release;

(c) The City will file with the Corporation and the Trustee an amended legal description to the Lease that deletes the legal description of such Facilities or Site, as applicable, and will also amend the definition of Facilities and Site, as applicable;

(d) The City will cause to be recorded in the Office of the Recorder of the City a copy of the Lease containing such amended legal description or a memorandum of the Lease reflecting such amendment to the legal description.

Addition of Leased Property

In addition to the financing of additional Bond Financed Facilities Components, as contemplated by the Lease, 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. No such addition will take place under the Lease until the following conditions have been satisfied:

(a) The City will deliver to the Corporation and the Trustee the Opinion of Counsel and Opinion of Bond Counsel required under the Lease in connection with Substitute Facilities, provided that in such instance such opinions will relate to the addition of leased property and not the substitution or removal of leased property;

(b) The City will deliver to the Corporation and the Trustee the title insurance policy required under the Lease in connection with Substitute Facilities, provided that in such instance such policy will relate to the addition of leased property and not the substitution of leased property;

(c) The City will file with the Corporation and the Trustee an amended legal description to the Lease that adds the legal description of such additional Facilities and Site, as applicable; and

(d) The City will cause to be recorded in the Official Records of the City a copy of the Lease containing such amended legal description, or a memorandum of the Lease reflecting such amendment to the legal description.

Parity and Pre-Parity Bonds

In connection with the issuance of Parity Bonds or Pre-Parity Bonds to provide funds for the acquisition, construction, reconstruction, rehabilitation, or improvement or completion of components of the Project, the following conditions and requirements are required to be satisfied prior to such issuance:

(a) The Corporation and the City are required to (a) amend as necessary the definition of "Facilities" and an exhibit 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" and an exhibit 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 will cause the ratings on any Outstanding Bonds to be downgraded;

(b) The City will have 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 Facilities as amended in connection with the issuance of such Parity Bonds;

(c) The Parity Bond Instrument pursuant to which the Parity Bonds are being issued will provide that the interest payment dates for such Parity Bonds will be June 15 and December 15 and the principal payment date for such Parity Bonds will be June 15; and

(d) The Corporation and the Trustee will execute an 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 as set forth in the Lease, provide a separate Base Rental Payment Schedule (the "Pre-Parity Base Rental Payment Schedule") relating solely to the 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, are required to be sufficient to pay debt service on such Pre-Parity Bonds and will not exceed the fair rental value of the Bond Financed Facilities Component being financed from the proceeds of such Pre-Parity Bonds. Upon the delivery of a Certificate of Substantial Completion with respect to the Bond Financed Facilities Component being financed with the proceeds of such Pre-Parity Bonds, the Base Rental Payment Schedule relating to the Series 2018 Bonds and any previously issued Parity Bonds will then be revised as provided in the Lease. 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 will 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 described above, such Pre-Parity Bonds will 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.

THE FACILITIES LEASE

The City will lease to the Corporation the real property located in the City and County of San Francisco as set forth in the Facilities Lease (the "Site"), subject (i) to the terms of the Facilities Lease and (ii) to Permitted Encumbrances. The City also grants to the Corporation in the Facilities Lease such rights of ingress and egress to the Site as the Corporation may require in order to fulfill its obligations under the Facilities Lease and under the Lease.

The City represents in the Facilities Lease 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 will not assign, mortgage, hypothecate or otherwise encumber the Facilities Lease or any rights under the Facilities Lease or the leasehold created thereby 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 in the Facilities Lease expressly approves and consents to the Lease.

The Corporation agrees in the Facilities Lease, upon the expiration of the Facilities Lease, to quit and surrender the Facilities; it being the understanding of the parties to the Facilities Lease that upon termination of the Facilities Lease title to the Facilities will 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 will 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 will be deemed to occur as a result thereof; provided, however, that the City will 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 will duly perform the terms and conditions of the Facilities Lease, such assignee will be deemed to be and will become the tenant of the City under the Facilities Lease and will 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 will 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
REFUNDING LEASE REVENUE BONDS, SERIES 2018B
(BRANCH LIBRARY IMPROVEMENT PROGRAM)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") on behalf of the City and County of San Francisco Finance Corporation (the "Corporation") in connection with the issuance of the bonds captioned above (the "Series 2018 Bonds"). The Series 2018 Bonds are issued pursuant to a Master Trust Agreement, dated as of March 1, 2009 (the "Master Trust Agreement"), as amended by the First Supplemental Trust Agreement, dated as of August 1, 2018 (the "First Supplemental Trust Agreement," and together with the Master Trust Agreement, the "Trust Agreement"), each by and between the Corporation and U.S. Bank National Association, as trustee (the "Trustee"), and the Charter of 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 Series 2018 Bonds and in order to assist the Participating Underwriters in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

SECTION 2. Definitions. The following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Series 2018 Bonds (including persons holding Series 2018 Bonds through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Series 2018 Bonds or to dispose of ownership of any Series 2018 Bonds; or (b) is treated as the owner of any Series 2018 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 Series 2018 Bonds, or, if the Series 2018 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" shall mean any of the events listed in Section 5(a) and 5(b) of this Disclosure Certificate.

"MSRB" shall mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" shall mean any of the original underwriters or purchasers of the Series 2018 Bonds required to comply with the Rule in connection with offering of the Series 2018 Bonds.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission 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 2017-18 Fiscal Year (which is due not later than March 27, 2019), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City shall provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as is prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; *provided*, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(e).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City shall send 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) Summaries of the following for the prior fiscal year:

1. budgeted general fund revenues and appropriations;
2. assessed valuation of taxable property in the City;
3. *ad valorem* property tax levy and delinquency rate;
4. schedule of aggregate annual debt service on tax supported indebtedness of the City; and
5. summary of outstanding and authorized but unissued tax-supported indebtedness of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Listed Events.

(a) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 1-9 with respect to the Series 2018 Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) or adverse tax opinions;
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person.

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under State or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) The City shall give, or cause to be given, notice of the occurrence of any of the following events numbered 10-16 with respect to the Series 2018 Bonds not later than ten business days after the occurrence of the event, if material:

10. Unless described in paragraph 5(a)(5), other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2018 Bonds or other material events affecting the tax status of the Series 2018 Bonds;
11. Modifications to rights of Series 2018 Bond Holders;
12. Unscheduled or contingent Series 2018 Bond calls;
13. Release, substitution, or sale of property securing repayment of the Series 2018 Bonds;
14. Non-payment related defaults;
15. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or
16. Appointment of a successor or additional trustee or the change of name of a trustee.

(c) The City shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3, as provided in Section 3(b).

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in Section 5(b), the City shall determine if such event would be material under applicable federal securities laws.

(e) If the City learns of the occurrence of a Listed Event described in Section 5(a), or determines that knowledge of a Listed Event described in Section 5(b) would be material under applicable federal securities laws, the City shall within ten business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection 5(b)(12) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Series 2018 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 Series 2018 Bonds. If such termination occurs prior to the final maturity of the Series 2018 Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(e).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4, 5(a) or 5(b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2018 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 Series 2018 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Series 2018 Bonds or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5; and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual

Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Series 2018 Bonds may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Corporation, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Series 2018 Bonds, and shall create no rights in any other person or entity.

Date: August __, 2018.

CITY AND COUNTY OF SAN FRANCISCO

____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE

EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Bond Issue:	CITY AND COUNTY OF SAN FRANCISCO FINANCE CORPORATION REFUNDING LEASE REVENUE BONDS, SERIES 2018B (BRANCH LIBRARY IMPROVEMENT PROGRAM)
Date of Issuance:	August __, 2018

NOTICE IS HEREBY GIVEN to the Municipal Securities Rulemaking Board that the City has not provided an Annual Report with respect to the above-named Series 2018 Bonds as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated August __, 2018. The City anticipates that the Annual Report will be filed by _____________.

Dated:_______________

CITY AND COUNTY OF SAN FRANCISCO

By: [to be signed only if filed]
Title: ___________________________________

APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in this Appendix E concerning The Depository Trust Company ("DTC") and DTC's book entry system has been obtained from DTC and the City and County of San Francisco (the "City") and the City and County of San Francisco Finance Corporation (the "Corporation") take no responsibility for the completeness or accuracy thereof. The City and the Corporation cannot and do not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Series 2018 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series 2018 Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2018 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 E. 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.

The Depository Trust Company ("DTC") will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds 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 Bond certificate will be issued for each Series of Bonds, each in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC 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 is rated "AA+" by Standard & Poor's. 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; nothing contained in such website is incorporated into this Official Statement.

Purchases of Series 2018 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 Series 2018 Bonds 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 Series 2018 Bonds, except in the event that use of the book entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds 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 Series 2018 Bonds 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 Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds 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.

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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2018 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2018 Bond documents. For example, Beneficial Owners of Series 2018 Bonds may wish to ascertain that the nominee holding the Bonds 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.

Redemption notices shall be sent to DTC. If less than all of the Series 2018 Bonds 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.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Series 2018 Bonds 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 Corporation, the City or the 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, the Trustee, the City or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of, premium, if any, and interest on the Series 2018 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the 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.

NEITHER THE CITY NOR THE CORPORATION WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF SERIES 2018 BONDS FOR PREPAYMENT.

Neither the City nor the Corporation can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Series 2018 Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City or the Corporation may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book entry system has been obtained from sources that the City and the Corporation believe to be reliable, but neither the City nor the Corporation take any responsibility for the accuracy thereof.

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

APPENDIX F

PROPOSED FORM OF OPINION OF CO-BOND COUNSEL

[Date of Closing]

City and County of San Francisco Finance Corporation
San Francisco, California

City and County of San Francisco
San Francisco, California

Re: $__________ City and County of San Francisco Finance Corporation Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program)

We have served as co-bond counsel to our client the City and County of San Francisco Finance Corporation (the "Corporation") in connection with the issuance by the Corporation of its $__________ Refunding Lease Revenue Bonds, Series 2018B (Branch Library Improvement Program) (the "Bonds"), dated the date of this letter.

The Bonds are issued pursuant to Section 16.109 of the Charter of the City and County of San Francisco (the "City") and other applicable provisions of law, Ordinance No. 135-18, passed by the Board of Supervisors of the City on June 5, 2018 and signed by the Mayor on June 14, 2018, Resolution No. 2018-3 adopted by the Board of Directors of the Corporation on May 18, 2018, and a Master Trust Agreement, dated as of March 1, 2009, as supplemented by a First Supplemental Trust Agreement, dated as of _________, 2018 (collectively, the "Trust Agreement"), each by and between the Corporation and U.S. Bank National Association, as successor trustee to The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). Capitalized terms not otherwise defined in this letter are used as defined in the Trust Agreement.

In our capacity as co-bond counsel, we have examined the transcript of proceedings relating to the issuance of the Bonds, a copy of the signed and authenticated Bonds, the Trust Agreement and such other documents, matters and law as we deem necessary to render the opinions set forth in this letter.

Based on that examination and subject to the limitations stated below, we are of the opinion that under existing law:

1. The Bonds are valid and binding limited obligations of the Corporation, enforceable in accordance with their terms. The principal of and interest on (collectively, "debt service") the Bonds are payable from and secured solely by the Revenues. The Bonds are not a lien or charge upon the funds or property of the Corporation except to the extent of the pledge set forth in the Trust Agreement. The payment of debt service on the Bonds is not secured by an obligation or pledge of any money raised by taxation and the Bonds do not represent or constitute a general obligation or a pledge of the faith and credit of the City, the State of California or any of its political subdivisions.

2. The Trust Agreement has been duly and validly authorized, executed and delivered by the Corporation and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of principal of and interest on the Bonds, of the Revenues and other amounts held by the Trustee in certain funds and accounts established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for other purposes and on the terms and conditions set forth therein.

3. The Facilities Lease and the Lease have been duly and validly authorized, executed and delivered by the Corporation and the City and constitute the legally valid and binding obligations of the Corporation and the City, enforceable against the Corporation and the City in accordance with their terms.

4. The Assignment Agreement has been duly and validly authorized, executed and delivered by the Corporation and, assuming the enforceability thereof against the Trustee, constitutes the legally valid and binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.

5. 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"), and is not an item of tax preference for purposes of the federal alternative minimum tax; however, interest on the Bonds is included in the calculation of a corporation's adjusted current earnings for purposes of, and thus may be subject to, the corporate alternative minimum tax (applicable only to taxable years beginning before January 1, 2018). Interest on the Bonds is also exempt from State of California personal income taxes. We express no opinion as to any other tax consequences regarding the Bonds.

The opinions stated above are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. In rendering all such opinions, we assume, without independent verification, and rely upon (i) the accuracy of the factual matters represented, warranted or certified in the proceedings and documents we have examined and (ii) the due and legal authorization, execution and delivery of those documents by, and the valid, binding and enforceable nature of those documents upon, any parties other than the Corporation and the City.

We express no opinion herein regarding the priority of the lien on Revenues or other funds created by the Trust Agreement. We express no opinion herein with respect to the status or quality of title to, or any interest in, any of the property described in the Facilities Lease, the Lease or the Assignment Agreement, or the accuracy or sufficiency of the description contained therein of any of that property, or the priority of, or the remedies available to enforce, any claim on or interest in any of that property.

In rendering those opinions with respect to treatment of the interest on the Bonds under the federal tax laws, we further assume and rely upon compliance with the covenants in the proceedings and documents we have examined, including those of the Corporation and the City. Failure to comply with certain of those covenants subsequent to issuance of the Bonds may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to their date of issuance.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Trust Agreement, the Facilities Lease, the Lease and the Assignment Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities.

No opinions other than those expressly stated herein are implied or shall be inferred as a result of anything contained in or omitted from this letter. The opinions expressed in this letter are stated only as of the time of its delivery and we disclaim any obligation to revise or supplement this letter thereafter. Our engagement as co-bond counsel in connection with the original issuance and delivery of the Bonds is concluded upon delivery of this letter.

Respectfully submitted,

APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO
INVESTMENT POLICY

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

Effective February 2018

1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

(1) Applicants who have changed firms;
(2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
(3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4). The following policy shall govern unless a variance is specifically authorized by the Treasurer and reviewed by the Treasury Oversight Committee pursuant to Section 5.0.

7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
20% of the portfolio value	5%	No Limit	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.4 Public Time Deposits (Term Certificates of Deposit)

The Treasurer's Office may invest in either:

1. Non-negotiable time deposits (Certificates of Deposit or CDs) that have FDIC or similar deposit insurance; or

2. Fully collateralized CDs in approved financial institutions.

The Treasurer's Office will invest in CDs and Time Deposits only with those firms having at least one branch office within the boundaries of the City and County of San Francisco. As required by Government Code Section 53649, the Treasurer's Office shall have a signed agreement with any depository accepting City funds.

For Public Time Deposits not employing deposit insurance (such as FDIC), the Treasurer's Office is authorized to accept two forms of collateral:

A. Deposit Collateral. Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by deposit insurance.

B. Letters of Credit Issued by the Federal Home Loan Bank of San Francisco. As authorized by Section 53651 (p) of the California Government Code, the Treasurer's Office may be accepted as collateral and shall conform to the requirements of Section 53651.6 of the California Government Coded include the following terms:

(1) The Administrator, as defined by Section 53630 (g) of the California Government Code, shall be the beneficiary of the letter of credit; and

(2) The letter of credit shall be clean and irrevocable, and shall provide that the Administrator may draw upon it up to the total amount in the event of the failure of the depository savings association or federal association or if the depository savings association or federal association refuses to permit the withdrawal of funds by a treasurer.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
No Limit	None	N/A	13 months

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

7.5 Negotiable Certificates of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	N/A	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
40% of the portfolio value	30%	No Limit	180 days

Issuer Minimum Credit Rating: None

7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	None	270 days

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the highest ranking (irrespective of +/-) from at least one NRSRO.

7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	5%	24 months

Issuer Minimum Credit Rating: Issuers must possess either a short-term rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.9 Repurchase Agreements

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third-party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

Type of collateral	Allocation Maximum	Issuer Limit Maximum	Maturity/Term Maximum
Government securities	No Limit	N/A	1 year
Securities permitted by CA Government Code, Sections 53601 and 53635	10%	N/A	1 year

7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Money Market Funds

Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

Fund Type	Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
Institutional Government	20% of total Pool assets	N/A	5%	N/A

Issuer Minimum Credit Rating: Fund must be rated in the highest rating category from not less than two NRSROs .

7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30%	None	None	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term credit rating of the highest ranking or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

* Effective as of January 1, 2015, as consistent with State Law.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor; the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing, deferred deposit (payday-lending) businesses and organizations involved in financing, either directly or indirectly, the Dakota Access Pipeline or, as determined by the Treasurer, similar pipeline projects. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.
Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner
Joint Accounts (two or more persons) $250,000 per co-owner
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**
*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the $250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate.This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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ORO EN PAZ FIERRO EN GUERRA

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