

CITY AND COUNTY OF SAN FRANCISCO

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS**

FOR THE YEAR ENDED JUNE 30, 2019



Certified
Public
Accountants

**CITY AND COUNTY OF SAN FRANCISCO
 BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
 FOR THE YEAR ENDED JUNE 30, 2019**

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

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, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.3%	5.3%	1.8%
Business-type activities	92.9%	99.0%	75.3%
Aggregate discretely presented component unit and remaining fund information	1.0%	0.7%	9.1%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 2019, 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.

Other Matters

Prior-Year Comparative Information

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2018, from which such partial and summarized information was derived.

We have previously audited the City's 2018 financial statements, before the restatement described in Note 2(t) to the 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 March 25, 2019. As discussed in Note 2(t) to the financial statements, the 2018 financial statements have been restated based on the report of other auditors to correct a misstatement. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment healthcare benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

San Francisco, California

December 30, 2019, except for the last paragraph of Note 19(c) Subsequent Events and
our report on the schedule of expenditures of federal awards, as to which the date is April 14, 2020

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2019

This section of the City and County of San Francisco's (the City) basic financial statements presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2017-18 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2018-19 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 \$9.60 billion (net position). Of this balance, \$10.04 billion represents the City's net investment in capital assets, \$3.03 billion represents restricted net position, and unrestricted net position has a deficit of \$3.47 billion. The City's total net position increased by \$1.92 billion, or 25.0 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$891.2 million or 9.7 percent and \$534.6 million or 21.4 percent, respectively, and unrestricted net position increased by \$497.4 million or 12.5 percent.

The City's governmental funds reported total revenues of \$7.56 billion, which is a \$1.15 billion or 17.9 percent increase over the prior year. Within this, revenues from property taxes, business taxes, sales and use tax, hotel room tax, real property transfer tax, interest and investment income, rent and concessions, intergovernmental sources, charges for services, other revenues grew by approximately \$593.9 million, \$20.4 million, \$33.1 million, \$26.2 million, \$83.6 million, \$131.9 million, \$50.1 million, \$107.5 million, \$22.0 million and \$60.0 million, respectively. Governmental funds expenditures totaled \$6.27 billion for this period, a \$421.1 million or 7.2 percent increase, reflecting increases in demand for governmental services of \$465.7 million, offset by decreases in debt service of \$30.8 million and in capital outlay of \$13.8 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$5.14 billion, an increase of \$563.3 million or 12.3 percent from prior year, primarily to a strong growth in most revenues over a moderate increase of expenditures and other financing uses this year over last year.

The City's total short-term debt increased by \$123.0 million in this fiscal year. The decrease of \$29.1 million in the governmental activities was due to the paydown of \$4.1 million and \$25.0 million of Commercial Paper (CP) which financed the Animal Care and Control facility project and the construction of Transbay Transit Center, respectively. The short-term debt in the business-type activities increased by \$152.1 million. The Water Enterprise, Hetch Hetchy Water and Power, and the Wastewater Enterprise, increased the short-term debt by a total of \$180.1 million to upgrade their facilities. The San Francisco General Hospital paid off \$2.2 million of CP and Airport refinanced \$25.8 million of CP through the issuance of long-term debt.

The City's governmental activities long-term bonds, loans, and capital leases decreased by \$314.8 million. General obligation bonds of \$24.0 million, issued for seismic safety loan program was paid off by the developer/borrower. The San Francisco Finance Corporation's refunding of the three series of lease revenue bonds for open space and branch library improvements reduced the City's long-term debt by \$18.4 million, and the City paid off the SFCTA's revolving loan of \$24.7 million. The scheduled principal payments and amortization of issuance premium totaling \$320.1 million was partially offset by the issuance of \$72.4 million general obligation bonds to fund loans to finance the cost of acquisition, improvements and rehabilitation of at-risk multi-unit residential housing and convert such structures to affordable housing.

The business-type activities long-term debt increased by \$1.80 billion. The Airport issued a total of \$1.98 billion revenue bonds, comprised of \$1.57 billion revenue bonds to finance and refinance its various development projects and \$410.9 million revenue refunding bonds for economic gain. The Wastewater Enterprise issued \$594.1 million revenue bonds to finance and refinance the City's wastewater system improvement projects and obtained loans of \$66.9 million from the State of California for sewer system improvement projects. The Municipal Transportation Agency obtained a bank loan of \$3.3 million for a garage renovation project. The Port of San Francisco has assumed the \$6.1 million loan from the State of

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

California Department of Boating and Waterways related to its assumed operation of the South Beach Harbor. The increase in debt was partially offset by the \$921.9 million of debt service payments and bond premium amortization.

In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor to the City's Port at no cost in April 2019. The transfer consisted of Harbor capital assets of \$20.0 million, a debt payable to the California Division of Boating and Waterways of \$6.1 million, cash of \$5.1 million, and miscellaneous assets and liabilities with a net liability of \$0.7 million. The City's Port Enterprise Fund recorded a special item of \$18.3 million for the transfer.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization of City and County of San Francisco Basic Financial Statements

Financial Section	Management's Discussion and Analysis (MD&A)			
	Government - wide Financial Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
	Statement of net position	Balance sheet	Statement of net position	Statement of fiduciary net position
			Statement of revenues, expenses, and changes in fund net position	
	Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of cash flows	Statement of changes in fiduciary net position
	Notes to the Financial Statements			
	Required Supplementary Information Other Than MD&A			
	Information on individual nonmajor funds and other supplementary information that is not required			

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Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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, net OPEB liability, and OPEB contributions.

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

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Combining Statements and Schedules

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

**Condensed Statement of Net Position
(in thousands)**

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets.....	\$7,301,821	\$6,664,033	\$ 6,575,434	\$ 6,174,594	\$ 13,877,255	\$ 12,838,627
Capital assets.....	6,155,064	5,803,025	20,689,646	18,470,576	26,844,710	24,273,601
Total assets.....	<u>13,456,885</u>	<u>12,467,058</u>	<u>27,265,080</u>	<u>24,645,170</u>	<u>40,721,965</u>	<u>37,112,228</u>
Deferred outflows of resources:	<u>996,754</u>	<u>1,015,311</u>	<u>947,283</u>	<u>973,033</u>	<u>1,944,037</u>	<u>1,988,344</u>
Liabilities:						
Current liabilities.....	2,179,762	2,041,116	2,148,534	2,201,736	4,328,296	4,242,852
Noncurrent liabilities.....	8,742,967	9,326,001	18,872,584	17,470,491	27,615,551	26,796,492
Total liabilities.....	<u>10,922,729</u>	<u>11,367,117</u>	<u>21,021,118</u>	<u>19,672,227</u>	<u>31,943,847</u>	<u>31,039,344</u>
Deferred inflows of resources:	<u>629,419</u>	<u>223,275</u>	<u>490,524</u>	<u>158,974</u>	<u>1,119,943</u>	<u>382,249</u>
Net position:						
Net investment in capital assets **.....	3,681,341	3,311,218	6,764,333	6,176,022	10,048,870	9,157,665
Restricted **.....	2,024,387	1,531,481	1,053,773	1,103,693	3,027,217	2,492,619
Unrestricted (deficit) **.....	(2,804,237)	(2,950,722)	(1,117,385)	(1,492,713)	(3,473,875)	(3,971,305)
Total net position.....	<u>\$2,901,491</u>	<u>\$1,891,977</u>	<u>\$ 6,700,721</u>	<u>\$ 5,787,002</u>	<u>\$ 9,602,212</u>	<u>\$ 7,678,979</u>

* See Note 2(t) to the basic financial statements.

** 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 \$9.60 billion at the end of fiscal year 2018-19, a 25.0 percent increase over the prior year. The City's governmental activities account for \$2.90 billion of this total and \$6.70 billion stem from its business-type activities.

The largest portion of the City's net position is the \$10.04 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$891.2 million or 9.7 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 \$601.8 million increase at SFMTA offset by decreases of \$81.3 million and \$39.0 million at Airport and Wastewater Enterprise, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$3.03 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$3.47 billion, which consists of a \$2.80 billion deficit in governmental activities and \$1.12 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included \$447.7 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

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

**Condensed Statement of Activities
(in thousands)**

	Governmental activities		Business-type activities*		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services.....	\$ 815,176	\$ 685,437	\$ 3,840,617	\$ 3,686,189	\$ 4,655,793	\$ 4,371,626
Operating grants and contributions.....	1,392,516	1,279,900	251,757	217,506	1,644,273	1,497,406
Capital grants and contributions.....	233,184	63,181	467,069	456,166	700,253	519,347
General revenues:						
Property taxes.....	2,581,308	2,363,863	-	-	2,581,308	2,363,863
Business taxes.....	919,552	899,142	-	-	919,552	899,142
Sales and use tax.....	329,296	293,916	-	-	329,296	293,916
Hotel room tax.....	408,348	382,176	-	-	408,348	382,176
Utility users tax.....	93,918	94,460	-	-	93,918	94,460
Other local taxes.....	515,435	424,187	-	-	515,435	424,187
Interest and investment income.....	178,350	46,020	182,666	39,010	361,016	85,030
Other.....	88,788	71,834	237,045	246,827	325,833	318,661
Total revenues.....	<u>7,555,871</u>	<u>6,604,116</u>	<u>4,979,154</u>	<u>4,645,698</u>	<u>12,535,025</u>	<u>11,249,814</u>
Expenses						
Public protection.....	1,496,341	1,496,749	-	-	1,496,341	1,496,749
Public works, transportation and commerce.....	331,717	321,577	-	-	331,717	321,577
Human welfare and neighborhood development.....	1,720,425	1,552,060	-	-	1,720,425	1,552,060
Community health.....	960,422	914,512	-	-	960,422	914,512
Culture and recreation.....	594,219	425,668	-	-	594,219	425,668
General administration and finance.....	330,358	430,711	-	-	330,358	430,711
General City responsibilities.....	156,907	118,956	-	-	156,907	118,956
Unallocated Interest on long-term debt.....	153,220	138,048	-	-	153,220	138,048
Airport.....	-	-	1,067,265	1,092,154	1,067,265	1,092,154
Transportation.....	-	-	1,304,358	1,304,254	1,304,358	1,304,254
Port.....	-	-	123,116	102,667	123,116	102,667
Water.....	-	-	536,480	536,068	536,480	536,068
Power.....	-	-	314,471	202,366	314,471	202,366
Hospitals.....	-	-	1,236,823	1,294,045	1,236,823	1,294,045
Sewer.....	-	-	304,010	264,298	304,010	264,298
Total expenses.....	<u>5,743,609</u>	<u>5,398,281</u>	<u>4,886,523</u>	<u>4,795,852</u>	<u>10,630,132</u>	<u>10,194,133</u>
Increase/(decrease) in net position before transfers and special items.....	1,812,262	1,205,835	92,631	(150,154)	1,904,893	1,055,681
Transfers.....	(802,748)	(753,283)	802,748	753,283	-	-
Special items:						
Receipt of Yerba Buena Garden property.....	-	116,690	-	-	-	116,690
Receipt of South Beach Harbor operations.....	-	-	18,340	-	18,340	-
Change in net position.....	<u>1,009,514</u>	<u>569,242</u>	<u>913,719</u>	<u>603,129</u>	<u>1,923,233</u>	<u>1,172,371</u>
Net position at beginning of year, as restated.....	1,891,977	1,322,735	5,787,002	5,183,873	7,678,979	6,506,608
Net position at end of year.....	<u>\$ 2,901,491</u>	<u>\$ 1,891,977</u>	<u>\$ 6,700,721</u>	<u>\$ 5,787,002</u>	<u>\$ 9,602,212</u>	<u>\$ 7,678,979</u>

* See Note 2(t) to the basic financial statements.

Analysis of Changes in Net Position

The City's change in net position increased by \$750.9 million in fiscal year 2018-19, a 64.0 percent increase from the prior fiscal year, as noted above. The increase in the change in net position was due to a \$440.3 million increase from governmental activities and a \$310.6 million increase from business-type activities.

The City's governmental activities experienced a \$951.8 billion or 14.4 percent growth in total revenues, as well as an increase in total expenses of \$345.3 million or 6.4 percent this fiscal year. Business-type activities revenues increased by \$333.5 million or 7.2 percent, as well as an increase in total expenses of \$90.7 million, or 1.9 percent. The net transfer to business-type activities increased by \$49.5 million. The major

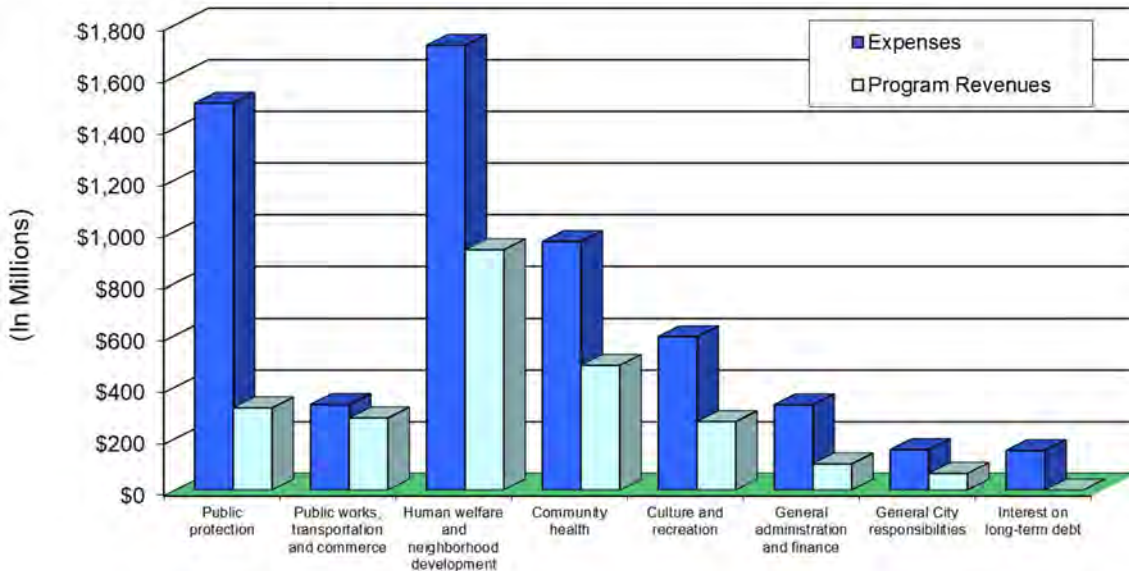
CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

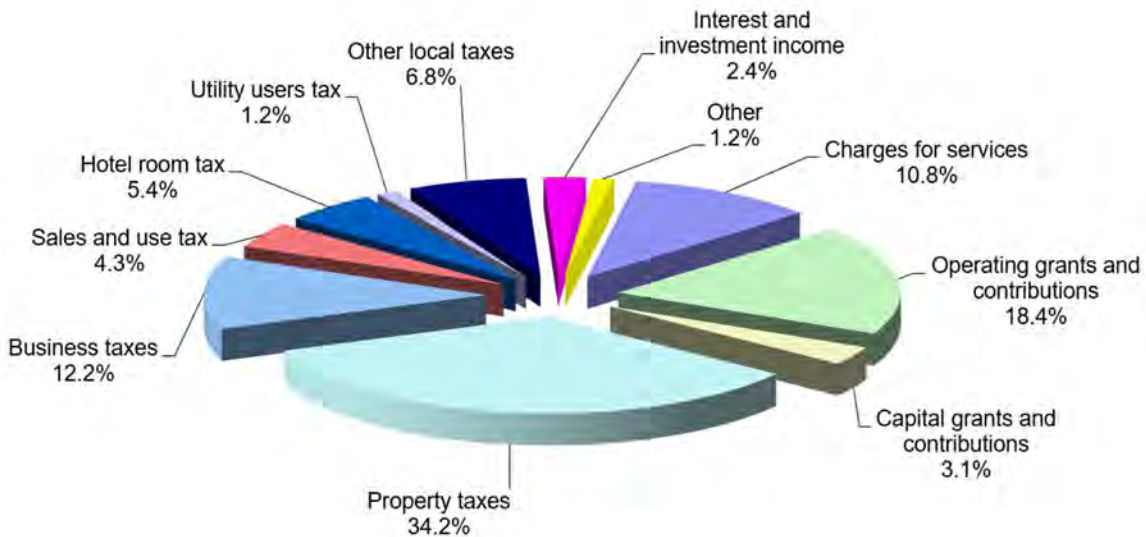
Year Ended June 30, 2019

components of increased revenue Citywide are increased interest and investment income of \$276.0 million and property taxes of \$217.4 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Governmental Activities. Governmental activities increased the City's total net position by approximately \$1.01 billion. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$7.56 billion, a \$951.8 million or 14.4 percent increase over the prior year. For the same period, expense totaled \$5.74 billion before transfers of \$802.7 million.

Property tax revenues increased by \$217.4 million or 9.2 percent. This growth was due in large part to the increased recognition of \$130.8 million Excess Educational Revenue Augmentation Fund (ERAF) in the current fiscal year. Increases in the secured and unsecured property tax revenues, offset by decreases in supplemental and escape property tax revenues, were responsible for majority of the remaining change. An increase of \$20.4 million or 2.3 percent in business tax was driven by relatively modest growth in business tax payments over the prior year.

Revenues from sales and use tax and hotel room taxes totaled approximately \$737.6 million, a growth of \$61.6 million over the prior year. Sales and use tax increased by \$35.4 million or 12.0 percent primarily due to the implementation of a new system by the California Department of Tax and Fee Administration which caused delays in processing certain filer's sales tax remittances in FY 2017-18. These missing payments were disbursed throughout FY 2018-19 to the City. As a result, an above-average growth has been observed. Hotel room tax increased by approximately \$26.2 million or 6.8 percent, due to an increase in revenue per available room (RevPAR) which is a function of changes in occupancy, average daily room rate and room supply. In fiscal year 2018-19, monthly RevPAR not weighted for seasonality increased 6.8 percent despite the annual average Occupancy Rate decreased by 1.2 percent primarily due to the increase in room supply.

Other local taxes increased by \$91.2 million or 21.5 percent, mainly related to an increase in real property transfer tax. This revenue is one of the most volatile of all sources and is highly sensitive to economic cycles and interest rates. Transfer taxes are assessed at different levels according to the amount of the transaction. Most of the volatility in this tax is driven by transactions for those valued at \$10 million or more. There were more transactions in this group which totaled \$256.3 million or 70.4 percent of total revenue during fiscal year 2018-19.

Total grants and contributions increased \$282.6 million or 21.0 percent. The increase was primarily due to a capital contribution of \$119.9 million of the completed improvement and expansion work on the Moscone Convention Center North and South buildings by the Moscone Expansion District. The expansion project together with City's funding added 305,000 square feet functional area and 42 streetscape improvements to the surrounding neighborhood. There was also a \$29.0 million capital contribution from a community facilities district and land donation of \$28.8 million. In addition, there was a total of \$112.6 million increases in operating grants and contributions for human welfare and neighborhood development and community health programs from State and Federal, mainly for welfare, health and integrated care, housing and supportive services.

Total charges for services increased \$129.7 million or 18.9 percent largely from rents and concessions by \$50.1 million, loan programs repayments by \$20.1 million on loans previously considered uncollectible, fines and forfeitures by \$16.2 million, and the remaining from various City services and charges.

Interest and investment income revenue increased by \$132.3 million or 2.9 times, primarily due to increased interest rates as well as balances in the City's investment pool mainly from increased collections in property tax revenues, business tax and other revenues.

Net transfers from the governmental activities to business-type activities were \$802.7 million, a \$49.5 million or 6.6 percent increase from the prior year. General Fund baseline transfer to SFMTA increased \$75.2 million primarily due to increase in property taxes, including ERAF revenue. General Fund transfer to Laguna Honda Hospital also increased by \$54.6 million to repay the State for SB 1128 reimbursements from prior years that were subsequently disallowed and by \$22.9 million to fund general operations. This was partly offset by decrease in transfer to SFMTA by \$77.6 million from other governmental funds for

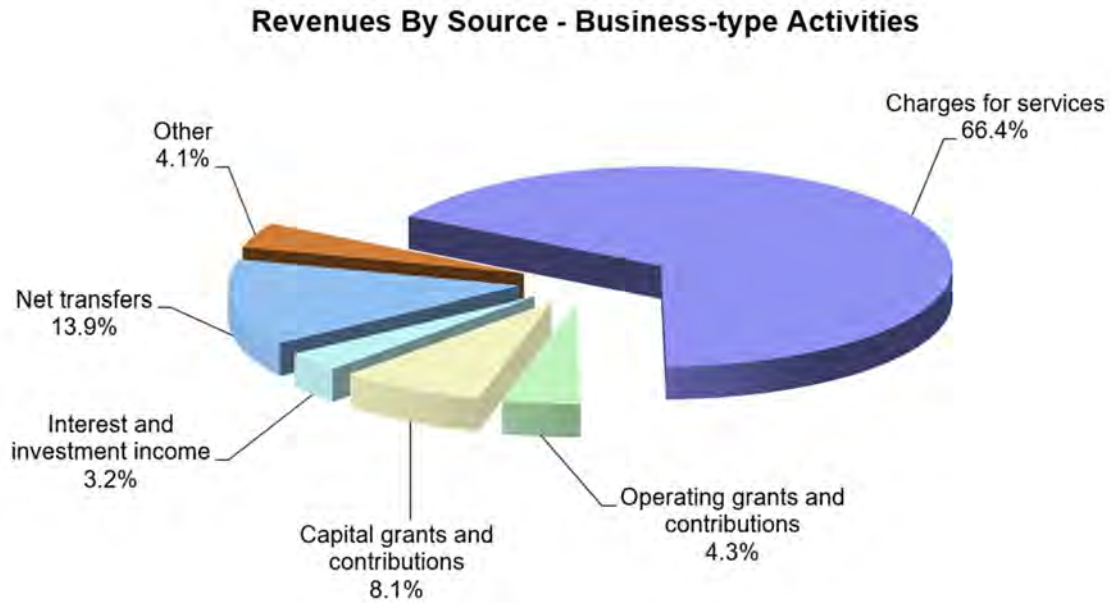
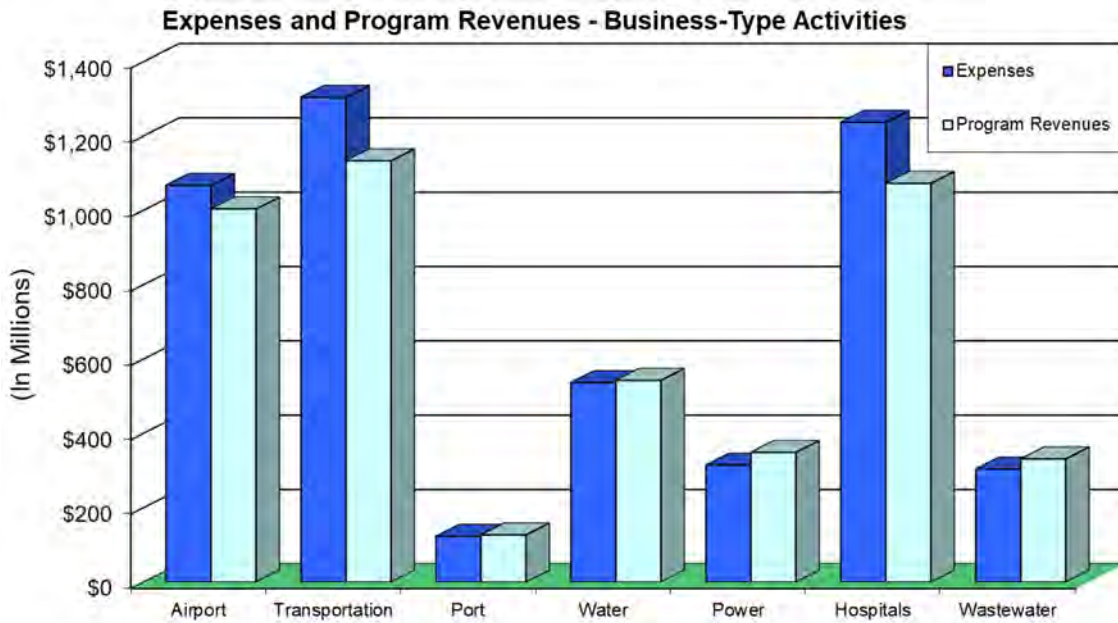
CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

reduced capital projects expenditures and a decrease of \$23.0 million transfer from the Wastewater Enterprise for the Central Shop Relocation project.

The increase of total governmental expenses of \$345.3 million, or 6.4 percent, was primarily due to a general increase in salaries and fringe benefits for \$179.3 million, growth in City grant and aid payments and non-professional services by \$128.2 million related to community health and human welfare programs. Nonpersonnel expenses including professional and consulting services, judgment and claims and withdrawal of Rainy Day Reserve by San Francisco Unified School District totaled to a \$97.9 million increase. In addition, culture and recreation activity has a net \$168.6 million increase largely due to spending on various capital and improvement projects. These increases were partly offset by a decrease of \$166.2 million in pension and OPEB expenses, net of deferred contributions, primarily due to assumption changes, actuarial experience gains and increased contributions.



CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Business-type activities increased the City's net position by \$913.7 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$91.8 million, compared to a \$65.2 million increase in the prior year, a \$26.6 million difference. Operating revenues totaled \$980.4 million for fiscal year 2018-19, a decrease of \$83.4 million or 7.8 percent over the prior year and included a decrease of \$104.7 million in aviation primarily because fiscal year 2017-18 aviation revenues included an aviation revenue receivable that did not recur in fiscal year 2018-19, and there was an increase in PFC expenditures on debt service and non-aviation revenue in fiscal year 2018-19 that together reduced the aviation revenue requirement relative to fiscal year 2017-18, offset by increases of \$3.3 million in rents and concessions, \$13.8 million in parking and transportation, and \$4.2 million in net sales and services, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses decreased by \$6.2 million, or 0.8 percent, for a net operating income of \$216.4 million for the period. Net nonoperating activities saw a deficit of \$99.1 million versus \$196.9 million deficit in the prior year, a \$97.8 million decrease. The decrease of \$6.2 million in operating expenses is due to decreases in personal services of \$22.8 million due to a prior year significant pension expense increase related to supplemental cost of living adjustments in fiscal year 2016-17, and additional positions that did not recur in fiscal year 2018-19 and materials and supplies of \$2.7 million, offset by increases in contractual services of \$5.4 million, light, heat and power of \$1.1 million, depreciation and amortization of \$3.6 million, general and administrative of \$0.3 million, services provided by other departments of \$6.2 million, and other operating expenses of \$2.7 million. The decrease of \$97.8 million in nonoperating expenses is due to decreases in other nonoperating revenues of \$1.5 million, and other nonoperating expenses of \$36.2 million, offset by increases in interest and investment income of \$80.6 million primarily due to the net effect of \$51.0 million of investment fair value adjustments and an actual investment income increase of \$29.6 million, and interest expense of \$17.5 million. Capital contributions increased by \$8.6 million due to an increase in federal grants received for the Airport Improvement Program and TSA Checked Baggage Recapitalization Construction Project.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$52.6 million at the end of fiscal year 2018-19, compared to an increase of \$17.6 million at the end of the previous year, a \$35.0 million difference. Operating revenues totaled \$542.4 million, operating expenses totaled \$357.1 million, nonoperating activities totaled a net expense of \$113.5 million and the net decrease from transfers was \$19.1 million. Compared to the prior year, operating revenues increased \$16.8 million, which included \$14.6 million in charges for services. The enterprise reported a total decrease in operating expenses of \$13.1 million in fiscal year 2018-19 mostly due to a \$16.7 million decrease in personal services mainly due to pension and OPEB obligations, nonoperating expenses increased by \$14.0 million in interest expense mainly due prior year's bond issuance and reduced interest capitalization for capital projects.
- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2018-19 with a net position increase of \$79.6 million, compared to a \$33.4 million increase the prior year, a difference of \$46.2 million. This change consisted of an increase in operating income of \$40.8 million, an increase in net nonoperating revenues of \$10.5 million, and a decrease in transfers from the City of \$5.1 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a \$9.4 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a \$39.1 million increase in change in net position, and CleanPowerSF, which reported a \$31.1 million increase in net position. Hetchy Water operating revenues increased by \$0.4 million, mainly due to an increase of \$0.5 million in water assessment fees from the Water Enterprise while operating expenses increased by \$10.5 million mainly due to an increase of \$11.2 million in general and administrative and other expenses. Hetchy Power's operating revenues increased by \$24.7 million mostly due to wholesale electricity of \$11.7 million from recognition of California Independent System operator (CAISO) Congestion Revenue Right (CRR) credits and increased sales of \$7.4 million to other City departments and \$5.4 million to non-City customers. On the operating expenses side, Hetchy Power reported an increase of \$3.3 million mainly attributed to an increase of \$13.0 million in purchased electricity and transmission, distribution and other power costs

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

primarily due to CAISO CRR credits were recognized as revenue instead of offsetting to expenses, \$2.6 million in personal services mainly due to higher salaries and fringe benefits, and \$1.0 million in legal services provided by the City Attorney, offset by a decrease of \$12.9 million in other operating expenses mainly due to increased capitalization of project expenses. CleanPowerSF's operating revenues increased by \$128.3 million mostly due to \$127.1 million increase in charges for services related to consumption increase and \$1.1 million from capacity sales to Hetchy Power and other entities. Operating expenses for CleanPowerSF increased by \$98.9 million mainly due to \$92.5 million increase in purchased electricity and transmission, distribution and other power costs, \$2.6 million increase in professional services related to program development, and \$2.5 million increase in personal services.

- The City's Wastewater Enterprise's net position increased by \$55.0 million, compared to a \$65.2 million increase in the prior year, a \$10.2 million change. Operating revenues increased by \$16.0 million due to a \$14.7 million increase in charges for services as a result of an average 7 percent adopted rate increase, offset by a 2 percent decrease in sanitary flow. Operating expenses increased by \$49.2 million mainly due to \$52.4 million increases in general and administrative caused by lower capitalization of capital project spending coupled with higher capital project expenses related to Southeast Plant Improvement Project, \$4.4 million in depreciation expense due to more capitalized assets put in service, \$3.0 million in contractual services mainly due to higher maintenance services on building structures and higher professional and specialized services, \$0.4 million in materials and supplies, and \$0.3 million in services provided by other departments mainly for light, heat, and power. These increases were offset by a decrease of \$11.3 million in personal services mainly due to decrease in expenses related to pension and OPEB. Transfers out decreased by \$23.0 million mainly due to a decrease of \$26.7 million in transfer to the City Real Estate Division for the Phase 1 construction work for the Central Shops Relocation Project, offset by an increase of \$3.7 million in the same transfer. Wastewater Enterprise results include recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by \$6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by \$28.3 million as of and for the year ended June 30, 2018.
- The Port ended fiscal year 2018-19 with a net position increase of \$28.7 million, compared to a \$16.2 million increase in the previous year, a \$12.5 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 2018-19, operating revenues increased by \$12.3 million, due to \$10.3 million from the sale and transfer of the Ferry Building master lease and \$2.7 million increase in commercial and industrial rent, reflecting strength in local economy, offset by small fluctuations in remaining operating lines of revenue. Operating expenses increased \$15.3 million over the prior year. This was due in part to increases of \$6.8 million in depreciation and amortization and \$9.3 million in pollution remediation related to a reduced obligation resulted a negative expense of \$8.2 million pollution remediation in fiscal year 2017-18, along with a \$1.1 million remediation expense caused by a change in the scope of Pier 70 development.
- The SFMTA had an increase in net position of \$527.6 million for fiscal year 2018-19, compared to an increase of \$559.0 million in the prior year, a \$31.4 million change. SFMTA's total operating revenues were \$505.2 million, while total operating expenses reached \$1.30 billion. Operating revenues decreased by \$6.8 million compared to the prior year and is mainly due to decreases in transit cash fare collections as well as parking and transportation by \$7.4 million mainly due to transfer of financial recording of Union Square garage revenues to the Recreation and Park Department after the Uptown Parking Corporation was dissolved in February 2018. These decreases are offset by increases in charges for services by \$1.7 million primarily due to increase in tow surcharge fees, temporary sign fees, shared electric mopeds parking permits, and other revenues by \$5.1 million. Operating expenses increased by \$4.6 million, primarily due to increases in contractual services by \$15.0 million related to increase in software licensing fees and consultant fees, materials and supplies by \$5.9 million, depreciation and amortization by \$22.2 million with more assets capitalized, services provided by other departments by \$4.5 million mainly from major increase in technology infrastructure and legal services,

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

and other operating expenses by \$5.6 million due to high noncapitalizable expenditures from prior year, offset by reduction in recoverable expenditures. These increases are offset by decreases in personal services by \$31.7 million attributable to reduction of pension and OPEB expenses, and general and administrative by \$16.9 million mainly due to decrease in claim liability per actuarial study. Net nonoperating revenue increased by \$51.2 million, mostly from federal, state and other operating grants, amortized portion of the lease leaseback benefits, gain on disposal of assets, and interest and investment income which were offset by decrease in development fees. Capital contributions increased by \$3.5 million due to an increase in capital expenditures incurred and billable to grantors mostly related to Trolley Vehicles and New Light Rail Vehicles procurement, and other miscellaneous projects. Net transfers in decreased by \$74.6 million due to decrease of \$176.3 million in capital project support from the City's General Obligation Bonds. This decrease was offset by \$75.2 million increase in transfers from the City's General Fund for revenue baseline subsidy, in lieu of parking tax and population-based allocation, and \$21.5 million increase in transfers from other City departments.

- LHH, the City's skilled nursing care hospital, had an increase in net position of \$62.3 million at the end of fiscal year 2018-19, compared to a decrease of \$67.7 million at the end of the previous year, a \$130.0 million difference. The LHH's loss before transfers for the year was \$71.1 million versus a loss of \$118.0 million for the prior year. This change of \$46.9 million was mostly due to a \$10.0 million decrease in operating revenues, a \$55.9 million decrease in operating expenses, and a \$1.0 million increase in net nonoperating revenues. Net transfers increased by approximately \$83.1 million, due to a \$78.6 million increase in transfers in and a \$4.5 million decrease in transfers out.
- SFGH, the City's acute care hospital, ended fiscal year 2018-19 with a net position increase of \$16.0 million, compared to a decrease of \$57.5 million the prior year, a \$73.5 million change. Operating revenues increased \$56.2 million from prior year, mainly due to a \$54.9 million increase in net patient service revenue. Operating expenses decreased approximately \$1.0 million, mainly due to a \$7.9 million decrease in materials and supplies and a \$4.1 million decrease in general and administrative expense, offset by a \$4.9 million increase in contractual services and a \$3.6 million increase in personal services. Net nonoperating revenues increased \$2.9 million, mainly due to an increase in interest and investment income. Net transfers increased by approximately \$13.4 million, due to a \$18.5 million increase in transfers in and a \$5.1 million increase in transfers out.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of fiscal year 2018-19, the City governmental funds reported combined fund balances of \$5.14 billion, an increase of \$563.3 million or 12.3 percent over the prior year. Of the total fund balances, \$1.48 billion is assigned and \$631.1 million is unassigned. The total of \$2.11 billion or 41.0 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 \$1.36 billion. The remainder of the governmental fund balances includes \$1.4 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, \$2.63 billion restricted for programs at various levels and \$397.6 million committed for other reserves.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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 \$1.99 billion while total fund balance reached \$2.72 billion. Combined assigned and unassigned fund balances represent 49.5 percent of total expenditures, while total fund balance represents 67.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.86 billion, before transfers and other items of \$1.36 billion, resulting in total fund balance increasing by \$495.1 million. Overall, the significant growth in revenues, particularly in property taxes, real property transfer taxes, interest and investment income, federal and state grant revenues was partly offset by increased transfers to other funds to meet voter-mandated spending requirements, as well as expenditure growth, particularly in community health, human welfare and neighborhood development and public protection due to growing demand for services. The net result was an increase in fund balance this fiscal year.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the business-type activities section of the government-wide financial statements but with some additional detail.

At the end of fiscal year 2018-19, the unrestricted net position for the proprietary funds was as follows: Airport: \$44.1 million, Hetch Hetchy Water and Power: \$226.7 million, Wastewater Enterprise: \$75.7 million, and the Port: \$82.0 million. In addition, the following funds had net deficits in unrestricted net position: Water Enterprise: \$37.5 million, SFMTA: \$571.6 million, San Francisco General Hospital: \$635.1 million, and Laguna Honda Hospital: \$301.6 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$913.7 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	Special Item	Change In Net Position
Airport.....	\$ 980,443	\$ 764,011	\$ 216,432	\$ (99,126)	\$ 23,611	\$ (49,112)	\$ -	\$ 91,805
Water.....	542,391	357,094	185,297	(113,549)	-	(19,134)	-	52,614
Hetch Hetchy.....	345,386	310,277	35,109	20,014	-	24,490	-	79,613
Municipal Transportation Agency.....	505,159	1,298,715	(793,556)	247,453	441,989	631,763	-	527,649
General Hospital.....	828,865	961,126	(132,261)	63,400	-	84,881	-	16,020
Wastewater Enterprise.....	331,081	259,813	71,268	(12,254)	-	(3,996)	-	55,018
Port.....	122,033	112,108	9,925	(1,488)	1,469	440	18,340	28,686
Laguna Honda Hospital.....	185,259	268,182	(82,923)	11,821	-	133,416	-	62,314
Total.....	\$ 3,840,617	\$ 4,331,326	\$ (490,709)	\$ 116,271	\$ 467,069	\$ 802,748	\$ 18,340	\$ 913,719

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 higher than the final budget by \$374.1 million. The City realized \$136.0 million, \$103.6 million, \$60.1 million, \$38.4 million, \$20.2 million, \$16.8 million and \$16.5 million more revenue than budgeted in real property transfer tax, property taxes, interest and investment income, business taxes, state health and welfare realignment subventions, sales and use tax and hotel room tax, respectively. These increases were partly offset by lower than budgeted revenues of \$25.1 million, \$12.3 million, \$5.2 million, in federal grants and subventions, MediCal, MediCare and health service charges and utility user taxes, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Management’s Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$129.6 million in expenditure savings. Major factors include:

- \$19.7 million savings in Mayor’s Housing and Community Development (MOHCD) due primarily to savings from loans issued through the housing trust fund and from loans issued as an interdepartmental service performed by MOHCD on behalf of other City departments. The Human Services Agency has a saving of \$18.6 million due largely to reductions in aid assistance and aid payments from lower than expected caseloads, contracts and services needed by other departments. The Department of Homelessness and Supporting Housing also has a saving of \$10.2 million which consisted of community-based organization services for Transitional-Aged Youth and 1K Person Project which was partly offset by higher-than-budgeted spending on Shelter and Housing for the Homeless Project.
- \$28.1 million savings in general city responsibilities mostly due to unexpended community-based organization grant funds of \$25.4 million and mandatory fringe benefits adjustments and reduced services provided by other departments account for the remaining balance.
- \$21.7 million of savings in City Attorney, Treasurer’s Office, City Planning and other departments in general administration and finance are mainly from salary and mandatory fringe savings, nonpersonnel services savings, and recoveries.
- \$11.4 million savings in services needed from other departments and programmatic projects due to delays in implementing development projects by Office of Economic and Workforce Development.
- The remaining lower than budgeted expenditures are savings from departments in community health for \$8.5 million, public protection for \$8.1 million and \$1.7 million in culture and recreation.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of \$812.7 million at the end of fiscal year 2018-19. The City’s fiscal year 2019-20 and 2020-21 Adopted Original Budget assumed an available balance of \$495.8 million fully appropriated in fiscal year 2019-20 and fiscal year 2020-21 and contingency reserves of \$308.0 million, leaving \$8.8 million available for future appropriations. Strong revenue also led to reserve deposits that resulted in the City meeting its economic stabilization reserve target of ten percent of General Fund actual total revenues for the first time (see also Note to the Required Supplementary Information for additional budgetary fund balance details).

Capital Assets

The City’s capital assets for its governmental and business-type activities as of June 30, 2019, increased by \$2.57 billion, 10.6 percent, to \$26.84 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 \$352.0 million or 13.7 percent to this total while \$2.22 billion or 86.3 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land.....	\$ 519,234	\$ 484,474	\$ 257,803	\$ 269,158	\$ 777,037	\$ 753,632
Construction in progress.....	684,859	849,925	5,851,307	5,449,248 *	6,536,166	6,299,173
Facilities and improvements...	3,850,118	3,407,411	11,916,790	10,528,058	15,766,908	13,935,469
Machinery and equipment.....	182,081	187,041	1,755,125	1,344,019	1,937,206	1,531,060
Infrastructure.....	823,330	775,405	856,139	830,084	1,679,469	1,605,489
Intangible assets.....	95,442	98,769	52,482	50,009	147,924	148,778
Total.....	\$ 6,155,064	\$ 5,803,025	\$ 20,689,646	\$ 18,470,576	\$ 26,844,710	\$ 24,273,601

* See Note 2(t) to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

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

- Under governmental activities, net capital assets increased by \$352.0 million or 6.1 percent. About \$521.9 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about \$401.2 million in the Moscone Center Improvement Project, \$20.6 million and \$13.0 million for Fire Stations 5 and 16, respectively, due to the Earthquake Safety and Emergency Response Bond expenditures, and \$10.2 million in the Polk Street Improvement Project. The remaining completed projects are mainly public works.
- The Water Enterprise's net capital assets increased by \$125.4 million or 2.4 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Recycled Water, Sunol Long Term Improvements, Regional Groundwater Storage and Recovery projects, Water Main Replacement at Van Ness Avenue/Market/Lombard Streets, various New Water Utility Services, San Francisco Groundwater Supply, and other upgrade and improvement programs. As of June 30, 2019, Water Enterprise's Water System Improvement Program was 97.0 percent completed with the construction of its multi-billion-dollar, multi-year program to upgrade its regional and local water systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2019, 34 local projects were completed, and the target completion date is December 2019. For regional projects, 42 are completed and the expected completion date is December 2021. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$592.7 million or 14.0 percent mainly from procurement of new revenue vehicles of \$373.6 million and for the Central Subway Project construction in progress of \$134.7 million. The remaining \$84.4 million was from radio replacement, system upgrade, facility improvement, street improvement, and various infrastructure work. Equipment costs of \$547.9 million were incurred during the fiscal year for radio replacement and the procurement of hybrid motor buses, trolley buses, and light rail vehicles. Facilities and improvements cost totaling \$81.9 million was incurred in fiscal year 2018-19 for facility upgrades, Islais Creek annex renovation projects, and land improvements.
- Laguna Honda Hospital's net capital assets decreased by \$10.0 million or 2.0 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.
- SFGH's net capital assets decreased by \$21.8 million or 14.4 percent due to primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.
- The Wastewater Enterprise net capital assets reported an increase of \$230.7 million or 9.3 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2019, 25 projects were completed, with 21 projects in preconstruction phase, 13 projects in construction phase, and 11 projects in close-out phase. The Southeast Plant (SEP) Primary and Secondary Clarifier Upgrades Project was completed on January 21, 2019. The project is intended to upgrade the mechanical, structural, and electrical components at the primary and secondary sedimentation tanks (clarifiers) at SEP to address operational reliability and compliance with regulatory requirements for liquid treatment.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

- Hetch Hetchy's net capital assets increased by \$71.2 million or 14.9 percent to \$550.6 million primarily due to additions of facilities, improvements, machinery, and equipment for Streetlight Replacement, Bay Corridor Project, Warnerville Substation Rehabilitation, Mountain Tunnel Improvement, and 2018 Moccasin Storm projects.
- The Airport's net capital assets increased \$1.20 billion or 24.4 percent primarily due to the capitalization of higher capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. The Additional Long-Term Parking Garage and the Revenue Enhancement and Customer Hospitality (REACH) International Terminal projects were completed in fiscal year 2018-19. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, which includes the reconstruction of a new 25-gate Boarding Area B and the expansion of T1 Central Area, a new On-Airport Hotel, the extension of the AirTrain system to the long-term parking garages, renovation of the International Terminal Departures level, Boarding Area A gate enhancements, the renovation of the Superbay Hangar, and a new Industrial Waste Treatment Plant. Other notable projects are in programming and design such as the modernization of Terminal 3 (T3) West to the same customer experience and environmental standards as Terminal 2 (T2), and the Courtyard 3 Connector with a post-security passenger connector between T2 and T3 in conjunction with a multi-story office block for Commission and tenant use.
- The Port's net capital assets increased by \$29.6 million or 6.8 percent due to capitalization and depreciation of capital improvements in 2019, including the Crane Cove Park, a major new open space in the Union Iron Works National Historic District located at Pier 70. Pier 31.5 (Alcatraz Ferry Embarkation) Substructure Repair project included repairs to the Pier 31.5 marginal wharf and infill wharf and adjacent apron substructures. Pier 94 Backlands Improvements Project included creation of a storm water management system, landscaping, capping of a regulated landfill area, installation of lighting and other utilities, and the construction of a new access road. Pier 68 Shipyard Power Relocation Project replaced aged electrical infrastructure throughout the Pier 68 Shipyard. Pier 27 Passenger Shelter project installed a steel-framed passenger shelter, approximately 2,600 square feet, at the ground transportation area of the Pier 27 Cruise Terminal.

At the end of the year, the City's business-type activities had approximately \$1.30 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$237.7 million, MTA had \$422.2 million, Wastewater had \$269.1 million, Airport had \$246.8 million, Hetch Hetchy had \$96.5 million, Port had \$21.2 million, Laguna Honda Hospital had \$0.2 million and the General Hospital had \$6.8 million.

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

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

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

Debt Administration

At June 30, 2019, the City had total long-term and commercial paper debt outstanding of \$19.85 billion. Of this amount, \$2.49 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining \$17.36 billion represents revenue bonds, commercial paper notes, 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 \$1.61 billion or 8.8 percent during the fiscal year.

For the year ended June 30, 2019, the net decrease in the long-term debt in the governmental activities was \$314.8 million and the net increase in business-type activities was \$1.80 billion as discussed in the highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at \$258.55 billion in value as of the close of the fiscal year. As of June 30, 2019, the City had \$2.49 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.91 percent of gross (0.96 percent of net) taxable assessed value of property. As of June 30, 2019, there were an additional \$1.09 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 1.31 percent of gross (1.39 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2019 were:

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

During the fiscal year, Standard & Poor's Global Ratings (S&P) raised the City's general obligation bonds rating to "AAA" from "AA+" and revised the rating outlook from "Positive" to "Stable". Moody's Investors Service (Moody's) and Fitch Ratings affirmed the City's ratings of "Aaa" and "AA+", respectively, and both maintained a "Stable" rating outlook on all the City's outstanding general obligation bonds.

The City's business-type activities carried underlying debt ratings for the SFMTA of "AA" with Stable Rating Outlook from Standard & Poor's and "Aa2" from Moody's. Moody's, Standard & Poor's and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of "A1", "A+" and "A+", respectively, each with a "Stable" rating outlook. The Wastewater Enterprise carried underlying ratings of "Aa3" and "AA" from Moody's and Standard & Poor's, respectively.

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

Economic factors and 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 2019-20 and 2020-21. 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 rate for fiscal year 2018-19 was 2.3 percent, a decrease of 0.3 percent from the average unemployment rate in fiscal year 2017-18.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2018-19 was \$1.4 million, up 4.4 percent from the previous fiscal year.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to \$81.72 in fiscal year 2018-19, a 9.1 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 883,305 in 2018 according to the U.S. Census Bureau. This represents a 0.5 percent increase versus the prior year, and cumulative growth of 75,304 or 9.3 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2019-20 and 2020-21 in July 2019, which assumes use of prior year fund balance from General Fund of \$210.6 million and \$285.2 million, respectively.

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2019

REQUESTS FOR INFORMATION

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

City and County of San Francisco

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

Individual Department Financial Statements

San Francisco International Airport

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

Port of San Francisco

Public Information Officer
Pier 1, The Embarcadero
San Francisco, CA 94111

***San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise***

Chief Financial Officer
525 Golden Gate Avenue, 13th Floor
San Francisco, CA 94102

Laguna Honda Hospital

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

Municipal Transportation Agency

SFMTA Chief Financial Officer
1 South Van Ness Avenue, 3rd Floor
San Francisco, CA 94103

Health Service System

Chief Financial Officer
1145 Market Street, Suite 300
San Francisco, CA 94103

***Zuckerberg San Francisco
General Hospital and Trauma Center***

Chief Financial Officer
1001 Potrero Avenue, Suite 2A5
San Francisco, CA 94110

***San Francisco
Employees' Retirement System***

Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

***Successor Agency to the
San Francisco Redevelopment Agency***

1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Retiree Health Care Trust

c/o Employees' Retirement System
1145 Market Street, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

San Francisco County Transportation Authority

Deputy Director for Administration and Finance
1455 Market Street, 22nd Floor
San Francisco, CA 94103

San Francisco Finance Corporation

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

WWW.SFGOV.ORG

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2019
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury.....	\$ 5,848,403	2,452,211	\$ 8,300,614	\$ -
Deposits and investments outside City Treasury.....	274,933	14,988	289,921	-
Receivables (net of allowance for uncollectible amounts of \$283,147 for the primary government):				
Property taxes and penalties.....	109,824	-	109,824	-
Other local taxes.....	394,946	-	394,946	-
Federal and state grants and subventions.....	277,228	296,325	573,553	-
Charges for services.....	126,243	287,606	413,849	541
Interest and other.....	46,980	239,513	286,493	7
Due from component units.....	5,517	6	5,523	-
Inventories.....	-	102,735	102,735	-
Other assets.....	20,185	14,212	34,397	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	554,805	554,805	-
Deposits and investments outside City Treasury.....	6,565	452,454	459,019	-
Grants and other receivables.....	-	45,574	45,574	-
Total current assets.....	<u>7,110,824</u>	<u>4,460,429</u>	<u>11,571,253</u>	<u>548</u>
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$1,493,211).....	184,555	-	184,555	-
Advance to component units.....	6,442	2,599	9,041	-
Other assets.....	-	9,024	9,024	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	1,512,128	1,512,128	-
Deposits and investments outside City Treasury.....	-	568,760	568,760	-
Grants and other receivables.....	-	22,494	22,494	-
Capital assets:				
Land and other assets not being depreciated.....	1,213,666	6,121,153	7,334,819	34,846
Facilities, infrastructure and equipment, net of depreciation.....	4,941,398	14,568,493	19,509,891	12
Total capital assets.....	<u>6,155,064</u>	<u>20,689,646</u>	<u>26,844,710</u>	<u>34,858</u>
Total noncurrent assets.....	<u>6,346,061</u>	<u>22,804,651</u>	<u>29,150,712</u>	<u>34,858</u>
Total assets.....	<u>13,456,885</u>	<u>27,265,080</u>	<u>40,721,965</u>	<u>35,406</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	12,767	204,755	217,522	-
Deferred outflows on derivative instruments.....	-	38,828	38,828	-
Deferred outflows related to pensions.....	814,250	560,455	1,374,705	14
Deferred outflows related to OPEB.....	169,737	143,245	312,982	-
Total deferred outflows of resources.....	<u>\$ 996,754</u>	<u>\$ 947,283</u>	<u>\$ 1,944,037</u>	<u>\$ 14</u>

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, 2019
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 516,881	\$ 230,184	\$ 747,065	\$ 639
Accrued payroll.....	118,941	91,560	210,501	87
Accrued vacation and sick leave pay.....	98,666	68,412	167,078	-
Accrued workers' compensation.....	51,733	39,274	91,007	-
Estimated claims payable.....	87,006	48,686	135,692	-
Bonds, loans, capital leases, and other payables.....	286,439	858,088	1,144,527	-
Accrued interest payable.....	19,192	65,501	84,693	-
Unearned grant and subvention revenues.....	64,965	-	64,965	-
Due to primary government.....	-	-	-	3,874
Internal balances.....	66,768	(66,768)	-	-
Unearned revenues and other liabilities.....	869,171	466,085	1,335,256	1,950
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	40,782	40,782	-
Accrued interest payable.....	-	56,096	56,096	-
Other.....	-	250,634	250,634	-
Total current liabilities.....	<u>2,179,762</u>	<u>2,148,534</u>	<u>4,328,296</u>	<u>6,550</u>
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	71,303	46,600	117,903	-
Accrued workers' compensation.....	229,735	187,616	417,351	-
Estimated claims payable.....	147,379	60,430	207,809	-
Bonds, loans, capital leases, and other payables.....	3,690,534	14,970,503	18,661,037	-
Advance from primary government.....	-	-	-	2,599
Unearned revenues and other liabilities.....	1,553	145,287	146,840	-
Derivative instruments liabilities.....	-	46,085	46,085	-
Net pension liability.....	2,656,465	1,772,650	4,429,115	28
Net other postemployment benefits (OPEB) liability.....	1,945,998	1,643,413	3,589,411	-
Total noncurrent liabilities.....	<u>8,742,967</u>	<u>18,872,584</u>	<u>27,615,551</u>	<u>2,627</u>
Total liabilities.....	<u>10,922,729</u>	<u>21,021,118</u>	<u>31,943,847</u>	<u>9,177</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	534	1,328	1,862	-
Deferred inflows related to pensions.....	448,400	336,786	785,186	4
Deferred inflows related to OPEB.....	180,485	152,410	332,895	-
Total deferred inflows of resources.....	<u>629,419</u>	<u>490,524</u>	<u>1,119,943</u>	<u>4</u>
NET POSITION				
Net investment in capital assets, Note 10(d).....	3,681,341	6,764,333	10,048,870	34,858
Restricted for:				
Reserve for rainy day.....	324,977	-	324,977	-
Debt service.....	104,720	331,118	435,838	-
Capital projects, Note 10(d).....	186,015	556,980	692,052	-
Community development.....	624,127	-	624,127	-
Transportation Authority activities.....	21,554	-	21,554	-
Building inspection programs.....	166,510	-	166,510	-
Children and families.....	181,248	-	181,248	-
Culture and recreation.....	197,547	-	197,547	-
Grants.....	116,829	-	116,829	-
Other purposes.....	100,860	165,675	266,535	-
Total restricted.....	<u>2,024,387</u>	<u>1,053,773</u>	<u>3,027,217</u>	<u>-</u>
Unrestricted (deficit), Note 10(d).....	(2,804,237)	(1,117,385)	(3,473,875)	(8,619)
Total net position.....	<u>\$ 2,901,491</u>	<u>\$ 6,700,721</u>	<u>\$ 9,602,212</u>	<u>\$ 26,239</u>

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, 2019
(In Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,496,341	\$ 121,848	\$ 196,572	\$ -	\$ (1,177,921)	\$ -	\$ (1,177,921)	\$ -
Public works, transportation and commerce.....	331,717	164,578	37,216	77,548	(52,375)	-	(52,375)	-
Human welfare and neighborhood development.....	1,720,425	134,839	764,923	28,750	(791,913)	-	(791,913)	-
Community health.....	960,422	101,678	380,544	750	(477,450)	-	(477,450)	-
Culture and recreation.....	594,219	136,928	2,203	126,136	(328,952)	-	(328,952)	-
General administration and finance.....	330,358	99,278	2,492	-	(228,588)	-	(228,588)	-
General City responsibilities.....	156,907	56,027	8,566	-	(92,314)	-	(92,314)	-
Unallocated interest on long- term debt and cost of issuance.....	153,220	-	-	-	(153,220)	-	(153,220)	-
Total governmental activities.....	5,743,609	815,176	1,392,516	233,184	(3,302,733)	-	(3,302,733)	-
Business-type activities:								
Airport.....	1,067,265	980,443	-	23,611	-	(63,211)	(63,211)	-
Transportation.....	1,304,358	505,159	186,043	441,989	-	(171,167)	(171,167)	-
Port.....	123,116	122,033	3,331	1,469	-	3,717	3,717	-
Water.....	536,480	542,391	200	-	-	6,111	6,111	-
Power.....	314,471	345,386	3,390	-	-	34,305	34,305	-
Hospitals.....	1,236,823	1,014,124	58,558	-	-	(164,141)	(164,141)	-
Sewer.....	304,010	331,081	235	-	-	27,306	27,306	-
Total business-type activities.....	4,886,523	3,840,617	251,757	467,069	-	(327,080)	(327,080)	-
Total primary government.....	\$ 10,630,132	\$ 4,655,793	\$ 1,644,273	\$ 700,253	(3,302,733)	(327,080)	(3,629,813)	-
Component unit:								
Treasure Island Development Authority.....	\$ 16,523	\$ 10,207	\$ -	\$ 6,863	-	-	-	\$ 547
General Revenues								
Taxes:								
Property taxes.....					2,581,308	-	2,581,308	-
Business taxes.....					919,552	-	919,552	-
Sales and use tax.....					329,296	-	329,296	-
Hotel room tax.....					408,348	-	408,348	-
Utility users tax.....					93,918	-	93,918	-
Parking tax.....					86,020	-	86,020	-
Real property transfer tax.....					364,044	-	364,044	-
Other local taxes.....					65,371	-	65,371	-
Interest and investment income.....					178,350	182,666	361,016	33
Other.....					88,788	237,045	325,833	1,299
Transfers - internal activities of primary government.....					(802,748)	802,748	-	-
Total general revenues and transfers.....					4,312,247	1,222,459	5,534,706	1,332
Special item:								
Receipt of South Beach Harbor operations.....					-	18,340	18,340	-
Change in net position.....					1,009,514	913,719	1,923,233	1,879
Net position at beginning of year, as restated.....					1,891,977	5,787,002	7,678,979	24,360
Net position at end of year.....					\$ 2,901,491	\$ 6,700,721	\$ 9,602,212	\$ 26,239

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

CITY AND COUNTY OF SAN FRANCISCO

**Balance Sheet
Governmental Funds**

June 30, 2019

(With comparative financial information as of June 30, 2018)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Assets:						
Deposits and investments with City Treasury.....	\$ 3,284,538	\$ 2,727,607	\$ 2,538,400	\$ 2,188,574	\$ 5,822,938	\$ 4,916,181
Deposits and investments outside City Treasury.....	159	4,623	274,774	393,314	274,933	397,937
Receivables (net of allowance for uncollectible amounts of \$237,314 in 2019; \$260,922 in 2018):						
Property taxes and penalties.....	95,869	286,586	13,955	15,893	109,824	302,479
Other local taxes.....	309,569	299,841	85,377	17,303	394,946	317,144
Federal and state grants and subventions.....	163,247	223,578	113,981	98,717	277,228	322,295
Charges for services.....	105,935	77,641	20,266	20,221	126,201	97,862
Interest and other.....	28,618	16,749	17,946	9,348	46,564	26,097
Due from other funds.....	9,845	8,601	9,644	11,101	19,489	19,702
Due from component unit.....	2,149	-	3,368	4,226	5,517	4,226
Advance to component unit.....	-	-	6,442	8,214	6,442	8,214
Loans receivable (net of allowance for uncollectible amounts of \$1,493,211 in 2019; \$1,376,217 in 2018)	16,004	11,694	168,551	189,133	184,555	200,827
Other assets.....	2,829	6,385	17,356	1,645	20,185	8,030
Total assets.....	\$ 4,018,762	\$ 3,663,305	\$ 3,270,060	\$ 2,957,689	\$ 7,288,822	\$ 6,620,994
Liabilities:						
Accounts payable.....	\$ 333,922	\$ 256,870	\$ 180,615	\$ 172,506	\$ 514,537	\$ 429,376
Accrued payroll.....	97,555	91,270	19,136	17,876	116,691	109,146
Unearned grant and subvention revenues.....	11,627	7,829	53,338	23,300	64,965	31,129
Due to other funds.....	797	1,423	85,460	44,914	86,257	46,337
Unearned revenues and other liabilities.....	633,424	693,082	235,713	60,819	869,137	753,901
Bonds, loans, capital leases, and other payables.....	-	-	92,779	121,868	92,779	121,868
Total liabilities.....	1,077,325	1,050,474	667,041	441,283	1,744,366	1,491,757
Deferred inflows of resources.....	224,414	390,890	179,465	161,112	403,879	552,002
Fund balances:						
Nonspendable.....	1,259	1,512	140	82	1,399	1,594
Restricted.....	324,977	143,977	2,309,105	2,232,040	2,634,082	2,376,017
Committed.....	397,563	371,698	-	-	397,563	371,698
Assigned.....	1,361,787	1,291,499	114,640	124,076	1,476,427	1,415,575
Unassigned.....	631,437	413,255	(331)	(904)	631,106	412,351
Total fund balances.....	2,717,023	2,221,941	2,423,554	2,355,294	5,140,577	4,577,235
Total liabilities, deferred inflows of resources and fund balances.....	\$ 4,018,762	\$ 3,663,305	\$ 3,270,060	\$ 2,957,689	\$ 7,288,822	\$ 6,620,994

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

CITY AND COUNTY OF SAN FRANCISCO
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2019
(In Thousands)

Fund balances – total governmental funds	\$ 5,140,577
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.	6,142,974
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,431,747)
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.	403,879
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(18,152)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	11,616
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.	(2,247,461)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,912,029)
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunication 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.	<u>(188,166)</u>
Net position of governmental activities	<u><u>\$ 2,901,491</u></u>

CITY AND COUNTY OF SAN FRANCISCO

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds**

Year Ended June 30, 2019

(With comparative financial information year ended June 30, 2018)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2019	2018	2019	2018	2019	2018
Revenues:						
Property taxes.....	\$ 2,248,004	\$ 1,673,950	\$ 517,469	\$ 497,651	\$ 2,765,473	\$ 2,171,601
Business taxes.....	917,811	897,076	1,741	2,066	919,552	899,142
Sales and use tax.....	213,625	192,946	115,671	103,263	329,296	296,209
Hotel room tax.....	392,328	382,176	16,020	-	408,348	382,176
Utility users tax.....	93,918	94,460	-	-	93,918	94,460
Parking tax.....	86,020	83,484	-	-	86,020	83,484
Real property transfer tax.....	364,044	280,416	-	-	364,044	280,416
Other local taxes.....	65,371	60,287	-	-	65,371	60,287
Licenses, permits and franchises.....	27,960	28,803	15,456	14,377	43,416	43,180
Fines, forfeitures, and penalties.....	4,740	7,966	44,156	26,254	48,896	34,220
Interest and investment income.....	88,523	16,245	89,309	29,645	177,832	45,890
Rents and concessions.....	14,460	14,533	140,886	90,751	155,346	105,284
Intergovernmental:						
Federal.....	252,502	229,960	189,826	191,064	442,328	421,024
State.....	814,727	750,715	150,189	124,687	964,916	875,402
Other.....	2,120	3,134	11,510	13,859	13,630	16,993
Charges for services.....	257,814	248,926	179,726	166,643	437,540	415,569
Other.....	46,254	24,478	199,756	161,556	246,010	186,034
Total revenues.....	5,890,221	4,989,555	1,671,715	1,421,816	7,561,936	6,411,371
Expenditures:						
Current:						
Public protection.....	1,382,031	1,312,582	78,155	66,172	1,460,186	1,378,754
Public works, transportation and commerce.....	202,988	223,830	225,390	218,038	428,378	441,868
Human welfare and neighborhood development.....	1,071,309	999,048	626,772	500,168	1,698,081	1,499,216
Community health.....	809,120	706,322	109,210	109,440	918,330	815,762
Culture and recreation.....	152,250	142,215	301,304	282,579	453,554	424,794
General administration and finance.....	267,997	244,773	78,157	67,668	346,154	312,441
General City responsibilities.....	144,808	110,812	-	108	144,808	110,920
Debt service:						
Principal retirement.....	-	-	326,416	381,141	326,416	381,141
Interest and other fiscal charges.....	3	178	168,836	136,747	168,839	136,925
Bond issuance costs.....	-	-	876	8,934	876	8,934
Capital outlay.....	-	-	323,979	337,741	323,979	337,741
Total expenditures.....	4,030,506	3,739,760	2,239,095	2,108,736	6,269,601	5,848,496
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,859,715</u>	<u>1,249,795</u>	<u>(567,380)</u>	<u>(686,920)</u>	<u>1,292,335</u>	<u>562,875</u>
Other financing sources (uses):						
Transfers in.....	104,338	112,228	749,215	512,919	853,553	625,147
Transfers out.....	(1,468,971)	(1,010,785)	(185,995)	(387,777)	(1,654,966)	(1,398,562)
Issuance of bonds:						
Face value of bonds issued.....	-	-	72,420	1,293,595	72,420	1,293,595
Premium on issuance of bonds.....	-	-	-	76,243	-	76,243
Other financing sources - capital leases.....	-	-	-	2,027	-	2,027
Total other financing sources (uses).....	(1,364,633)	(898,557)	635,640	1,497,007	(728,993)	598,450
Special item:						
Receipt of Yerba Buena Garden assets.....	-	-	-	11,137	-	11,137
Net changes in fund balances.....	495,082	351,238	68,260	821,224	563,342	1,172,462
Fund balances at beginning of year.....	2,221,941	1,870,703	2,355,294	1,534,070	4,577,235	3,404,773
Fund balances at end of year.....	\$ 2,717,023	\$ 2,221,941	\$ 2,423,554	\$ 2,355,294	\$ 5,140,577	\$ 4,577,235

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, 2019
(In Thousands)

Net changes in fund balances - total governmental funds	\$ 563,342
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.	351,492
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.	(91,936)
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.	(184,165)
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	28,245
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(7,988)
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.	(12,384)
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	70,780
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 consumes the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which principal retirement exceeded bond and other debt proceeds in the current period.	253,996
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	21,740
The activities of internal service funds are reported with governmental activities.	<u>16,392</u>
Change in net position of governmental activities	<u>\$ 1,009,514</u>



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CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds
June 30, 2019
(With comparative financial information as of June 30, 2018)
(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	
								2019	2018	2019	2018	
ASSETS												
Current Assets:												
Deposits and investments with City Treasury.....	\$ 512,978	\$ 405,558	\$ 291,734	\$ 699,722	\$ 174,902	\$ 209,109	\$ 158,208	\$ -	\$ 2,452,211	\$ 2,394,027	\$ 25,465	\$ 36,595
Deposits and investments outside City Treasury.....	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Receivables (net of allowance for uncollectible amounts of \$45,833 and \$35,131 in 2019 and 2018, respectively):												
Federal and state grants and subventions.....	-	111	3,512	208,538	27	39,043	13,985	31,109	296,325	344,231	-	-
Charges for services.....	62,003	55,151	40,672	6,873	61,290	33,781	-	27,836	287,606	304,047	42	112
Interest and other.....	6,043	4,953	1,998	9,232	213,974	1,454	1,299	560	239,513	122,456	416	556
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	5,803	12,934
Due from other funds.....	-	660	7,251	45,550	-	297	15,308	-	69,066	32,718	-	-
Due from component unit.....	-	4	-	-	-	2	-	-	6	28	-	-
Inventories.....	224	5,426	1,615	78,214	12,447	2,284	1,348	1,177	102,735	104,617	-	-
Other assets.....	6,778	-	6,619	573	-	128	114	-	14,212	7,948	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	442,428	-	-	-	-	-	26,042	86,335	554,805	436,332	-	-
Deposits and investments outside City Treasury.....	272,339	122,512	3,896	-	-	44,928	8,779	-	452,454	385,901	6,565	23,229
Grants and other receivables.....	36,900	3,771	262	-	-	4,641	-	-	45,574	35,378	-	-
Total current assets.....	<u>1,348,856</u>	<u>598,400</u>	<u>357,560</u>	<u>1,053,983</u>	<u>462,648</u>	<u>335,941</u>	<u>225,088</u>	<u>147,019</u>	<u>4,529,495</u>	<u>4,180,213</u>	<u>38,291</u>	<u>73,426</u>
Noncurrent assets:												
Other assets.....	-	3,836	940	-	-	1,517	2,731	-	9,024	10,870	-	-
Capital leases receivable.....	-	-	-	-	-	-	-	-	-	-	124,340	148,338
Advance to component unit.....	-	-	2,599	-	-	-	-	-	2,599	2,599	-	-
Restricted assets:												
Deposits and investments with City Treasury.....	824,883	2,224	31,868	169,268	-	483,885	-	-	1,512,128	1,458,455	-	-
Deposits and investments outside City Treasury.....	533,325	-	-	21,656	470	-	-	13,309	568,760	531,838	-	2,249
Grants and other receivables.....	6,802	3	-	981	-	453	-	14,255	22,494	23,337	-	-
Capital assets:												
Land and other assets not being depreciated.....	2,446,125	493,314	166,228	2,047,999	26,833	804,688	132,749	3,217	6,121,153	5,730,449	313	239
Facilities, infrastructure, and equipment, net of depreciation.....	3,685,217	4,895,344	384,403	2,766,773	102,617	1,917,116	331,523	485,500	14,568,493	12,740,127	11,777	11,304
Total capital assets.....	<u>6,131,342</u>	<u>5,388,658</u>	<u>550,631</u>	<u>4,814,772</u>	<u>129,450</u>	<u>2,721,804</u>	<u>464,272</u>	<u>488,717</u>	<u>20,689,646</u>	<u>18,470,576</u>	<u>12,090</u>	<u>11,543</u>
Total noncurrent assets.....	<u>7,496,352</u>	<u>5,394,721</u>	<u>586,038</u>	<u>5,006,677</u>	<u>129,920</u>	<u>3,207,659</u>	<u>467,003</u>	<u>516,281</u>	<u>22,804,651</u>	<u>20,497,675</u>	<u>136,430</u>	<u>162,130</u>
Total assets.....	<u>8,845,208</u>	<u>5,993,121</u>	<u>943,598</u>	<u>6,060,660</u>	<u>592,568</u>	<u>3,543,600</u>	<u>692,091</u>	<u>663,300</u>	<u>27,334,146</u>	<u>24,677,888</u>	<u>174,721</u>	<u>235,556</u>
DEFERRED OUTFLOWS OF RESOURCES												
Unamortized loss on refunding of debt.....	65,368	139,061	-	-	-	326	-	-	204,755	227,319	973	933
Deferred outflows on derivative instruments.....	36,828	-	-	-	-	-	-	-	36,828	29,245	-	-
Deferred outflows related to pensions.....	80,371	55,465	14,665	192,595	126,617	26,886	12,023	51,833	560,455	622,332	15,614	17,485
Deferred outflows related to OPEB.....	20,584	13,142	3,092	55,584	29,819	4,669	2,524	13,831	143,245	94,137	3,876	2,432
Total deferred outflows of resources.....	<u>205,151</u>	<u>207,668</u>	<u>17,757</u>	<u>248,179</u>	<u>156,436</u>	<u>31,881</u>	<u>14,547</u>	<u>65,664</u>	<u>947,283</u>	<u>973,033</u>	<u>20,463</u>	<u>20,850</u>

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2019

(With comparative financial information as of June 30, 2018)

(In Thousands)

	Business-Type Activities - Enterprise Funds								Total		Governmental Activities - Internal Service Funds	
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2019	2018	2019	2018
LIABILITIES												
Current liabilities:												
Accounts payable.....	\$ 50,424	\$ 12,624	\$ 30,930	\$ 97,158	\$ 10,634	\$ 18,132	\$ 7,464	\$ 2,818	\$ 230,184	\$ 399,088	\$ 2,344	\$ 8,413
Accrued payroll.....	12,785	6,943	2,608	31,844	22,445	4,652	1,654	8,629	91,560	85,220	2,250	2,362
Accrued vacation and sick leave pay.....	10,499	5,706	2,534	23,773	14,533	4,151	1,362	5,854	68,412	68,784	1,936	1,997
Accrued workers' compensation.....	1,939	1,949	584	24,672	5,362	1,031	417	3,320	39,274	35,350	306	313
Estimated claims payable.....	43	3,872	757	36,801	-	7,013	200	-	48,686	48,182	-	-
Due to other funds.....	-	-	350	400	-	955	585	8	2,298	4,021	-	2,062
Unearned revenues and other liabilities.....	3,392	30,954	4,551	68,271	292,275	4,653	15,424	46,565	466,085	454,935	2,556	12,840
Accrued interest payable.....	-	38,288	542	4,960	87	18,486	1,740	1,398	65,501	59,037	1,040	1,153
Bonds, loans, capital leases, and other payables.....	186,033	264,923	53,618	10,707	17,135	315,533	3,079	7,060	858,088	645,179	6,083	12,904
Liabilities payable from restricted assets:												
Bonds, loans, capital leases, and other payables.....	40,782	-	-	-	-	-	-	-	40,782	65,195	-	-
Accrued interest payable.....	56,096	-	-	-	-	-	-	-	56,096	44,064	-	-
Other.....	155,738	31,915	9,622	9,673	-	42,931	-	755	250,634	325,399	-	-
Total current liabilities.....	517,731	397,174	106,096	308,259	362,471	417,537	31,925	76,407	2,217,600	2,234,454	16,515	42,044
Noncurrent liabilities:												
Accrued vacation and sick leave pay.....	7,704	4,394	1,708	15,077	10,368	3,126	957	3,266	46,600	44,904	1,649	1,454
Accrued workers' compensation.....	6,480	8,387	2,915	112,530	31,516	4,883	2,131	18,774	187,616	172,914	1,391	1,446
Estimated claims payable.....	103	7,637	1,527	41,558	-	9,355	250	-	60,430	62,149	-	-
Unearned revenue and other liabilities.....	-	56,164	4,403	-	-	7,500	77,220	-	145,287	131,243	-	-
Bonds, loans, capital leases, and other payables.....	7,786,412	4,811,382	63,864	360,156	10,952	1,744,209	86,625	106,903	14,970,503	13,209,415	128,457	160,020
Derivative instruments liabilities.....	46,085	-	-	-	-	-	-	-	46,085	37,558	-	-
Net pension liability.....	254,206	175,429	46,380	609,154	400,474	85,037	38,027	163,943	1,772,650	2,095,764	49,386	58,876
Net other postemployment benefits (OPEB) liability.....	236,160	150,771	35,472	637,698	342,112	53,567	28,956	158,677	1,643,413	1,716,544	44,469	44,344
Total noncurrent liabilities.....	8,337,150	5,214,164	156,269	1,776,178	795,422	1,907,677	234,166	451,563	18,872,584	17,470,491	225,352	266,140
Total liabilities.....	8,854,881	5,611,338	262,365	2,084,432	1,157,893	2,325,214	266,091	527,970	21,090,184	19,704,945	241,867	308,184
DEFERRED INFLOWS OF RESOURCES												
Unamortized gain on refunding of debt.....	1,096	-	-	232	-	-	-	-	1,328	1,486	356	-
Unamortized gain on leaseback transaction.....	-	-	-	-	-	-	-	-	-	3,680	-	-
Deferred inflows related to pensions.....	48,297	33,330	8,811	115,733	76,086	16,157	7,224	31,148	336,786	151,039	9,382	4,243
Deferred inflows related to OPEB.....	21,901	13,983	3,290	59,140	31,728	4,967	2,685	14,716	152,410	2,769	4,124	71
Total deferred inflows of resources.....	71,294	47,313	12,101	175,105	107,814	21,124	9,909	45,864	490,524	158,974	13,862	4,314
NET POSITION												
Net investment in capital assets.....	(646,073)	563,457	450,637	4,438,717	101,782	1,133,662	334,188	387,963	6,764,333	6,176,022	11,142	10,286
Restricted:												
Debt service.....	237,449	16,193	1,145	19,354	-	1,279	-	55,698	331,118	294,499	-	-
Capital projects.....	488,746	-	8,401	-	16,567	18,505	14,467	10,294	556,980	515,072	-	-
Other purposes.....	-	-	-	162,878	-	-	-	2,797	165,675	294,122	-	-
Unrestricted (deficit).....	44,062	(37,512)	226,706	(571,647)	(635,052)	75,697	81,983	(301,622)	(1,117,385)	(1,492,713)	(71,687)	(66,378)
Total net position.....	\$ 124,184	\$ 542,138	\$ 686,889	\$ 4,049,302	\$ (516,703)	\$ 1,229,143	\$ 430,638	\$ 155,130	\$ 6,700,721	\$ 5,787,002	\$ (60,545)	\$ (56,092)

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 Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds
 Year Ended June 30, 2019
 (With comparative financial information year ended June 30, 2018)
 (In Thousands)

	Business-Type Activities - Enterprise Funds								Total		Governmental Activities - Internal Service Funds	
	Major Funds								2019	2018	2019	2018
	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				
Operating revenues:												
Aviation.....	\$ 565,635	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 565,635	\$ 670,282	\$ -	\$ -
Water and power service.....	-	509,703	345,109	-	-	-	-	-	854,812	686,805	-	-
Passenger fees.....	-	-	-	195,736	-	-	-	-	195,736	202,280	-	-
Net patient service revenue.....	-	-	-	-	820,325	-	-	179,575	999,900	959,158	-	-
Sewer service.....	-	-	-	-	-	317,761	-	-	317,761	303,037	-	-
Rents and concessions.....	161,889	13,010	277	8,339	2,697	702	83,328	-	270,242	263,710	528	436
Parking and transportation.....	165,523	-	-	220,946	-	-	21,793	-	408,262	402,316	-	-
Other charges for services.....	-	-	-	33,843	-	-	-	-	33,843	32,110	154,517	152,676
Other revenues.....	87,396	19,678	-	46,295	5,843	12,618	16,912	5,684	194,426	166,491	-	-
Total operating revenues.....	980,443	542,391	345,386	505,159	828,865	331,081	122,033	185,259	3,840,617	3,686,189	155,045	153,112
Operating expenses:												
Personal services.....	290,125	111,594	55,902	803,222	565,326	80,693	37,905	210,098	2,154,865	2,232,115	59,979	68,147
Contractual services.....	91,498	13,715	12,077	148,201	224,086	19,040	19,129	12,937	540,683	507,573	62,428	59,364
Light, heat and power.....	24,952	-	170,275	-	-	-	2,961	-	198,188	91,391	-	-
Materials and supplies.....	14,904	13,421	1,856	77,895	91,162	9,853	1,353	20,466	230,910	238,688	16,369	17,197
Depreciation and amortization.....	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
General and administrative.....	2,852	37,798	38,640	25,717	871	53,565	3,847	-	163,290	160,643	2,714	1,720
Services provided by other departments.....	29,565	59,751	11,663	73,810	49,764	36,629	18,718	12,228	292,128	275,092	10,905	7,977
Other.....	41,326	-	-	(19,566)	5,339	-	3,587	-	30,686	61,778	3,262	2,564
Total operating expenses.....	764,011	357,094	310,277	1,298,715	961,126	259,813	112,108	268,182	4,331,326	4,254,066	158,516	159,878
Operating income (loss).....	216,432	185,297	35,109	(793,556)	(132,261)	71,268	9,925	(82,923)	(490,709)	(567,877)	(3,471)	(6,766)
Nonoperating revenues (expenses):												
Operating grants:												
Federal.....	-	200	3,390	12,541	-	235	3,331	-	19,697	17,746	-	-
State / other.....	-	-	-	173,502	58,558	-	-	-	232,060	199,760	-	-
Interest and investment income.....	91,925	15,650	10,288	28,180	6,553	20,701	6,189	3,180	182,666	39,010	3,599	4,498
Interest expense.....	(228,941)	(177,998)	(3,066)	(5,643)	(1,711)	(43,803)	(4,334)	(5,804)	(471,300)	(426,015)	(3,911)	(4,981)
Other nonoperating revenues.....	112,203	49,987	10,530	38,873	-	11,007	-	14,445	237,045	246,827	665	256
Other nonoperating expenses.....	(74,313)	(1,388)	(1,128)	-	-	(394)	(6,674)	-	(83,897)	(115,771)	-	-
Total nonoperating revenues (expenses).....	(99,126)	(113,549)	20,014	247,453	63,400	(12,254)	(1,488)	11,821	116,271	(38,443)	353	(227)
Income (loss) before capital contributions and transfers.....	117,306	71,748	55,123	(546,103)	(68,861)	59,014	8,437	(71,102)	(374,438)	(606,320)	(3,118)	(6,993)
Capital contributions.....	23,611	-	-	441,989	-	-	1,469	-	467,069	456,166	-	-
Transfers in.....	-	1,200	24,522	631,763	115,856	-	440	136,230	910,011	911,619	47	414
Transfers out.....	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(158,336)	(1,382)	-
Special item:												
Receipt of South Beach Harbor operations.....	-	-	-	-	-	-	18,340	-	18,340	-	-	-
Change in net position.....	91,805	52,614	79,613	527,649	16,020	55,018	28,686	62,314	913,719	603,129	(4,453)	(6,579)
Net position (deficit) at beginning of year, as restated.....	32,379	489,524	607,276	3,521,653	(532,723)	1,174,125	401,952	92,816	5,787,002	5,183,873	(56,092)	(49,513)
Net position (deficit) at end of year.....	\$ 124,184	\$ 542,138	\$ 686,889	\$ 4,049,302	\$ (516,703)	\$ 1,229,143	\$ 430,638	\$ 155,130	\$ 6,700,721	\$ 5,787,002	\$ (60,545)	\$ (56,092)

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, 2019

(With comparative financial information year ended June 30, 2018)

(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	2019	2018	2019	2018
Cash flows from operating activities:												
Cash received from customers, including cash deposits.....	\$ 1,040,251	\$ 540,479	\$ 318,359	\$ 567,427	\$ 674,404	\$ 328,729	\$ 39,014	\$ 240,791	\$ 3,749,454	\$ 3,627,315	\$ 218,809	\$ 175,852
Cash received from tenants for rent.....	-	12,837	275	8,585	2,697	653	81,496	-	106,543	103,003	-	-
Cash paid for employees' services.....	(299,273)	(124,905)	(56,282)	(802,823)	(555,815)	(84,071)	(38,534)	(210,972)	(2,172,675)	(2,099,259)	(59,767)	(61,144)
Cash paid to suppliers for goods and services.....	(246,160)	(126,412)	(220,629)	(358,235)	(422,536)	(107,233)	(51,571)	(102,269)	(1,635,045)	(1,248,515)	(150,275)	(87,168)
Cash paid for judgments and claims.....	-	(5,527)	(2,301)	(10,105)	-	(367)	-	-	(18,300)	(20,154)	-	-
Net cash provided by (used in) operating activities.....	494,818	296,472	39,422	(595,151)	(301,250)	137,711	30,405	(72,450)	29,977	362,390	8,767	27,540
Cash flows from noncapital financing activities:												
Operating grants.....	-	456	138	178,525	58,543	212	48	-	237,922	217,815	-	-
Transfers in.....	-	1,200	24,522	540,825	115,856	-	-	136,230	818,633	864,301	47	414
Transfers out.....	(49,112)	(20,334)	(32)	-	(30,975)	(3,996)	-	(2,814)	(107,263)	(174,113)	(1,382)	-
Other noncapital financing sources.....	1,303	5,955	9,677	19,321	-	897	5,578	8	42,739	88,445	-	-
Other noncapital financing uses.....	(58,972)	(1,388)	(1,011)	-	(179)	(540)	(6,500)	-	(68,590)	(93,637)	-	-
Net cash provided by (used in) noncapital financing activities.....	(106,781)	(14,111)	33,294	738,671	143,245	(3,427)	(874)	133,424	923,441	902,811	(1,335)	414
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes.....	28,460	-	-	504,387	-	-	2,990	14,930	550,767	328,257	-	-
Transfers in.....	-	-	-	90,938	-	-	440	-	91,378	83,856	-	-
Bond sale proceeds and loans received.....	912,846	-	-	3,262	-	708,181	-	-	1,624,289	1,957,133	55,231	-
Proceeds from sale/transfer of capital assets.....	-	2,277	-	3,823	-	-	14	-	6,114	3,557	-	-
Proceeds from commercial paper borrowings.....	406,110	121,024	30,444	-	1,086	53,639	-	-	612,303	726,122	-	-
Proceeds from passenger facility charges.....	111,121	-	-	-	-	-	-	-	111,121	111,379	-	-
Acquisition of capital assets.....	(1,458,205)	(208,064)	(98,903)	(864,431)	(2,800)	(278,006)	(32,924)	(2,103)	(2,945,436)	(2,128,525)	(3,406)	(1,279)
Retirement of capital leases, bonds and loans.....	(238,180)	(79,221)	(2,828)	(10,055)	(4,823)	(48,111)	(2,693)	(6,735)	(392,646)	(892,379)	(92,719)	(11,194)
Bond issue costs paid.....	-	(4)	-	-	-	(2,801)	-	-	(2,805)	(1,734)	(644)	-
Interest paid on debt.....	(310,491)	(231,605)	(3,642)	(8,006)	(1,704)	(64,187)	(4,463)	(6,019)	(630,117)	(606,153)	(3,977)	(4,739)
Federal interest income subsidy from Build America Bonds.....	-	23,977	581	-	-	4,018	-	-	28,576	28,806	-	-
Other capital financing sources.....	-	-	-	15,083	-	-	550	-	15,633	14,427	7,566	-
Other capital financing uses.....	-	-	-	-	-	-	(2,565)	-	(2,565)	(4,920)	-	-
Net cash provided by (used in) capital and related financing activities.....	(548,339)	(371,616)	(74,348)	(264,999)	(8,241)	372,733	(38,651)	73	(933,388)	(380,174)	(37,949)	(17,212)
Cash flows from investing activities:												
Purchases of investments with trustees.....	(900,887)	(514,907)	(3,802)	-	-	(173,033)	-	-	(1,592,629)	(1,150,780)	-	(2,260)
Proceeds from sale of investments with trustees.....	966,275	484,965	4,840	-	-	166,729	-	12,733	1,635,542	1,241,380	2,260	-
Interest and investment income.....	49,000	10,829	5,979	25,933	6,553	12,654	5,465	2,847	119,260	48,011	510	119
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	(47)	(313)
Net cash provided by (used in) investing activities.....	114,388	(19,113)	7,017	25,933	6,553	6,350	5,465	15,580	162,173	138,611	2,723	(2,454)
Net increase (decrease) in cash and cash equivalents.....	(45,914)	(108,368)	5,385	(95,546)	(159,693)	513,367	(3,655)	76,627	182,203	1,023,638	(27,794)	8,288
Cash and cash equivalents-beginning of year.....	1,846,996	587,604	320,857	991,473	335,073	213,817	196,416	23,019	4,515,255	3,491,617	59,824	51,536
Cash and cash equivalents-end of year.....	\$ 1,801,082	\$ 479,236	\$ 326,242	\$ 895,927	\$ 175,380	\$ 727,184	\$ 192,761	\$ 99,646	\$ 4,697,458	\$ 4,515,255	\$ 32,030	\$ 59,824

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2019

(With comparative financial information year ended June 30, 2018)

(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds		
	Major Funds											
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total	Total	2019	2018
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss).....	\$ 216,432	\$ 185,297	\$ 35,109	\$ (793,556)	\$ (132,261)	\$ 71,268	\$ 9,925	\$ (82,923)	\$ (490,709)	\$ (567,877)	\$ (3,471)	\$ (6,766)
Adjustments for non-cash and other activities:												
Depreciation and amortization.....	268,789	120,815	19,864	189,436	24,578	60,033	24,608	12,453	720,576	686,786	2,859	2,909
Provision for uncollectibles.....	(302)	147	246	132	-	149	2,212	-	2,584	(352)	-	-
Write-off of capital assets.....	-	1,286	6,101	-	-	8,386	-	-	15,773	5,697	-	-
Other.....	3,177	-	-	-	-	-	-	-	3,177	4,150	43	99
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:												
Receivables, net.....	33,913	(1,919)	(28,246)	2,535	(105,924)	(2,166)	(3,322)	730	(104,399)	15,343	18,590	17,363
Due from other funds.....	-	(370)	2,792	-	2	(184)	(350)	38,409	40,299	(28,771)	-	-
Inventories.....	(173)	135	(1,214)	3,156	355	(202)	4	(179)	1,882	(6,243)	-	-
Other assets.....	(3,065)	-	(2,337)	(442)	-	-	846	-	(4,998)	(2,626)	-	-
Accounts payable.....	(18,219)	(2,930)	11,545	7,895	(51,669)	52	(844)	(56,459)	(110,629)	141,605	(6,242)	4,750
Accrued payroll.....	887	283	263	2,652	1,660	258	(13)	623	6,613	5,249	(112)	120
Accrued vacation and sick leave pay.....	148	(586)	291	370	198	862	64	(23)	1,324	1,324	134	235
Accrued workers' compensation.....	426	(621)	550	6,387	7,360	130	(452)	4,845	18,625	14,337	(62)	(41)
Estimated claims payable.....	-	(1,893)	(182)	(1,538)	-	2,302	-	-	(1,311)	16,456	-	-
Due to other funds.....	-	(96)	(1,650)	311	-	-	585	-	(850)	(2,936)	-	-
Unearned revenue and other liabilities.....	3,392	11,504	(1,544)	(4,866)	(45,841)	3,265	(2,194)	16,393	(19,891)	(23,391)	(3,226)	2,182
Net pension liability and pension related deferred outflows and inflows of resources.....	(16,961)	(8,710)	(3,752)	(26,789)	12,403	(3,958)	(667)	(6,293)	(54,727)	(52,133)	(2,480)	4,884
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	6,374	(5,870)	1,586	19,166	(12,111)	(2,484)	3	(26)	6,638	152,445	2,734	1,805
Total adjustments.....	278,386	111,175	4,313	198,405	(168,989)	66,443	20,480	10,473	520,686	930,267	12,238	34,306
Net cash provided by (used in) operating activities.....	\$ 494,818	\$ 296,472	\$ 39,422	\$ (595,151)	\$ (301,250)	\$ 137,711	\$ 30,405	\$ (72,450)	\$ 29,977	\$ 362,390	\$ 8,767	\$ 27,540
Reconciliation of cash and cash equivalents to the statement of net position:												
Deposits and investments with City Treasury:												
Unrestricted.....	\$ 512,978	\$ 405,558	\$ 291,734	\$ 699,722	\$ 174,902	\$ 209,109	\$ 158,208	\$ -	\$ 2,452,211	\$ 2,394,027	\$ 25,465	\$ 36,595
Restricted.....	1,267,311	2,224	31,868	169,268	-	483,885	26,042	86,335	2,066,933	1,894,787	-	-
Deposits and investments outside City Treasury:												
Unrestricted.....	9,163	254	1	5,281	8	274	5	2	14,988	12,530	-	-
Restricted.....	805,664	122,512	3,896	21,656	470	44,928	8,779	13,309	1,021,214	917,739	6,565	25,478
Total deposits and investments.....	2,595,116	530,548	327,499	895,927	175,380	738,196	193,034	99,646	5,555,346	5,219,083	32,030	62,073
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(794,034)	(51,312)	(1,257)	-	-	(11,012)	(273)	-	(857,888)	(703,828)	-	(2,249)
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 1,801,082	\$ 479,236	\$ 326,242	\$ 895,927	\$ 175,380	\$ 727,184	\$ 192,761	\$ 99,646	\$ 4,697,458	\$ 4,515,255	\$ 32,030	\$ 59,824
Non-cash capital and related financing activities:												
Acquisition of capital assets on accounts payable and capital lease.....	\$ 150,568	\$ 31,915	\$ 9,622	\$ -	\$ -	\$ 42,931	\$ 3,790	\$ 557	\$ 239,383	\$ 301,232	\$ 74	\$ 3,599
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	90	-	90	2,590	-	-
Net capitalized interest.....	66,267	53,431	724	7,906	-	27,354	64	-	155,746	115,993	-	-
Donated inventory.....	-	-	-	-	1,746	-	-	-	-	1,490	-	-
Capital contributions and other noncash capital items.....	-	-	-	-	-	-	(188)	-	(188)	(1,413)	-	-
Bond refunding through fiscal agent.....	18,134	-	-	-	-	-	-	-	18,134	26,789	-	-
Bond proceeds held by fiscal agent.....	577,510	-	-	-	-	-	-	-	577,510	802,338	-	-
Commercial paper repaid through fiscal agent.....	431,945	-	-	-	-	-	-	-	431,945	706,285	-	-
Interfund loan.....	-	-	-	-	-	955	-	-	955	1,157	-	-
Capital assets received from Successor Agency.....	-	-	-	-	-	-	19,966	-	19,966	-	-	-
Debt assumed from Successor Agency.....	-	-	-	-	-	-	(6,144)	-	(6,144)	-	-	-

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, 2019
(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.....	\$ 136,076	\$ 471,722	\$ 286,681	\$ 268,964
Deposits and investments outside City Treasury:				
Cash and deposits.....	62,375	-	-	34
Short-term investments.....	480,961	-	-	-
Debt securities.....	2,869,325	-	-	-
Equity securities.....	8,752,935	-	-	-
Real assets.....	4,334,229	-	-	-
Private equity and other alternative investments.....	9,937,307	-	-	-
Foreign currency contracts, net.....	96	-	-	-
Receivables:				
Employer and employee contributions.....	42,419	-	-	148,160
Brokers, general partners and others.....	145,829	-	-	-
Federal and state grants and subventions.....	-	-	404	-
Interest and other.....	24,004	4,348	7,226	135,893
Loans (net of allowance for uncollectible amounts).....	-	-	1,499	-
Other assets.....	3,066	-	1,824	45,538
Restricted assets:				
Deposits and investments outside City Treasury.....	-	-	293,497	-
Capital assets:				
Land and other assets not being depreciated.....	-	-	18,525	-
Facilities, infrastructure and equipment, net of depreciation.....	-	-	13	-
Total assets.....	<u>26,788,622</u>	<u>476,070</u>	<u>609,669</u>	<u>598,589</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	-	-	44,090	-
Deferred outflows related to pensions.....	-	-	6,678	-
Deferred outflows related to OPEB.....	1,027	-	4,213	-
Total deferred outflows of resources.....	<u>1,027</u>	<u>-</u>	<u>54,981</u>	<u>-</u>
LIABILITIES				
Accounts payable.....	35,410	-	80,521	49,571
Estimated claims payable.....	27,899	-	-	-
Due to the primary government.....	-	-	1,649	-
Agency obligations.....	-	-	-	549,018
Accrued interest payable.....	-	-	14,521	-
Payable to brokers.....	148,879	-	-	-
Other liabilities.....	3,137	-	864	-
Advance from primary government.....	-	-	6,442	-
Long-term obligations.....	-	-	993,212	-
Net pension liability.....	-	-	27,178	-
Net other postemployment benefits (OPEB) liability.....	11,785	-	6,568	-
Total liabilities.....	<u>227,110</u>	<u>-</u>	<u>1,130,955</u>	<u>598,589</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions.....	-	-	4,652	-
Deferred inflows related to OPEB.....	1,093	-	14	-
Total deferred inflows of resources.....	<u>1,093</u>	<u>-</u>	<u>4,666</u>	<u>-</u>
NET POSITION				
Restricted for pension and other employee benefits.....	26,561,446	-	-	-
Held for external pool participants.....	-	476,070	-	-
Held for Redevelopment Agency dissolution.....	-	-	(470,971)	-
Total net position.....	<u>\$ 26,561,446</u>	<u>\$ 476,070</u>	<u>\$ (470,971)</u>	<u>\$ -</u>

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, 2019
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private-Purpose Trust Fund
Additions:			
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 158,635
Charges for services.....	-	-	13,717
Contributions:			
Employee contributions.....	587,150	-	-
Employer contributions.....	1,664,583	-	-
Contributions to pooled investments.....	-	4,159,607	-
Total contributions.....	2,251,733	4,159,607	172,352
Investment income (expenses):			
Interest.....	102,968	18,648	13,603
Dividends.....	203,047	-	-
Net appreciation in fair value of investments.....	1,744,754	-	-
Total investment income.....	2,050,769	18,648	13,603
Less investment income:			
Other investment expenses.....	(48,758)	-	-
Net investment income.....	2,002,011	18,648	13,603
Other additions.....	-	-	7,661
Total additions, net.....	4,253,744	4,178,255	193,616
Deductions:			
Neighborhood development.....	-	-	143,500
Depreciation.....	-	-	718
Interest on debt.....	-	-	45,916
Benefit payments.....	2,565,742	-	-
Refunds of contributions.....	17,747	-	-
Distribution from pooled investments.....	-	4,409,040	-
Administrative expenses.....	19,115	-	11,656
Total deductions.....	2,602,604	4,409,040	201,790
Change in net position.....	1,651,140	(230,785)	(8,174)
Net position at beginning of year.....	24,910,306	706,855	(462,797)
Net position at end of year.....	\$ 26,561,446	\$ 476,070	\$ (470,971)

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

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements

June 30, 2019

(Dollars in Thousands)

(1) THE FINANCIAL REPORTING ENTITY

San Francisco is a city and county chartered by the State of California and as such can exercise the powers as both a city and a county under state law. As required by generally accepted accounting principles, the accompanying financial statements present the City and County of San Francisco (the City or primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationships with the City.

As a government agency, the City is exempt from both federal income taxes and California State franchise taxes.

Blended Component Units

Following is a description of those legally separate component units for which the City is financially accountable that are blended with the primary government because of their individual governance or financial relationships to the City.

San Francisco County Transportation Authority (Transportation Authority) – The voters of the City created the Transportation Authority in 1989 to impose voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30-year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the Transportation Authority. The Transportation Authority is reported in a special revenue fund in the City's basic financial statements. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20.0 million (plus 5.0% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco Parking Authority (Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 3rd Floor, San Francisco, CA 94103.

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Discretely Presented Component Unit

Treasure Island Development Authority (TIDA) – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City’s Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA’s governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA’s Board and the ability of the City to approve the TIDA’s budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

Successor Agency to the Redevelopment Agency of the City and County of San Francisco (Successor Agency) – The Successor Agency was created on February 1, 2012, to serve as a custodian for the assets and to wind down the affairs of the former San Francisco Redevelopment Agency pursuant to California Redevelopment Dissolution Law. The Successor Agency is governed by the Successor Agency Commission, commonly known as the Commission on Community Investment and Infrastructure, and is a separate public entity from the City. The Commission has five members, which serve at the pleasure of the City’s Mayor and are subject to confirmation by the Board of Supervisors. The City is financially accountable for the Successor Agency through the appointment of the Commission and a requirement that the Board of Supervisors approve the Successor Agency’s annual budget.

The financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency’s financial statements because the Financing Authority provides services entirely to the Successor Agency.

Per the Redevelopment Dissolution Law, certain actions of the Successor Agency are also subject to the direction of an Oversight Board. The Oversight Board is comprised of seven-member representatives from local government bodies: four City representatives appointed by the Mayor of the City subject to confirmation by the Board of Supervisors of the City; the Vice Chancellor of the San Francisco Community College District; the Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency’s assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency’s custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust

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fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2018, 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.

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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 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.

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Notes to Basic Financial Statements (Continued)

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- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The **Debt Service Funds** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.
- The **Capital Projects Funds** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The **Permanent Fund** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The **Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The **Pension, Other Employee and Other Postemployment Benefit Trust Funds** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The **Investment Trust Fund** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The **Agency Funds** account for the resources held by the City in a custodial capacity on behalf of: the State of California and other governmental agencies; employees for payroll deductions; and human welfare, community health, and transportation programs.

The City applies all applicable Governmental Accounting Standards Board (GASB) pronouncements.

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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, 2019, involuntary participants accounted for approximately 96.8% of the pool. Voluntary participants accounted for 3.2% 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, 2019, \$471.7 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 4.1%. Internal participants accounted for 95.9% 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.

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Retirement System – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of real estate investments are based on net asset values (NAV) provided by the investment managers. Private equity and private credit investments represent interest in limited partnerships. The fair values of private equity and private credit investments are also based on net asset values provided by the general partners.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments, where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

San Francisco International Airport – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* and GASB Statement No. 72 – *Fair Value Measurement and Application*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, if the derivatives are determined to be effective hedges, the changes in the fair value of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position, otherwise changes in fair value are recorded within the investment revenue classification.

Other funds – Non-pooled investments are also generally carried at fair value. However, money market investments (such as short-term, highly liquid debt instruments including commercial paper and bankers' acceptances) that have a remaining maturity at the time of purchase of one year or less and nonparticipating interest-earning investment contracts (such as repurchase agreements and guaranteed or bank investment contracts) are carried at amortized cost. The fair value of non-pooled investments is determined annually and is based on current market prices. The fair value of investments in open-end mutual funds is determined based on the fund's current share price.

Investment Income

Income from pooled investments is allocated at month-end to the individual funds or external participants based on the fund or participant's average daily cash balance in relation to total pooled investments. City management has determined that the investment income related to certain funds should be allocated to the General Fund. On a budget basis, the interest income is recorded in the General Fund. On a generally accepted accounting principles (GAAP) basis, the income is reported in the fund where the related investments reside. A transfer is then recorded to transfer an amount equal to the interest earnings to the General Fund. This is the case for certain other governmental and internal service funds.

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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 governmental and internal service funds.

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

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2019, it was determined that \$1,493.2 million of the \$1,677.8 million loan portfolio is not expected to be ultimately collected.

For the purposes of the fund financial statements, the governmental funds expenditures relating to long-term loans arising from loan subsidy programs are charged to operations upon funding and the loans are recorded, net of an estimated allowance for potentially uncollectible loans, with an offset to a deferred inflow of resources. For purposes of the government-wide financial statements, long-term loans are not offset by deferred inflows of resources.

(e) Inventories

Inventories recorded in the 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) 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.

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Facilities and improvements, infrastructure, machinery and equipment, 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.

(g) 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.

(h) 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.

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(i) Fund Equity

Governmental Fund Balance

As prescribed by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, governmental funds report fund balance in one of five classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. The five fund balance classifications are as follows:

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.
- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

In circumstances when an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is generally depleted in the order of restricted, committed, assigned, and unassigned.

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance.

Net Position

The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted.

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt, including debt related deferred outflows and inflows of resources, that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.
- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

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(j) 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.

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Retiree Health Care Trust Fund (RHCTF) and California Employers' Retiree Benefit Trust Fund Program (CERBT) and additions to/deductions from the plans' fiduciary net position has been determined on the same basis as they are reported by the plans. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

CITY AND COUNTY OF SAN FRANCISCO
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(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 and OPEB, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

(r) Special Item

Special items are significant transactions or events within the control of management that are either (1) unusual in nature (possessing a high degree of abnormality and clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the entity) or (2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

In accordance with the Redevelopment Dissolution Law, the Successor Agency transferred South Beach Harbor and related assets and liabilities to the City's Port during the year ended June 30, 2019. This transaction qualifies as a special item since this action was under the control of Port's management and met the criteria of infrequent (see Note 14).

(s) 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.

(t) Correction of an error

The San Francisco Wastewater Enterprise recorded corrections to previously issued 2017-18 financial statements to eliminate recognition of certain capital assets. Net position as of July 1, 2017 has been reduced by \$6.8 million. Capital assets not being depreciated have been reduced and expenses have been increased by \$28.3 million as of and for the year ended June 30, 2018. As a result, the net position of Business-Type Activities on the Statement of Net Position as of July 1, 2018 has been decreased by \$35.1 million from previously reported results.

CITY AND COUNTY OF SAN FRANCISCO
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(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, \$5,140,577 differs from net position of governmental activities, \$2,901,491 reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets, Liabilities ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassi- fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury.....	\$ 5,822,938	\$ -	\$ 25,465	\$ -	\$ 5,848,403
Deposits and investments outside City Treasury.....	274,933	-	6,565	-	281,498
Receivables, net					
Property taxes and penalties.....	109,824	-	-	-	109,824
Other local taxes.....	394,946	-	-	-	394,946
Federal and state grants and subventions.....	277,228	-	-	-	277,228
Charges for services.....	126,201	-	42	-	126,243
Interest and other.....	46,564	-	416	-	46,980
Due from other funds.....	19,489	-	-	(19,489)	-
Due from component unit.....	5,517	-	-	-	5,517
Advance to component unit.....	6,442	-	-	-	6,442
Loans receivable, net.....	184,555	-	-	-	184,555
Capital assets, net.....	-	6,142,974	12,090	-	6,155,064
Other assets.....	20,185	-	-	-	20,185
Total assets.....	<u>7,288,822</u>	<u>6,142,974</u>	<u>44,578</u>	<u>(19,489)</u>	<u>13,456,885</u>
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	11,794	973	-	12,767
Deferred outflows related to pensions.....	-	798,636	15,614	-	814,250
Deferred outflows related to OPEB.....	-	165,861	3,876	-	169,737
Total deferred outflows of resources.....	<u>-</u>	<u>976,291</u>	<u>20,463</u>	<u>-</u>	<u>996,754</u>
Liabilities					
Accounts payable.....	514,537	-	2,344	-	516,881
Accrued payroll.....	116,691	-	2,250	-	118,941
Accrued vacation and sick leave pay.....	-	166,384	3,585	-	169,969
Accrued workers' compensation.....	-	279,771	1,697	-	281,468
Estimated claims payable.....	-	234,385	-	-	234,385
Accrued interest payable.....	-	18,152	1,040	-	19,192
Unearned grant and subvention revenues.....	64,965	-	-	-	64,965
Due to other funds.....	86,257	-	-	(19,489)	66,768
Unearned revenue and other liabilities.....	869,137	1,553	34	-	870,724
Bonds, loans, capital leases, and other payables.....	92,779	3,749,654	134,540	-	3,976,973
Net pension liability.....	-	2,607,079	49,386	-	2,656,465
Net OPEB liability.....	-	1,901,529	44,469	-	1,945,998
Total liabilities.....	<u>1,744,366</u>	<u>8,958,507</u>	<u>239,345</u>	<u>(19,489)</u>	<u>10,922,729</u>
Deferred inflows of resources					
Unavailable revenue.....	403,879	(403,879)	-	-	-
Unamortized gain on refunding of debt.....	-	178	356	-	534
Deferred inflows related to pensions.....	-	439,018	9,382	-	448,400
Deferred inflows related to OPEB.....	-	176,361	4,124	-	180,485
Total deferred inflows of resources.....	<u>403,879</u>	<u>211,678</u>	<u>13,862</u>	<u>-</u>	<u>629,419</u>
Fund balances/ net position					
Total fund balances/ net position.....	<u>\$ 5,140,577</u>	<u>\$ (2,050,920)</u>	<u>\$ (188,166)</u>	<u>\$ -</u>	<u>\$ 2,901,491</u>

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(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	\$ 8,104,923
Accumulated depreciation	(1,961,949)
	<u>\$ 6,142,974</u>

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	\$ (166,384)
Accrued workers' compensation.....	(279,771)
Estimated claims payable.....	(234,385)
Unearned revenue and other liabilities.....	(1,553)
Bonds, loans, capital leases, and other payables	(3,749,654)
	<u>\$(4,431,747)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (18,152)

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.....	\$ 11,794
Unamortized gain on refunding of debt	(178)
	<u>\$ 11,616</u>

Net pension liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to pensions are not financial resources, and therefore, are not reported in the governmental funds.

Net pension liability.....	\$(2,607,079)
Deferred outflows of resources related to pensions	798,636
Deferred inflows of resources related to pensions	(439,018)
	<u>\$(2,247,461)</u>

CITY AND COUNTY OF SAN FRANCISCO
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Net OPEB liability is not due and payable in the current period, and accordingly is not reported as a fund liability. Deferred outflows (inflows) of resources related to OPEB are not financial resources, and therefore, are not reported in the governmental funds.

Net OPEB liability	\$(1,901,529)
Deferred outflows of resources related to OPEB	165,861
Deferred inflows of resources related to OPEB.....	<u>(176,361)</u>
	<u>\$ (1,912,029)</u>

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	<u>\$ 403,879</u>
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- (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	\$ (60,545)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(130,143)
Unearned revenue and other liabilities	<u>2,522</u>
	<u>\$ (188,166)</u>

CITY AND COUNTY OF SAN FRANCISCO
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(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances for governmental funds, \$563,342, differs from the change in net position for governmental activities, \$1,009,514, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital- related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes.....	\$ 2,765,473	\$ (184,165)	\$ -	\$ -	\$ -	\$ 2,581,308
Business taxes.....	919,552	-	-	-	-	919,552
Sales and use tax.....	329,296	-	-	-	-	329,296
Hotel room tax.....	408,348	-	-	-	-	408,348
Utility users tax.....	93,918	-	-	-	-	93,918
Parking tax.....	86,020	-	-	-	-	86,020
Real property transfer tax.....	364,044	-	-	-	-	364,044
Other local taxes.....	65,371	-	-	-	-	65,371
Licenses, permits and franchises.....	43,416	(401)	-	-	-	43,015
Fines, forfeitures, and penalties.....	48,896	1,567	-	-	-	50,463
Interest and investment income.....	177,832	-	-	518	-	178,350
Rents and concessions.....	155,346	(187)	-	-	-	155,159
Intergovernmental:						
Federal.....	442,328	(75,580)	-	-	-	366,748
State.....	964,916	4,505	-	-	-	969,421
Other.....	13,630	87,215	-	-	-	100,845
Charges for services.....	437,540	10,328	-	-	-	447,868
Other.....	246,010	798	-	665	-	247,473
Total revenues.....	<u>7,561,936</u>	<u>(155,920)</u>	<u>-</u>	<u>1,183</u>	<u>-</u>	<u>7,407,199</u>
Expenditures/ Expenses						
Current:						
Public protection.....	1,460,186	19,538	18,459	(1,842)	-	1,496,341
Public works, transportation and commerce.....	428,378	11,022	(107,683)	-	-	331,717
Human welfare and neighborhood development.....	1,698,081	9,390	12,954	-	-	1,720,425
Community health.....	918,330	16,359	25,733	-	-	960,422
Culture and recreation.....	453,554	6,464	154,054	(19,853)	-	594,219
General administration and finance.....	346,154	(20,625)	8,394	(3,565)	-	330,358
General City responsibilities.....	144,808	(620)	9,248	3,471	-	156,907
Debt service:						
Principal retirement.....	326,416	-	-	-	(326,416)	-
Interest and other fiscal charges.....	168,839	-	-	4,499	(21,740)	151,598
Bond issuance costs.....	876	-	-	746	-	1,622
Capital outlay.....	323,979	-	(323,979)	-	-	-
Total expenditures.....	<u>6,269,601</u>	<u>41,528</u>	<u>(202,820)</u>	<u>(16,544)</u>	<u>(348,156)</u>	<u>5,743,609</u>
Excess (deficiency) of revenues over (under) expenditures.....	1,292,335	(197,448)	202,820	17,727	348,156	1,663,590
Other financing sources (uses) / changes in net position						
Net transfers in (out).....	(801,413)	-	-	(1,335)	-	(802,748)
Issuance of bonds and loans:						
Face value of bonds issued.....	72,420	-	-	-	(72,420)	-
Total other financing sources (uses).....	<u>(728,993)</u>	<u>-</u>	<u>-</u>	<u>(1,335)</u>	<u>(72,420)</u>	<u>(802,748)</u>
Capital contributions.....	-	-	148,672	-	-	148,672
Net change for the year.....	<u>\$ 563,342</u>	<u>\$ (197,448)</u>	<u>\$ 351,492</u>	<u>\$ 16,392</u>	<u>\$ 275,736</u>	<u>\$ 1,009,514</u>

CITY AND COUNTY OF SAN FRANCISCO
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(3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources decreased in the governmental funds. \$ (184,165)

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. 28,245
\$ (155,920)

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. \$ (91,936)

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. (12,384)

Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. 70,780

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. (7,988)
\$ (41,528)

(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	\$ 446,785
Depreciation expense	(202,902)
Loss on disposal of capital assets	(1,363)
Capital contributions	148,672
Write off construction of progress	<u>(39,700)</u>
Difference	<u>\$ 351,492</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds “close” those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year. \$ 16,392

(6) Repayment of bond principal is reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City’s bonded debt was reduced because principal payments were made to bond holders.

Principal payments made\$ 326,416

Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Proceeds were received from:

General obligation bonds\$ (72,420)

\$ 253,996

Interest expense in the statement of activities differs from the amount reported in governmental funds because (1) additional accrued and accreted interest was calculated for bonds, notes payable and capital leases, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Decrease in accrued interest.....\$ 964
 Amortization of bond premiums..... 22,392
 Amortization of bond refunding losses and gains..... (1,616)
\$ 21,740

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Notes to Basic Financial Statements (Continued)
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(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2019, the City implemented the following accounting standards:

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations (AROs.) The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement did not have a significant impact on the City for the year ended June 30, 2019. Required disclosures can be found in Note 8.

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that currently are not reported. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2019. Application of this statement is effective for the City's year ending June 30, 2021.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. GASB Statement No. 90 establishes standards for reporting a government's majority equity interest in a legally separate organization. The new standard is effective for periods beginning after December 15, 2018. Application of this statement is effective for the City's year ending June 30, 2020.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2020. Application of this statement is effective for the City's year ending June 30, 2022.

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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
Deposits and investments with City Treasury.....	\$ 5,848,403	\$ 2,452,211	\$ 1,163,443	\$ 9,464,057
Deposits and investments outside City Treasury.....	274,933	14,988	26,437,262	26,727,183
Restricted assets:				
Deposits and investments with City Treasury.....	-	2,066,933	-	2,066,933
Deposits and investments outside City Treasury.....	6,565	1,021,214	293,497	1,321,276
Total deposits & investments	\$ 6,129,901	\$ 5,555,346	\$ 27,894,202	\$ 39,579,449
Cash and deposits.....				\$ 107,934
Investments.....				39,471,515
Total deposits and investments.....				\$ 39,579,449

(b) Investment Policies

Treasurer's Pool

The City's investment policy addresses the Treasurer's safekeeping and custody practices with financial institutions in which the City deposits funds, types of permitted investment instruments, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The objectives of the policy, in order of priority, are safety, liquidity, and earning a market rate of return on public funds. The City has established a Treasury Oversight Committee (Oversight Committee) as defined in the City Administrative Code section 10.80-3, comprised of various City officials, representatives of agencies with large cash balances, and members of the public, to monitor and review the management of public funds maintained in the investment pool in accordance with Sections 27130 to 27137 of the California Government Code. The Treasurer prepares and submits an investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated February 2018.

CITY AND COUNTY OF SAN FRANCISCO
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The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20% *	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	24 months *	25% *	10% *
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

* Represents restriction on which the City's investment policy is more restrictive than the California Government Code.

The Treasurer also holds for safekeeping bequests, trust funds, and lease deposits for other City departments. The bequests and trust funds consist of stocks and debentures. Those instruments are valued at par, cost, or fair value at the time of donation.

Other Funds

Other funds consist primarily of deposits and investments with trustees related to the issuance of bonds and to certain loan programs operated by the City. These funds are invested either in accordance with bond covenants and are pledged for payment of principal, interest, and specified capital improvements or in accordance with grant agreements and may be restricted for the issuance of loans.

Employees' Retirement System

The Retirement System's investments are invested pursuant to investment policy guidelines as established by the Retirement Board. The objective of the policy is to maximize the expected return of the fund at an acceptable level of risk. The Retirement Board has established percentage guidelines for types of investments to ensure the portfolio is diversified.

Investment managers are required to diversify by issue, maturity, sector, coupon, and geography. Investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Any exemption from general guidelines requires approval from the Retirement Board. The Retirement System invests in securities with contractual cash flows, such as asset backed securities, commercial mortgage backed securities and collateralized mortgage obligations. The value, liquidity and related income of these securities are sensitive to changes in economic conditions, including real estate values, delinquencies or defaults, or both, and may be affected by shifts in the market's perception of the issuers and changes in interest rates.

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The investment policy permits investments in domestic and international debt and equity securities, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2019, are as follows:

Asset Class	Target Allocation since September 2017
Global Equity	31.0%
Treasuries	6.0%
Liquid Credit	3.0%
Private Credit	10.0%
Private Equity	18.0%
Real Assets	17.0%
Hedge Funds/Absolute Return	15.0%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. The Retirement System maintains its operating fund cash in the Treasurer's Pool.

Retiree Health Care Trust Fund (RHCTF)

The RHCTF maintains cash in the Treasurer's Pool. The RHCTF's investments outside of the City Treasury are invested pursuant to investment policy guidelines as established by the RHCTF Board. The objective of the policy is to manage fund assets so as to achieve the highest, reasonably prudent real return possible. The RHCTF allocates its investments among numerous investment managers and in accordance with the investment policy approved by the RHCTF Board. The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation since November 2017
Equities	
U.S. Equity	41.0%
Developed Market Equity (Non-U.S.)	20.0%
Emerging Market Equity	16.0%
Credit	
High Yield Bonds	3.0%
Bank Loans	3.0%
Emerging Market Bonds	3.0%
Rate Securities	
Treasury Inflation-Protected Securities (TIPS)	5.0%
Investment Grade Bonds	9.0%
	100.0%

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(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, 2019:

	Fair Value 6/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	\$ 724,319	\$ 724,319	\$ -	\$ -
U.S. Agencies - Discount	39,853	-	39,853	-
U.S. Agencies - Coupon (no call option)	3,109,313	-	3,109,313	-
U.S. Agencies (callable option)	2,667,648	-	2,667,648	-
State and Local Agencies	110,128	-	110,128	-
Negotiable Certificates of Deposits	2,019,433	-	2,019,433	-
Corporate Notes	34,715	-	34,715	-
Supranationals	861,573	-	861,573	-
Commercial Paper	1,065,640	-	1,065,640	-
Public Time Deposits	35,000 *	-	-	-
Money Market Mutual Funds	945,918 *	-	-	-
Subtotal Investments in City Treasury	11,613,540	\$ 724,319	\$ 9,908,303	\$ -
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	564,757	\$ 564,757	\$ -	\$ -
U.S. Agencies	187,753	-	187,753	-
State and Local Agencies	1,372	-	1,372	-
Corporate Notes	4,065	-	4,065	-
Supranationals	6,474	-	6,474	-
Commercial Paper	10,791	-	10,791	-
Negotiable Certificates of Deposit	7,934	-	7,934	-
Commercial Paper	75,235 *	-	-	-
Money Market Mutual Funds	624,468 *	-	-	-
Certificates of Deposit	273 *	-	-	-
Subtotal Investments Outside City Treasury	1,483,122	\$ 564,757	\$ 218,389	\$ -

* Not subject to fair value hierarchy

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	Fair Value 6/30/2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short-Term Investments	479,220	\$ 29	\$ 3,948	\$ 475,243
Debt Securities:				
U.S. Government and Agency Securities	1,461,178	1,408,872	52,306	-
Other Debt Securities	935,020	156	832,051	102,813
Equity Securities:				
Domestic Equity	3,690,322	3,510,704	7,783	171,835
International Equity	2,355,081	2,351,998	3,074	9
Foreign Currency Contracts, net	96	-	-	96
Subtotal	<u>8,920,917</u>	<u>\$ 7,271,759</u>	<u>\$ 899,162</u>	<u>\$ 749,996</u>
Investments measured at the net asset value (NAV)				
Short-Term Investments	656			
Fixed Income invested in:				
Other Debt Securities	386,917			
Equity Funds invested in:				
Domestic	1,895,455			
International	514,724			
Real Assets	4,334,229			
Private Credit	758,662			
Private Equity	5,604,023			
Absolute Return	3,574,622			
Total investments measured at the NAV	<u>17,069,288</u>			
Subtotal Investments in Employees' Retirement System	<u>25,990,205</u>			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	1,085			
Fixed Income:				
U.S. Debt Index Fund	86,210			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	156,687			
International:				
EAFE Equity Index Fund	140,666			
Subtotal Investments in Retiree Health Care Trust	<u>384,648</u>			
Total Investments	<u>\$39,471,515</u>			

Investments Held in City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy.

U.S. Agencies, State and Local Agencies, Negotiable Certificates of Deposit, Corporate Notes, Commercial Paper and Supranationals are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2 of the fair value hierarchy.

Money Market Funds have maturities of one year or less from fiscal year-end and are not subject to GASB Statement No. 72. Public Time Deposits are measured at cost.

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Investments Held Outside City Treasury

U.S. Treasury Notes are valued using quoted prices in active markets and classified in Level 1 of the fair value hierarchy. U.S. Agencies, State and Local Agencies, Corporate Notes, Supranationals, certain Commercial Paper and Negotiable Certificates of Deposit are valued using a variety of techniques such as matrix pricing, market corroborated pricing inputs such as yield curve, indices, and other market related data and classified in Level 2. Certain Commercial Paper, Money Market Funds, and Certificates of Deposit are not subject to the fair value hierarchy.

Employees' Retirement System Investments

Investments at Fair Value

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In some cases, a valuation technique may have multiple inputs used to measure fair value, and each input might fall into a different level of the fair value hierarchy. The level in the fair value hierarchy within which a fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the measurement. The prices used in determining the fair value hierarchy are obtained from various pricing sources by the Retirement System's custodian bank.

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for these securities. Debt securities including short-term instruments are priced based on evaluated prices. Such evaluated prices may be determined by factors which include, but are not limited to, market quotations, yields, maturities, call features, ratings, institutional size trading in similar groups of securities and developments related to specific securities. For equity securities not traded on an active exchange, or if the closing price is not available, corroborated indicative quotes obtained from pricing vendors are generally used. Debt and equity securities classified in Level 3 of the fair value hierarchy are securities whose stated market prices are unobservable by the market place. Many of these securities are priced using uncorroborated indicative quotes, adjusted prices based on inputs from different sources, or evaluated prices using unobservable inputs, such as extrapolated data, proprietary models, and indicative quotes from pricing vendors.

Investments at Net Asset Value (NAV)

The equity and debt funds are commingled funds that are priced at net asset value by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. The NAV of an open-end fund is its price.

The fair value of the Retirement System's investments in real assets, private credit, private equity, and absolute return investments are based on net asset values provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the Retirement System's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the net asset values are adjusted by additional contributions to and distributions from the partnership, the Retirement System's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and

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may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to, appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

The values provided by the General Partners may differ significantly from the values that would have been used had a ready market existed for these investments.

Private credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. There are ten public equity investments held in commingled funds valued at net asset value. Two investments, valued at \$1.5 million, are currently being liquidated with proceeds expected over the next 2-4 years. The remaining investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

Absolute return investment strategies include equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, and commodities. Investments are achieved through limited partnerships. The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its absolute return investments. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions that differ from the standard terms and conditions summarized here, which can impede the return of capital according to those terms and conditions.

Absolute Return Investments Measured at NAV as of June 30, 2019

% of NAV	Redemption Frequency	Redemption Notice Period
51%	Monthly	95 Days
47%	Quarterly	45-180 Days
2%	Semi-annually	60-65 Days
100%		

% of NAV in Lock Up	As of Fiscal Year End
5%	2019-2020
10%	2020-2021
9%	2021-2022

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Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2019, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2019, one debt security investment valued at \$22.4 million has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment valued at \$60.8 million has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. There are no redemption restrictions for the remaining commingled 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, 2019, \$1.7 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. Information about the sensitivity to the fair values of the City's investments to interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Retirement System's and Retiree Health Care Trust Fund's interest rate risk information is discussed in sections (f) and (g), respectively, of this note.

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	S & P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	\$ 724,319	\$ 374,098	\$ 350,221
U.S. Agencies	NR - AA+	5,816,814	1,675,611	4,141,203
Negotiable Certificates of Deposit	A-1 - A-1+	2,019,433	2,019,433	-
Money Market Mutual Funds	AAAm	945,918	945,918	-
Public time deposits	NR	35,000	35,000	-
State and Local Agencies	AA- - AA+	110,128	46,979	63,149
Supranationals	AAA	861,573	302,688	558,885
Corporate notes	A-1+ ,AA-	34,715	29,647	5,068
Commercial Paper	A-1-A-1+	1,065,640	1,065,640	-
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(31,264)	-	(31,264)
Less: Retiree Health Care Trust				
Investments with City Treasury	n/a	(2,508)	-	(2,508)
Subtotal pooled investments		<u>11,579,768</u>	<u>\$ 6,495,014</u>	<u>\$ 5,084,754</u>
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Notes	AA+	\$ 564,757	\$ 121,507	\$ 443,250
U.S. Agencies - Coupon	AA+	187,753	52,050	135,703
State and Local Agencies	AA, AA-	1,372	-	1,372
Supranationals	AAA	6,474	-	6,474
Corporate notes	AA+-AA-,AAA,A, AA	4,065	3,059	1,006
Money Market Mutual Funds	A-1, AAAm	523,943	523,943	-
U.S. Treasury Money Market Funds	AAAm	100,525	100,525	-
Commercial Paper	A-1+,A-1,AAAm	86,026	86,026	-
Negotiable Certificates of Deposit	NR,A-1 ,A+,AA-	8,207	7,031	1,176
Subtotal investments outside City Treasury		<u>1,483,122</u>	<u>\$ 894,141</u>	<u>\$ 588,981</u>
Retiree Health Care Trust Investments		387,156		
Employees' Retirement System investments		<u>26,021,469</u>		
Total Primary Government		<u>\$ 39,471,515</u>		

As of June 30, 2019, the investments in the City Treasury had a weighted average maturity of 466 days.

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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, 2019, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Home Loan Mortgage Corporation	19.0%
Federal Farm Credit Bank.....	13.9%
Federal Home Loan Bank	11.5%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2019:

Airport:	
Federal National Mortgage Association	8.84%
Federal Home Loan Bank.....	8.08%
Federal Home Loan Mortgage Corporation.....	5.41%

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(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2019:

Statement of Net Position

Net position held in trust for all pool participants.....	\$11,530,990
Equity of internal pool participants.....	\$11,054,920
Equity of external pool participants.....	476,070
Total equity.....	<u>\$11,530,990</u>

Statement of Changes in Net Position

Net position at July 1, 2018.....	\$10,514,604
Net change in investments by pool participants.....	1,016,386
Net position at June 30, 2019.....	<u>\$11,530,990</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2019:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries.....	1.43% - 2.67%	10/15/19 - 06/30/22	\$ 725,000	\$ 724,319
U.S. Agencies.....	1.10% - 3.11%	07/01/19 - 05/20/24	5,802,795	5,816,814
State and local agencies.....	1.38% - 2.80%	07/01/19 - 05/15/21	109,737	110,128
Public time deposits.....	2.23% - 2.55%	09/26/19 - 12/23/19	35,000	35,000
Negotiable certificates of deposit..	2.35% - 3.12%	07/01/19 - 04/13/20	2,015,000	2,019,433
Commercial paper.....	2.32% - 2.97%	07/01/19 - 10/28/19	1,068,000	1,065,640
Corporate notes.....	2.25% - 3.08%	11/01/19 - 01/08/21	34,650	34,715
Money market mutual funds.....	2.25% - 2.30%	07/01/19 - 07/01/19	945,918	945,918
Supranationals.....	1.56% - 3.93%	07/26/19 - 06/28/24	861,151	861,573
			<u>\$11,597,251</u>	<u>11,613,540</u>
Carrying amount of deposits with Treasurer.....				(82,550)
Total cash and investments with Treasurer.....				<u>\$ 11,530,990</u>

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(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2019, are summarized as follows:

Fixed Income Investments:	
Short-Term investments	\$ 479,876
Investments in City Treasury	31,264
Debt securities:	
U.S. Government and agencies	1,461,178
Other debt securities	1,321,937
Subtotal debt securities	<u>2,783,115</u>
Total fixed income investments	<u>3,294,255</u>
Equity securities:	
Domestic	5,585,777
International	2,869,805
Total equity securities	<u>8,455,582</u>
Real assets	4,334,229
Private credit	758,662
Private equity	5,604,023
Absolute return	3,574,622
Foreign currency contracts, net	96
Total Retirement System Investments	<u><u>\$ 26,021,469</u></u>

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, 2019:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$ 34,358	\$ -	\$ 9,360	\$ 1,600	\$ 23,398
Bank Loans	102,116	-	49,484	52,632	-
City Investment Pool	31,264	17,485	13,779	-	-
Commercial Mortgage-Backed	104,576	444	1,289	2,646	100,197
Commingled and Other					
Fixed Income Funds	391,318	6,136	-	185,119	200,063
Corporate Bonds	304,192	10,268	123,034	131,798	39,092
Corporate Convertible Bonds	229,370	3,882	145,410	64,476	15,602
Government Bonds	1,523,421	47,949	903,873	507,285	64,314
Government Mortgage-Backed Securities	40,154	-	-	4,554	35,600
Municipal/Provincial Bonds	3,580	-	-	124	3,456
Non-Government Backed					
Collateralized Mortgage Obligations	33,938	-	659	1,792	31,487
Options	(32)	(3)	(29)	-	-
Short-Term Investment Funds	492,830	492,830	-	-	-
Swaps	3,170	424	1,599	1,109	38
Total	<u>\$ 3,294,255</u>	<u>\$ 579,415</u>	<u>\$ 1,248,458</u>	<u>\$ 953,135</u>	<u>\$ 513,247</u>

CITY AND COUNTY OF SAN FRANCISCO
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Credit Risk

Fixed income investment managers retained by the Retirement System follow specific investment guidelines and are evaluated against specific market benchmarks that represent their investment style. Fixed income investment managers typically are limited within their portfolios to no more than 5.0% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

Investments are classified and rated using the lower of (1) Standard & Poor's (S&P) rating or (2) Moody's Investors Service (Moody's) rating corresponding to the equivalent S&P rating. If only a Moody's rating is available, the rating equivalent to S&P is used for the purpose of this disclosure.

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2019. Investments issued or explicitly guaranteed by the U.S. government of \$1.42 billion as of June 30, 2019, 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	\$ 37,988	2.0%
AA	49,415	2.6%
A	68,250	3.6%
BBB	192,051	10.2%
BB	135,911	7.2%
B	189,274	10.1%
CCC	30,643	1.6%
CC	65	0.0%
D	5,438	0.3%
Not Rated	1,165,658	62.4%
Total	\$ 1,874,693	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 8.0% for 2019.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2019, 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.

CITY AND COUNTY OF SAN FRANCISCO
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Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2019, \$126.0 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System and were held by the counterparty's trust department or agent but not in the Retirement System's name.

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 private credit. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

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The Retirement System's net exposures to foreign currency risk as of June 30, 2019, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	\$ -	\$ -	\$ 1,452	\$ -	\$ -	\$ -	\$ 578	\$ 2,030
Australian dollar	-	36,373	(150)	1,803	-	-	68,768	106,794
Brazil real	-	17,584	12,401	-	-	-	2,707	32,692
Canadian dollar	-	24,015	-	-	-	-	51,145	75,160
Chilean peso	-	-	594	-	-	-	657	1,251
Chinese yuan renminbi	28,678	240,203	103	-	-	-	-	268,984
Colombian peso	-	-	6,008	-	-	-	4,287	10,295
Czech koruna	-	1,076	3,105	-	-	-	2,874	7,055
Danish krone	-	28,719	-	-	-	-	(3,628)	25,091
Dominican rep peso	-	-	1,484	-	-	-	-	1,484
Egyptian pound	-	-	-	-	-	-	5,339	5,339
Euro	-	413,076	40,484	118,202	293,032	38,431	(61,969)	841,256
Hong Kong dollar	-	86,355	-	-	-	-	634	86,989
Hungarian forint	-	2,064	13,622	-	-	-	(7,755)	7,931
Indonesian rupiah	-	3,120	12,184	-	-	-	1,788	17,092
Israeli shekel	-	3,917	195	-	-	-	2,941	7,053
Japanese yen	-	192,284	(44)	-	68,707	-	(7,026)	253,921
Kazakhstan tenge	-	-	277	-	-	-	1,027	1,304
Malaysian ringgit	-	1,469	7,233	-	-	-	307	9,009
Mexican peso	-	3,690	1,234	-	-	-	10,447	15,371
New Taiwan dollar	-	33,197	-	-	-	-	(2,710)	30,487
New Zealand dollar	-	463	-	-	-	-	41,041	41,504
Nigerian naira	3,948	-	-	-	-	-	1,623	5,571
Norwegian krone	-	2,450	-	-	-	-	(13,257)	(10,807)
Peruvian sol	-	-	15,327	-	-	-	(6,675)	8,652
Philippines peso	-	1,386	486	-	-	-	1,243	3,115
Polish zloty	-	-	16,035	-	-	-	(176)	15,859
Pound sterling	-	226,476	1,626	28,754	16,709	-	2,560	276,125
Romanian leu	-	-	1,186	-	-	-	(1,930)	(744)
New Russian ruble	-	-	12,454	-	-	-	(55)	12,399
Singapore dollar	-	6,305	-	-	-	-	2,560	8,865
South African rand	-	10,853	14,706	-	-	-	(3,013)	22,546
South Korean won	-	26,457	-	-	-	-	(1,380)	25,077
Swedish krona	-	26,736	(168)	-	-	-	(17,911)	8,657
Swiss franc	-	104,114	(14)	-	-	-	(89,647)	14,453
Thailand baht	-	3,358	2,858	-	-	-	8,982	15,198
Turkish lira	-	2,986	5,292	-	-	-	(2,413)	5,865
Ukraine hryvana	-	-	234	-	-	-	443	677
Uruguayan peso	-	-	332	-	-	-	-	332
Total	\$ 32,626	\$ 1,498,726	\$ 170,536	\$ 148,759	\$ 378,448	\$ 38,431	\$ (7,594)	\$ 2,259,932

CITY AND COUNTY OF SAN FRANCISCO
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Derivative Instruments

As of June 30, 2019, 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, 2019:

<u>Derivative Type / Contracts</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Net Appreciation (Depreciation) in Fair Value</u>
Forwards			
Foreign Exchange Contracts	\$ 891,781	\$ 96	\$ 1,253
Futures			
Currency Futures Long	3,062	29	69
Equity Index Futures Long	214,700	3,073	6,897
Equity Index Futures Short	(43,024)	(410)	(854)
Treasury Futures Long	44,484	155	(236)
Options			
Foreign Exchange Contracts	(4,400)	(32)	110
Swaps			
Credit Contracts	7,867	(22)	64
Currency Contracts	2,031	(67)	(64)
Equity Index Contracts	120	(31)	1,530
Total Return Contracts	31,138	-	220
Interest Rate Contracts	314,416	3,257	2,548
Rights/Warrants			
Equity Contracts	51,613 shares	102,031	6,055
Total		<u>\$ 108,079</u>	<u>\$ 17,592</u>

All investment derivatives are reported as investments at fair value in the statement of fiduciary net position. Rights and warrants are reported in equity securities. Foreign exchange contracts are reported in foreign currency contracts, which also include spot contracts that are not derivatives. All other derivative contracts are reported in other debt securities. All changes in fair value are reported as net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position.

CITY AND COUNTY OF SAN FRANCISCO
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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, 2019, the fair value of forward currency contracts in asset positions (including foreign exchange contract options) to purchase and sell international currencies were \$1.5 million and \$1.4 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 41.0% and credit ratings of B on 59.0% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's).

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2019, 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, 2019.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Foreign Exchange Contracts	\$ 96	\$ 168	\$ (72)	\$ -	\$ -
Options					
Foreign Exchange Contracts	(32)	(3)	(29)	-	-
Swaps					
Credit Contracts	(22)	(30)	8	-	-
Currency Contracts	(67)	-	(60)	(7)	-
Interest Rate Contracts	3,257	454	1,650	1,115	38
Total	\$ 3,232	\$ 589	\$ 1,497	\$ 1,108	\$ 38

CITY AND COUNTY OF SAN FRANCISCO
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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, 2019:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 1.04%, Pay Variable 3-Month TELBOR	\$ 3,084	\$ 42
Interest Rate Sw ap	Receive Fixed 1.05%, Pay Variable 3-Month TELBOR	2,832	42
Interest Rate Sw ap	Receive Fixed 1.50%, Pay Variable 6-Month BUBOR	439	7
Interest Rate Sw ap	Receive Fixed 1.78%, Pay Variable 6-Month PRIBOR	1,088	4
Interest Rate Sw ap	Receive Fixed 1.81%, Pay Variable 3-Month TELBOR	1,486	76
Interest Rate Sw ap	Receive Fixed 1.83%, Pay Variable 6-Month THB	717	2
Interest Rate Sw ap	Receive Fixed 1.83%, Pay Variable 6-Month WIBOR	134	-
Interest Rate Sw ap	Receive Fixed 1.90%, Pay Variable 3-Month TELBOR	897	51
Interest Rate Sw ap	Receive Fixed 1.92%, Pay Variable 6-Month THB	505	6
Interest Rate Sw ap	Receive Fixed 1.93%, Pay Variable 6-Month THB	344	2
Interest Rate Sw ap	Receive Fixed 1.93%, Pay Variable 6-Month THB	101	1
Interest Rate Sw ap	Receive Fixed 1.94%, Pay Variable 6-Month THB	489	6
Interest Rate Sw ap	Receive Fixed 1.94%, Pay Variable 6-Month WIBOR	2,360	10
Interest Rate Sw ap	Receive Fixed 1.95%, Pay Variable 6-Month THB	675	4
Interest Rate Sw ap	Receive Fixed 2.00%, Pay Variable 6-Month WIBOR	644	2
Interest Rate Sw ap	Receive Fixed 2.01%, Pay Variable 6-Month THB	1,164	16
Interest Rate Sw ap	Receive Fixed 2.02%, Pay Variable 6-Month THB	652	4
Interest Rate Sw ap	Receive Fixed 2.04%, Pay Variable 6-Month THB	515	8
Interest Rate Sw ap	Receive Fixed 2.12%, Pay Variable 6-Month THB	1,138	16
Interest Rate Sw ap	Receive Fixed 2.18%, Pay Variable 6-Month THB	82	2
Interest Rate Sw ap	Receive Fixed 2.19%, Pay Variable 6-Month THB	228	2
Interest Rate Sw ap	Receive Fixed 2.19%, Pay Variable 6-Month THB	610	17
Interest Rate Sw ap	Receive Fixed 2.22%, Pay Variable 6-Month THB	457	4
Interest Rate Sw ap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	1,535	36
Interest Rate Sw ap	Receive Fixed 2.25%, Pay Variable 6-Month PRIBOR	5,228	28
Interest Rate Sw ap	Receive Fixed 2.39%, Pay Variable 6-Month THB	624	29
Interest Rate Sw ap	Receive Fixed 2.42%, Pay Variable 6-Month THB	624	30
Interest Rate Sw ap	Receive Fixed 2.51%, Pay Variable 6-Month THB	355	15
Interest Rate Sw ap	Receive Fixed 2.56%, Pay Variable 6-Month THB	763	42
Interest Rate Sw ap	Receive Fixed 2.58%, Pay Variable 6-Month THB	248	12
Interest Rate Sw ap	Receive Fixed 2.58%, Pay Variable 6-Month THB	179	9
Interest Rate Sw ap	Receive Fixed 2.63%, Pay Variable 6-Month THB	714	37
Interest Rate Sw ap	Receive Fixed 2.78%, Pay Variable 6-Month THB	30	2
Interest Rate Sw ap	Receive Fixed 2.81%, Pay Variable 6-Month THB	600	38
Interest Rate Sw ap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	287	5
Interest Rate Sw ap	Receive Fixed 3.27%, Pay Variable 6-Month CLP	382	(1)
Interest Rate Sw ap	Receive Fixed 3.33%, Pay Variable 3-Month KLIBOR	436	-
Interest Rate Sw ap	Receive Fixed 3.54%, Pay Variable 6-Month CLP	730	25
Interest Rate Sw ap	Receive Fixed 3.76%, Pay Variable 6-Month CLP	1,822	76
Interest Rate Sw ap	Receive Fixed 3.77%, Pay Variable 6-Month CLP	1,801	89

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Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 4.26%, Pay Variable 1-Day COO/IBR	\$ 770	\$ 1
Interest Rate Sw ap	Receive Fixed 4.58%, Pay Variable 1-Day COO/IBR	604	1
Interest Rate Sw ap	Receive Fixed 4.61%, Pay Variable 1-Day COO/IBR	655	1
Interest Rate Sw ap	Receive Fixed 5.12%, Pay Variable 1-Day COO/IBR	496	12
Interest Rate Sw ap	Receive Fixed 5.17%, Pay Variable 1-Day COO/IBR	3,175	87
Interest Rate Sw ap	Receive Fixed 5.63%, Pay Variable 28-Day MXIBR	161	(6)
Interest Rate Sw ap	Receive Fixed 5.88%, Pay Variable 1-Day COO/IBR	970	48
Interest Rate Sw ap	Receive Fixed 6.12%, Pay Variable 1-Day COO/IBR	102	7
Interest Rate Sw ap	Receive Fixed 6.20%, Pay Variable 1-Day COO/IBR	94	7
Interest Rate Sw ap	Receive Fixed 6.26%, Pay Variable 1-Day BIDOR	1,305	1
Interest Rate Sw ap	Receive Fixed 6.41%, Pay Variable 1-Day COO/IBR	521	48
Interest Rate Sw ap	Receive Fixed 6.43%, Pay Variable 1-Day COO/IBR	30	(3)
Interest Rate Sw ap	Receive Fixed 6.71%, Pay Variable 28-Day MXIBR	682	(44)
Interest Rate Sw ap	Receive Fixed 6.80%, Pay Variable 28-Day MXIBR	125	(2)
Interest Rate Sw ap	Receive Fixed 6.89%, Pay Variable 1-Day BIDOR	3,027	43
Interest Rate Sw ap	Receive Fixed 7.05%, Pay Variable 1-Day BIDOR	2,087	35
Interest Rate Sw ap	Receive Fixed 7.10%, Pay Variable 1-Day BIDOR	2,922	53
Interest Rate Sw ap	Receive Fixed 7.18%, Pay Variable 1-Day BIDOR	1,800	36
Interest Rate Sw ap	Receive Fixed 7.19%, Pay Variable 1-Day BIDOR	704	14
Interest Rate Sw ap	Receive Fixed 7.22%, Pay Variable 1-Day BIDOR	1,383	27
Interest Rate Sw ap	Receive Fixed 7.25%, Pay Variable 3-Month JIBAR	525	6
Interest Rate Sw ap	Receive Fixed 7.38%, Pay Variable 28-Day MXIBR	822	(1)
Interest Rate Sw ap	Receive Fixed 7.42%, Pay Variable 1-Day BIDOR	2,792	71
Interest Rate Sw ap	Receive Fixed 7.48%, Pay Variable 1-Day BIDOR	2,061	41
Interest Rate Sw ap	Receive Fixed 7.65%, Pay Variable 28-Day MXIBR	2,983	36
Interest Rate Sw ap	Receive Fixed 7.68%, Pay Variable 28-Day MXIBR	203	2
Interest Rate Sw ap	Receive Fixed 7.80%, Pay Variable 1-Day BIDOR	1,696	43
Interest Rate Sw ap	Receive Fixed 7.83%, Pay Variable 1-Day BIDOR	3,731	123
Interest Rate Sw ap	Receive Fixed 7.88%, Pay Variable 28-Day MXIBR	88	2
Interest Rate Sw ap	Receive Fixed 7.89%, Pay Variable 28-Day MXIBR	1,301	3
Interest Rate Sw ap	Receive Fixed 7.92%, Pay Variable 28-Day MXIBR	2,061	52
Interest Rate Sw ap	Receive Fixed 7.98%, Pay Variable 28-Day MXIBR	2,759	89
Interest Rate Sw ap	Receive Fixed 7.99%, Pay Variable 28-Day MXIBR	385	13
Interest Rate Sw ap	Receive Fixed 8.04%, Pay Variable 28-Day MXIBR	2,129	44
Interest Rate Sw ap	Receive Fixed 8.28%, Pay Variable 28-Day MXIBR	203	9
Interest Rate Sw ap	Receive Fixed 8.31%, Pay Variable 28-Day MXIBR	83	4
Interest Rate Sw ap	Receive Fixed 8.32%, Pay Variable 28-Day MXIBR	422	23
Interest Rate Sw ap	Receive Fixed 8.39%, Pay Variable 28-Day MXIBR	1,645	99
Interest Rate Sw ap	Receive Fixed 8.64%, Pay Variable 1-Day BIDOR	157	10
Interest Rate Sw ap	Receive Fixed 8.82%, Pay Variable 28-Day MXIBR	4,482	264
Interest Rate Sw ap	Receive Fixed 8.98%, Pay Variable 28-Day MXIBR	521	34
Interest Rate Sw ap	Receive Fixed 9.65%, Pay Variable 1-Day BIDOR	626	77
Interest Rate Sw ap	Receive Fixed 9.76%, Pay Variable 1-Day BIDOR	26	3

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Sw ap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	\$ 391	\$ 58
Interest Rate Sw ap	Receive Fixed 10.30%, Pay Variable 1-Day BIDOR	130	17
Interest Rate Sw ap	Receive Fixed 10.33%, Pay Variable 1-Day BIDOR	2,166	319
Interest Rate Sw ap	Receive Fixed 11.33%, Pay Variable 1-Day BIDOR	2,270	416
Interest Rate Sw ap	Receive Fixed 11.38%, Pay Variable 1-Day BIDOR	6,340	580
Interest Rate Sw ap	Receive Fixed 12.06%, Pay Variable 1-Day BIDOR	728	98
Interest Rate Sw ap	Receive Fixed 12.20%, Pay Variable 1-Day BIDOR	1,354	202
Interest Rate Sw ap	Receive Fixed 12.29%, Pay Variable 1-Day BIDOR	183	38
Interest Rate Sw ap	Receive Fixed 16.40%, Pay Variable 1-Day BIDOR	3,131	859
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 11.35%	1,226	(166)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.25%	24,944	(28)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.41%	59,463	-
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	1,644	(24)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.93%	965	(14)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 6.98%	3,757	(63)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 7.26%	2,714	(55)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 7.29%	4,331	(90)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 8.79%	1,200	(66)
Interest Rate Sw ap	Receive Variable 1-Day BIDOR, Pay Fixed 9.60%	1,070	(123)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	1,580	(23)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.88%	420	(6)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 5.28%	432	14
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.39%	404	(37)
Interest Rate Sw ap	Receive Variable 1-Day COOVIBR, Pay Fixed 6.42%	65	(6)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 6.87%	661	8
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 7.72%	5,205	(76)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 7.73%	796	(12)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 8.11%	1,286	(51)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 8.29%	5,726	(10)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.09%	1,156	(126)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.10%	2,717	(299)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.21%	442	(52)
Interest Rate Sw ap	Receive Variable 28-Day MXIBR, Pay Fixed 9.33%	312	(39)
Interest Rate Sw ap	Receive Variable 3-Month JIBAR, Pay Fixed 7.75%	660	(6)
Interest Rate Sw ap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.74%	581	(6)
Interest Rate Sw ap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.75%	920	(10)
Interest Rate Sw ap	Receive Variable 3-Month LIBOR, Pay Fixed 2.50%	59,600	(71)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.70%	953	3
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	617	(6)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.95%	477	(5)
Interest Rate Sw ap	Receive Variable 3-Month TELBOR, Pay Fixed 0.96%	1,065	(11)
Interest Rate Sw ap	Receive Variable 6-Month BUBOR, Pay Fixed 0.46%	13,529	(16)
Interest Rate Sw ap	Receive Variable 6-Month PRIBOR, Pay Fixed 2.47%	1,477	(48)
Interest Rate Sw ap	Receive Variable 6-Month WIBOR, Pay Fixed 1.86%	4,559	(11)
Interest Rate Sw ap	Receive Variable 6-Month WIBOR, Pay Fixed 2.25%	456	(8)
Total Interest Rate Sw aps		<u>\$ 314,416</u>	<u>\$ 3,257</u>

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Foreign Currency Risk

At June 30, 2019, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps and futures denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2019:

Currency	Forwards	Swaps	Futures	Total
Argentina peso	\$ 578	\$ (478)	\$ -	\$ 100
Australian dollar	68,768	(150)	(118)	68,500
Brazil real	2,707	2,535	-	5,242
Canadian dollar	51,145	-	17	51,162
Chilean peso	657	194	-	851
Colombian peso	4,287	152	-	4,439
Czech koruna	2,874	20	-	2,894
Danish krone	(3,628)	-	-	(3,628)
Egyptian pound	5,339	-	-	5,339
Euro	(61,969)	329	756	(60,884)
Hong Kong dollar	634	-	231	865
Hungarian forint	(7,755)	(9)	-	(7,764)
Indonesian rupiah	1,788	-	-	1,788
Israeli shekel	2,941	195	-	3,136
Japanese yen	(7,026)	(44)	-	(7,070)
Kazakhstan tenge	1,027	-	-	1,027
Malaysian ringgit	307	(16)	-	291
Mexican peso	10,447	(39)	-	10,408
New Taiwan dollar	(2,710)	-	-	(2,710)
New Zealand dollar	41,041	-	-	41,041
Nigerian naira	1,623	-	-	1,623
Norwegian krone	(13,257)	-	-	(13,257)
Peruvian sol	(6,675)	-	-	(6,675)
Philippines peso	1,243	-	-	1,243
Polish zloty	(176)	(7)	-	(183)
Pound sterling	2,560	-	54	2,614
Romanian leu	(1,930)	-	-	(1,930)
New Russian ruble	(55)	-	-	(55)
Singapore dollar	2,560	-	28	2,588
South African rand	(3,013)	-	-	(3,013)
South Korean won	(1,380)	-	-	(1,380)
Swedish krona	(17,911)	(168)	(69)	(18,148)
Swiss franc	(89,647)	(14)	-	(89,661)
Thailand baht	8,982	305	-	9,287
Turkish lira	(2,413)	(30)	-	(2,443)
Ukraine hryvana	443	-	-	443
Total	<u>\$ (7,594)</u>	<u>\$ 2,775</u>	<u>\$ 899</u>	<u>\$ (3,920)</u>

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Contingent Features

At June 30, 2019, the Retirement System held no positions in derivatives containing contingent features.

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2019, are summarized as follows:

Beginning of the year	\$ 3,578,379
Capital investments	902,896
Equity in net earnings	98,521
Net appreciation in fair value	241,048
Capital distributions	(486,615)
End of the year	<u>\$ 4,334,229</u>

(g) Retiree Health Care Trust Fund

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk but invests in a diversified portfolio of stocks and bonds with a goal of reducing sensitivity to any one interest rate regime.

As of June 30, 2019, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

<u>Investment Type</u>	<u>Weighted Average Maturity in Years</u>
US Debt Index Fund	7.75
US Treasury TIPS Fund	8.15
Emerging Markets Debt Fund	10.90
Multi-Sector Debt Fund	7.90
City Investment Pool	1.28
Treasury Money Market Fund	0.15

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment may not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The RHCTF's investments in the US Debt Index Fund, US Treasury TIPS Fund, Emerging Markets Debt Fund, Multi-Sector Debt Fund, City's investment pool and Treasury Money Market Fund are not rated. Although those funds may invest in rated securities, and securities issued or explicitly guaranteed by the U.S. Government that are exempt from the credit rating disclosures, the funds do not themselves have a specific credit rating.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2019, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal and greater than 5% at the issuer level and likely very little, if any, overlap.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2019, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the counterparty's trust department or agent.

Foreign Currency Risk

The RHCTF allows investments in international equity. The RHCTF's investments in the commingled funds are denominated in U.S. dollars, but may consist of underlying securities that are denominated in foreign currencies. The RHCTF's investment managers value investments denominated in foreign currencies by converting them into U.S. dollars using the most appropriate exchange rates as identified by each manager. Also, the cost of purchases and proceeds from sales of investments, interest and dividend income are translated into U.S. dollars using the spot market rate of exchange prevailing on the respective dates of such transactions.

Rate of Return

For the year ended June 30, 2019, the annual money-weighted rate of return on investments, net of investment expense, was 9.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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(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 \$289.7 million for the year ended June 30, 2019.

Taxable valuation for the year ended June 30, 2019, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$235.9 billion, an increase of 11.0%. The secured tax rate was \$1.1630 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and \$0.1630 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.63% and 2.52%, respectively, of the current year tax levy, for an average delinquency rate of 0.74% 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, 2019, was \$29.1 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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2019, was as follows:

	Balance July 1, 2018	Increases ⁽¹⁾	Decreases ⁽¹⁾	Balance June 30, 2019
Governmental Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 484,474	\$ 34,760	\$ -	\$ 519,234
Intangible assets.....	8,732	841	-	9,573
Construction in progress.....	849,925	396,502	(561,568)	684,859
Total capital assets, not being depreciated.....	<u>1,343,131</u>	<u>432,103</u>	<u>(561,568)</u>	<u>1,213,666</u>
Capital assets, being depreciated:				
Facilities and improvements.....	4,612,550	559,430	(103)	5,171,877
Machinery and equipment.....	593,154	33,379	(54,667)	571,866
Infrastructure.....	1,016,628	93,992	(1,331)	1,109,289
Intangible assets.....	107,461	1,827	-	109,288
Total capital assets, being depreciated.....	<u>6,329,793</u>	<u>688,628</u>	<u>(56,101)</u>	<u>6,962,320</u>
Less accumulated depreciation for:				
Facilities and improvements.....	1,205,139	116,681	(61)	1,321,759
Machinery and equipment.....	406,113	38,339	(54,667)	389,785
Infrastructure.....	241,223	44,746	(10)	285,959
Intangible assets.....	17,424	5,995	-	23,419
Total accumulated depreciation.....	<u>1,869,899</u>	<u>205,761</u>	<u>(54,738)</u>	<u>2,020,922</u>
Total capital assets, being depreciated, net.....	<u>4,459,894</u>	<u>482,867</u>	<u>(1,363)</u>	<u>4,941,398</u>
Governmental activities capital assets, net.....	<u>\$ 5,803,025</u>	<u>\$ 914,970</u>	<u>\$ (562,931)</u>	<u>\$ 6,155,064</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land.....	\$ 269,158	\$ 291	\$ (11,646)	\$ 257,803
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	5,449,248 ⁽²⁾	2,956,422	(2,554,363)	5,851,307
Total capital assets, not being depreciated.....	<u>5,730,449</u>	<u>2,956,713</u>	<u>(2,566,009)</u>	<u>6,121,153</u>
Capital assets, being depreciated:				
Facilities and improvements.....	17,015,498	1,864,716	(29,557)	18,850,657
Machinery and equipment.....	2,965,848	638,041 ⁽³⁾	(150,832)	3,453,057
Infrastructure.....	1,500,314	69,481	-	1,569,795
Property held under lease.....	697	-	-	697
Intangible assets.....	207,921	3,710	(16,518) ⁽³⁾	195,113
Total capital assets, being depreciated.....	<u>21,690,278</u>	<u>2,575,948</u>	<u>(196,907)</u>	<u>24,069,319</u>
Less accumulated depreciation for:				
Facilities and improvements.....	6,487,440	463,098	(16,671)	6,933,867
Machinery and equipment.....	1,621,829	205,803	(129,700) ⁽⁵⁾	1,697,932
Infrastructure.....	670,230	43,426 ⁽⁴⁾	-	713,656
Property held under lease.....	697	-	-	697
Intangible assets.....	169,955	8,249 ⁽⁴⁾	(23,530) ⁽⁵⁾	154,674
Total accumulated depreciation.....	<u>8,950,151</u>	<u>720,576</u>	<u>(169,901)</u>	<u>9,500,826</u>
Total capital assets, being depreciated, net.....	<u>12,740,127</u>	<u>1,855,372</u>	<u>(27,006)</u>	<u>14,568,493</u>
Business-type activities capital assets, net.....	<u>\$ 18,470,576</u>	<u>\$ 4,812,085</u>	<u>\$ (2,593,015)</u>	<u>\$ 20,689,646</u>

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

(2) See Note 2(t) to the basic financial statements.

(3) Includes \$13,723 reclassification in capital assets, being depreciated.

(4) Includes \$1,228 accumulated depreciation reclassification.

(5) Includes \$20,735 accumulated depreciation reclassification.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public protection.....	\$ 26,002
Public works transportation and commerce.....	49,092
Human welfare and neighborhood development.....	654
Community Health.....	39,391
Culture and recreation.....	53,218
General administration and finance.....	34,545
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	2,859
Total depreciation expense - governmental activities.....	<u>\$ 205,761</u>
Business-type activities:	
Airport.....	\$ 268,789
Water.....	120,815
Power.....	19,864
Transportation.....	189,436
Hospitals.....	37,031
Wastewater.....	60,033
Port.....	<u>24,608</u>
Total depreciation expense - business-type activities.....	<u>\$ 720,576</u>

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 \$4.91 billion as of June 30, 2019. 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, 2019. 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, 2019.

During the year ended June 30, 2019, the City's enterprise funds incurred total interest expense and interest income of approximately \$627.0 million and \$182.7 million, respectively. Of these amounts, net interest expense of approximately \$155.7 million was capitalized. The Airport had write-offs and loss on disposal in the amount of \$15.3 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$1.3 million, \$6.1 million, and \$8.4 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
(Dollars in Thousands)

Component Unit

Capital asset activity of the component unit for the year ended June 30, 2019 was as follows:

	Balance July 1, 2018	Increases	Decreases	Balance June 30, 2019
Treasure Island Development Authority:				
Capital assets, not being depreciated:				
Land.....	\$ 27,481	\$ 6,863	\$ -	\$ 34,344
Construction in progress.....	-	502	-	502
Total capital assets, not being depreciated.....	<u>27,481</u>	<u>7,365</u>	<u>-</u>	<u>34,846</u>
Capital assets, being depreciated:				
Machinery and equipment.....	36	-	-	36
Total capital assets, being depreciated.....	<u>36</u>	<u>-</u>	<u>-</u>	<u>36</u>
Less accumulated depreciation for:				
Machinery and equipment.....	16	8	-	24
Total accumulated depreciation.....	<u>16</u>	<u>8</u>	<u>-</u>	<u>24</u>
Total capital assets, being depreciated, net.....	<u>20</u>	<u>(8)</u>	<u>-</u>	<u>12</u>
Component unit capital assets, net.....	<u>\$ 27,501</u>	<u>\$ 7,357</u>	<u>\$ -</u>	<u>\$ 34,858</u>

During the year ended June 30, 2019, the Navy transferred approximately 11 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

(8) BONDS, LOANS, CAPITAL LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2019, are as follows:

Type of Obligation	July 1, 2018	Additional Obligation	Current Maturities	June 30, 2019
Governmental activities:				
Commercial paper				
Multiple Capital Projects.....	\$ 18,868	\$ 179,891	\$ (183,980)	\$ 14,779
Direct placement revolving certificates of participation				
Transbay Transit Center Project.....	103,000	-	(25,000)	78,000
Governmental activities short-term obligations....	<u>\$ 121,868</u>	<u>\$ 179,891</u>	<u>\$ (208,980)</u>	<u>\$ 92,779</u>
Business-type activities:				
Commercial paper				
San Francisco General Hospital.....	\$ 17,640	\$ 1,086	\$ (3,251)	\$ 15,475
San Francisco International Airport.....	29,410	406,110	(431,945)	3,575
San Francisco Water Enterprise.....	40,312	161,336	(40,312)	161,336
Hetch Hetchy Water and Power.....	20,280	50,724	(20,280)	50,724
San Francisco Wastewater Enterprise.....	262,859	291,498	(262,859)	291,498
Business-type activities short-term obligations....	<u>\$ 370,501</u>	<u>\$ 910,754</u>	<u>\$ (758,647)</u>	<u>\$ 522,608</u>

CITY AND COUNTY OF SAN FRANCISCO
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June 30, 2019
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City and County of San Francisco Commercial Paper Program

The City launched its commercial paper (CP) program to pay for project costs in connection with the acquisition, improvement, renovation and construction of real property and the acquisition of capital equipment and vehicles (Resolution No. 85-09). Pursuant to Resolution No. 85-09 approved in March 2009, the Board of Supervisors established a \$150.0 million commercial paper program. Pursuant to Resolution 247-13, the authorization of the commercial paper program was increased from \$150.0 million to \$250.0 million. The City currently has revolving credit agreements (RCA) and letters of credit (LOC) supporting the \$250.0 million program.

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP has a fixed maturity date from one to 270 days and in the City's general practice, matures between 30 to 90 days. On the maturity date of a CP note, the note may be rolled (or refinanced) with the re-issuance of CP notes for additional periods of up to 270 days until the CP is refunded with the issuance of long-term obligations.

The City issues CP in series based on the bank providing the applicable credit facility that are divided into subseries according to tax status. The City's CP program has three credit facilities, two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A., which supports the issuance of Commercial Paper Certificates of Participation Series 1&2 ("Series 1&2"), and a Letter of Credit Agreement (LOC) issued by State Street Bank, which supports the issuance of Commercial Paper Certificates of Participation Series 3 ("Series 3"). The Series 1&2 State Street and U.S. Bank N.A. RCAs have fees of 0.45% and 0.45% on the total commitment amounts, respectively, and are scheduled to expire in May 2021. The Series 3 State Street LOC has a fee of 0.50% through February 25, 2019 and an amended fee of 0.38% beginning February 26, 2019.

In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank, supporting Series 3, in the maximum principal amount not to exceed \$100.0 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at least Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extended the terms of the agreement from February 2019 until February 2022.

In fiscal year 2019, the City issued \$179.9 million and retired \$184.0 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building; and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2019, the outstanding principal of taxable and tax-exempt CP of governmental activities was \$14.5 million and \$0.3 million, respectively, with interest rates ranging from 2.20% to 2.72% and 1.33% to 1.85%, respectively over the term of fiscal year 2019.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure to make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective RCA supporting the CP notes are amortized up to a five-year period.

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Notes to Basic Financial Statements (Continued)
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Transbay Transit Center 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 the financing, design, development, construction, and operation of the Salesforce Transit Center (formerly called the Transbay Transit Center). In order to address a temporary cash flow shortfall during the phase one construction of the Transbay Transit Center, the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed \$260.0 million. Of the \$260.0 million financing, in partnership with the MTC, the City entered into a Certificate Purchase Agreement (CPA) with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed \$100.0 million, which was never drawn and expired December 31, 2018. The City also entered into a CPA with Wells Fargo to establish a credit facility in an amount not to exceed \$160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. The floating interest rate for the facility resets monthly. Under the CPA with Wells Fargo, the City has issued short-term variable rate notes at times and in amounts necessary to meet construction funding needs for phase one of the project. In February 2019, the TJPA paid off \$25.0 million of the short-term debt with funds received from the Community Facilities District No. 2014-1. As of June 30, 2019, the City has recorded a receivable in the amount of \$78.0 million from the TJPA along with a loan payable from Wells Fargo related to this financing activity. The short-term notes are expected to be repaid from long-term debt payable from Community Facilities District special taxes and/or tax increment. Pursuant to the sublease, the City leases back the leased property from Trustee. The City makes annual base rental payments to Trustee in amounts required to pay debt service on the Certificates.

Events of default under the sublease include (i) the failure by the City to pay Base Rental payments under the sublease when due; and (ii) the failure to observe covenants under the sublease. Remedies by the lender, consist of the right to sue for payments as and when payments become due. There is no right to evict or relet premises and no recourse to TJPA or Pledged Revenues.

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 finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 2019, the outstanding principal amount of CP (tax-exempt) was \$15.5 million with interest rates ranging from 1.33% to 1.85% over the term of fiscal year 2019. The Commercial Paper Certificates are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's general fund resources.

Events of default, under the Letter of Credit and Reimbursement Agreement, include: (i) failure by the City to pay any Reimbursement Obligation to the Bank; (ii) failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back city-owned property from the trustee; (iii) failure make payment on any other Material Debt; (iv) City files for bankruptcy; (v) City is downgraded below investment grade; (vi) City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the Letter of Credit and Reimbursement Agreement, the Credit Bank may terminate the Letter of Credit. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw. If not repaid when due, drawings under the respective LOC supporting the CP notes are amortized up to a five-year period.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended and supplemented (the "Note Resolution"), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of \$400.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP. In November 2016, the Airport adopted Resolution No. 16-0275 which amended the Note Resolution to increase the authorized maximum amount by \$100.0 million, from \$400.0 million to \$500.0 million.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the Note Resolution), less operation and maintenance expenses (as defined in the Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the Note Resolution.

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

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

As of June 30, 2019, the CP program was supported by three \$100.0 million principal amount direct-pay letters of credit issued by State Street Bank and Trust Company, Sumitomo Mitsui Banking Corporation, and U.S. Bank National Association, which, as of June 30, 2019, had expiration dates of May 2, 2024, June 21, 2022, and November 15, 2023, respectively; and a fourth letter of credit issued by Royal Bank of Canada, acting through a branch located at 200 Vesey Street, New York, New York, in the principal amount of \$200.0 million and having an expiration date of May 1, 2020. Each of the LOC supports separate subseries of CP. In the aggregate, the LOC permit the Airport to issue CP up to a combined maximum principal amount of \$500.0 million as of June 30, 2019.

As of June 30, 2019, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

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Notes to Basic Financial Statements (Continued)
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(Dollars in Thousands)

During fiscal year 2019, the Airport issued new money CP notes in the aggregate principal amount of \$307.4 million (AMT), \$41.3 million (Non-AMT), and \$57.5 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program. As of June 30, 2019, the interest rates on AMT and Non-AMT CP were 1.25% to 1.79%, and 1.22% to 1.76%, 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. As of June 30, 2019, the amount outstanding under Proposition E was \$161.3 million. CP interest rates ranged from 0.8% to 2.8%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had \$338.7 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

Hetch Hetchy Water and Power

Effective March 2019, 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 \$250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 1.3% to 1.7% in fiscal year 2019. The Hetch Hetchy Water and Power had \$50.7 million CP outstanding as of June 30, 2019. The Hetch Hetchy Water and Power had \$199.3 million in unused authorization as of June 30, 2019.

Events of default as specified in the Reimbursement Agreements, include non-payment, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had \$291.5 million CP outstanding as June 30, 2019. The Wastewater Enterprise had \$458.5 million in unused authorization as of June 30, 2019.

CITY AND COUNTY OF SAN FRANCISCO
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Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment default, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and /or termination of the respective agreement. As of June 30, 2019, there were no such events described therein.

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) in an aggregate principal amount not to exceed \$100.0 million for a term of five years. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. If needed, OPF initiates the issuance of CP with the dealers and ensures accurate reporting on the CP program. The CP could be issued from time to time on a revolving basis to pay for Board-approved project costs in the SFMTA Capital Improvement Program and other related uses. In consultation with OPF, SFMTA could request drawdowns based on cash flow needs and expenditures schedules.

Events of default under the LOC reimbursement agreement, include failure to pay the principal or interest on the bank note, any representation made by the SFMTA in the agreement has been incorrect in any materially adverse respect when made, failure to comply with certain covenants, either SFMTA or the City files for bankruptcy, default on any debt or judgement payment of a specified threshold, or reduction of debt rating assigned to senior lien revenue bonds below "Baa1" by Moody's or "BBB+" by S&P or Fitch. In an event of default, the bank may declare the principal and interest on all outstanding obligations to be due and payable immediately, terminate issuance of CP, or require the final drawing on the LOC in the amount equal to the principal amount outstanding plus interest.

SFMTA has no CP outstanding as of June 30, 2019.

CITY AND COUNTY OF SAN FRANCISCO
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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2019:

GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS ^(a):			
Affordable housing.....	2038	2.00% - 3.95%	\$ 150,555
Earthquake safety and emergency response.....	2038	2.25% - 5.00%	543,265
Clean and safe neighborhood parks	2037	2.00% - 6.26%	195,115
Preservation and Seismic Safety (PASS) program	2058	2.534% - 4.321%	72,420
Public health and safety	2038	3.00% - 5.00%	153,295
Road repaving and street safety	2035	2.00% - 5.00%	153,660
San Francisco General Hospital.....	2033	3.25% - 6.26%	475,610
Seismic safety loan program	2031	3.36% - 5.69%	18,658
Transportation and road improvement	2037	2.75% - 5.00%	143,880
Refunding	2030	4.00% - 5.00%	387,030
General obligation bonds			2,293,488
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b), (e) & (f)}	2030	1.37% - 5.00% *	127,045
SALES TAX REVENUE BONDS			
SFCTA revenue bonds ^(g)	2034	3.0% - 4.0%	248,250
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c) & (d)}	2047	1.964% - 5.00%	885,295
OTHER LONG-TERM OBLIGATIONS:			
Loans ^{(d), (f) & (g)}	2045	2.00% - 4.5%	22,365
Lease Purchase - Public Safety Radio Replacement ^(d)	2027	1.6991%	26,154
Capital Lease ^(d)	2023	1.080%	948
Governmental activities total long-term obligations.....			\$ 3,603,545

* 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, 2019 for Series 2008 -1 & 2 averaged to 1.370%.

Debt service payments are made from the following sources:

- (a) Property tax recorded in the Debt Service Fund.
- (b) Lease revenues from participating departments in the General, Special Revenue and Enterprise Funds.
- (c) Revenues recorded in the Special Revenue Funds.
- (d) Revenues recorded in the General Fund.
- (e) Hotel taxes and other revenues recorded in the General and Special Revenue Funds.
- (f) User-charge reimbursements from the General, Special Revenue and Enterprise Funds.
- (g) Sales tax revenues by the San Francisco County Transportation Authority.

Internal Service Funds serve primarily the governmental funds. Accordingly, long-term liabilities for the Internal Service Funds are included in the above amounts.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds *	2058	1.72% - 6.00%*	\$ 7,300,825
San Francisco Water Enterprise:			
Revenue bonds	2051	0.87% - 6.95%	4,442,405
Certificates of participation	2042	2.00% - 6.49%	104,105
Accreted interest.....	2019	-	2,029
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2046	4.00% - 5.00%	48,702
Certificates of participation.....	2042	2.00% - 6.49%	14,173
Municipal Transportation Agency:			
Revenue bonds.....	2047	3.00% - 5.00%	333,620
Loans.....	2047	3.30%	8,757
San Francisco General Hospital:			
Certificates of participation.....	2026	5.55%	12,612
San Francisco Wastewater Enterprise:			
Revenue bonds	2047	1.00% - 5.82%	1,510,385
Certificates of participation	2042	2.00% - 6.49%	27,527
Loans.....	2051	1.60% - 1.80%	88,032
Port of San Francisco:			
Revenue bonds	2044	3.0% - 7.408%	50,145
Certificates of participation.....	2043	4.75% - 5.25%	30,010
Loans	2037	4.50%	7,977
Laguna Honda Hospital:			
Certificates of participation	2031	4.50% - 5.25%	112,395
Business-type activities total long-term obligations ..			<u>\$ 14,093,699</u>

* Includes Second Series Revenue Bonds Issue 37C, 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2019, the average interest rates on Issue 37C and 2010A1,2,3 were 1.33%, 1.38%, 1.41% and 1.41%, respectively. For Issue 2018B and 2018C, the average interest rates were 1.29%, and 1.31%, respectively.

Sources of funds to meet debt service requirements are revenues derived from user fees and charges for services recorded in the respective enterprise funds.

Debt Compliance

The City believes it's in compliance with all significant limitations and restrictions contained in the various bond indentures.

Legal Debt Limit and Legal Debt Margin

As of June 30, 2019, the City's general obligation bond debt limit (3% of valuation subject to taxation) was \$7.76 billion. The total amount of debt applicable to the debt limit was \$2.49 billion. The resulting legal debt margin was \$5.27 billion.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2019. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2019.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2019, the total obligation outstanding was \$2.16 billion.

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

In November 2017, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District") issued Special Tax Bonds, Series 2017A and Series 2017B (the "2017 Bonds") in the par amount of \$36.1 million and \$171.4 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2017 Bonds bear interest rates ranging from 1.50% to 4.00% with principal amortizing from September 2018 through September 2048.

In February 2019, the City issued the Special Tax Bonds, Series 2019A and Series 2019B (the "2019 Bonds") in the par amount of \$33.7 million and \$157.3 million, respectively, in order to facilitate the construction of the Salesforce Transit Center (formerly called the Transbay Transit Center) and adjacent infrastructure. The 2019 Bonds bear interest rates ranging from 2.63% to 4.37% with principal amortizing from September 2019 through September 2049.

The 2017 and 2019 Bonds are secured under the provisions of the CFD No. 2014-1 Fiscal Agent Agreement (the "Agreement") and will be payable solely from Special Tax Revenues and funds pledged under the Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the 2017 and 2019 Bonds.

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Notes to Basic Financial Statements (Continued)
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Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,480,034	\$ 72,420	\$ (258,966)	\$ 2,293,488	\$ 139,571
Lease revenue bonds	171,150	48,305	(92,410)	127,045	5,770
Sales tax revenue bonds	248,250	-	-	248,250	12,920
Certificates of participation	924,405	-	(39,110)	885,295	30,835
Subtotal	3,823,839	120,725	(390,486)	3,554,078	189,096
Issuance premiums / discounts:					
Add: unamortized premiums	297,143	6,968	(23,462)	280,649	-
Less: unamortized discounts	(132)	-	132	-	-
Total bonds payable, net	4,120,850	127,693	(413,816)	3,834,727	189,096
Loans	47,462	-	(25,097)	22,365	953
Capital leases	30,654	-	(3,552)	27,102	3,611
Accrued vacation and sick leave pay	164,652	133,745	(128,428)	169,969	98,666
Accrued workers' compensation	255,298	82,390	(56,220)	281,468	51,733
Estimated claims payable	274,680	7,420	(47,715)	234,385	87,006
Governmental activities long-term obligations	<u>\$ 4,893,596</u>	<u>\$ 351,248</u>	<u>\$ (674,828)</u>	<u>\$ 4,570,016</u>	<u>\$ 431,065</u>

	July 1, 2018	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 12,091,370	\$ 2,357,710	\$ (811,700)	\$ 13,637,380	\$ 356,195
Clean renewable energy bonds	51,182	-	(2,480)	48,702	2,528
Certificates of participation	313,869	-	(13,047)	300,822	13,700
Subtotal	12,456,421	2,357,710	(827,227)	13,986,904	372,423
Issuance premiums / discounts:					
Add: unamortized premiums	1,056,737	285,000	(88,043)	1,253,694	-
Less: unamortized discounts	(673)	-	45	(628)	-
Total bonds payable, net	13,512,485	2,642,710	(915,225)	15,239,970	372,423
Accreted interest payable	6,725	304	(5,000)	2,029	2,029
Notes, loans, and other payables	30,078	76,256	(1,568)	104,766	1,810
Accrued vacation and sick leave pay	113,688	60,417	(59,093)	115,012	68,412
Accrued workers' compensation	208,264	62,326	(43,700)	226,890	39,274
Estimated claims payable	110,331	21,188	(22,403)	109,116	48,686
Business-type activities long-term obligations	<u>\$ 13,981,571</u>	<u>\$ 2,863,201</u>	<u>\$ (1,046,989)</u>	<u>\$ 15,797,783</u>	<u>\$ 532,634</u>

Internal Service Funds serve primarily the governmental funds, the long-term liabilities of which are included as part of the above totals for governmental activities. Also, for the governmental activities, claims and judgments, workers compensation and compensated absences are generally liquidated by the General Fund.

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Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2019 for governmental and business-type activities are as follows:

Governmental Activities ⁽¹⁾								
Fiscal Year Ending June 30	General Obligation		Lease Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal	Interest	Principal	Interest
2020.....	\$ 139,571	\$ 97,183	\$ 5,770	\$ 3,808	\$ 48,319	\$ 47,180	\$ 193,660	\$ 148,171
2021.....	137,850	90,516	12,145	3,524	49,727	45,279	199,722	139,319
2022.....	144,594	84,184	12,790	3,149	49,347	43,326	206,731	130,659
2023.....	149,075	77,456	13,255	2,749	50,958	41,382	213,288	121,587
2024.....	152,517	70,331	14,455	2,332	52,526	39,387	219,498	112,050
2025-2029...	786,979	246,087	59,085	5,545	275,292	162,730	1,121,356	414,362
2030-2034...	574,847	94,886	9,545	161	321,009	102,258	905,401	197,305
2035-2039..	159,855	22,189	-	-	186,102	51,950	345,957	74,139
2040-2044..	9,345	9,398	-	-	136,416	15,170	145,761	24,568
2045-2049...	11,385	7,351	-	-	13,316	721	24,701	8,072
2050-2054...	13,965	4,779	-	-	-	-	13,965	4,779
2055-2058...	13,505	1,490	-	-	-	-	13,505	1,490
Total.....	\$ 2,293,488	\$ 805,850	\$ 127,045	\$ 21,268	\$ 1,183,012	\$ 549,383	\$ 3,603,545	\$ 1,376,501

Business-Type Activities ⁽¹⁾								
Fiscal Year Ending June 30	Revenue Bonds ^{(4) (5)}		Certificates of Participation ⁽⁵⁾		Other Long-Term		Total	
					Obligations			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020.....	\$ 358,723	\$ 660,833	\$ 13,700	\$ 16,958	\$ 1,810	\$ 1,373	\$ 374,233	\$ 679,164
2021.....	373,974	644,425	14,399	16,262	2,837	2,113	391,210	662,800
2022.....	384,070	626,855	15,128	15,531	3,031	2,126	402,229	644,512
2023.....	406,863	608,399	15,907	14,759	3,101	2,055	425,871	625,213
2024.....	399,942	590,526	15,953	13,916	3,172	1,984	419,067	606,426
2025-2029...	2,181,475	2,644,843	83,331	56,159	17,012	8,678	2,281,818	2,709,680
2030-2034...	1,786,765	2,151,038	61,050	33,423	17,868	6,665	1,865,683	2,191,126
2035-2039..	2,256,975	1,669,266	46,425	18,475	18,005	4,734	2,321,405	1,692,475
2040-2044..	2,840,060	1,031,276	34,929	3,670	19,017	2,836	2,894,006	1,037,782
2045-2049...	2,514,820	399,227	-	-	16,903	1,035	2,531,723	400,262
2050-2054...	118,525	20,715	-	-	2,010	39	120,535	20,754
2055-2059...	63,890	5,290	-	-	-	-	63,890	5,290
Total.....	\$ 13,686,082	\$ 11,052,693	\$ 300,822	\$ 189,153	\$ 104,766	\$ 33,638	\$ 14,091,670	\$ 11,275,484

(1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay and accrued workers' compensation is not practicable to determine.

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately \$22.2 million and \$4.5 million, respectively, through the year ending 2030. The federal sequester reduction was 6.2% in fiscal year 2019 and will be 5.9% in fiscal year 2020. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 1.37%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be \$309.0 million less.

(5) The interest is before the federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidies were reduced by 5.9% or a total reduction of \$25.4 million, \$3.5 million and \$0.3 million, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

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Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2019 are as follows:

Authorized and unissued as of June 30, 2018.....	\$ 741,985
Increase in authorization in this fiscal year:	
Embarcadero Seawall Earthquake Safety Bonds.....	425,000
Subtotal.....	\$ 1,166,985
Bonds issued:	
Series 2019A Social Bonds - Affordable Housing	(72,420)
Net authorized and unissued as of June 30, 2019.....	\$ 1,094,565

The increase in the authorized and unissued amount over the last year reflect the \$425.0 million of 2018 Embarcadero Seawall Earthquake Safety General Obligation Bonds (Proposition A) approved by at least two-thirds of voters at an election held on November 6, 2018. The bonds will be used to finance projects to protect the waterfront, BART and MUNI infrastructure, buildings, historic piers, and roads from earthquakes, flooding and sea level rise. Projects include repairing the 100-year old Embarcadero Seawall, strengthening the Embarcadero roadway, and fortifying transit infrastructure and utilities serving residents and businesses.

In February 2019, the City issued the City and County of San Francisco Taxable General Obligation Bonds (Social Bonds-Affordable Housing, 2016) Series 2019A (the "Series 2019A") in the amount of \$72.4 million. The Series 2019A bonds bear interest rates ranging from 2.53% to 4.32% with principal amortizing from June 2020 to June 2058. The proceeds of the Series 2019A bonds will be used to (i) fund loans that finance the cost of acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (ii) to pay certain costs related to the issuance of the Series 2019A bonds.

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

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

Certificates of Participation

As of June 30, 2019, the City had a total of \$885.3 million of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund is established for payment of certain COPs, and is typically established at the IRS threshold of the lesser of maximum annual lease payment, 125% of average annual lease payments or 10% of the original principal amount of COP. The total lease payment requirement on the

CITY AND COUNTY OF SAN FRANCISCO
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certificates of participation is \$1.34 billion payable through April 1, 2047. For the year ended June 30, 2019, principal and interest paid by the City totaled \$39.1 million and \$38.9 million, respectively.

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

Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2019 were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2018.....	\$ 187,934
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.....	3,734
Current year maturities in Finance Corporation's equipment program.....	890
Net authorized and unissued as of June 30, 2019.....	\$ 192,558

Finance Corporation

The purpose of the Finance Corporation is to provide a means to publicly finance, through lease financings, the acquisition, construction and installation of facilities, equipment and other tangible real and personal property for the City's general governmental purposes.

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, funds withheld pursuant to a reserve fund requirement, and amounts designated for capitalized interest are recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the Governmental Activities Statement of Net Position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to their respective 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 lease payment requirement remaining on the lease revenue bonds is \$148.3 million payable through June 2030. For the year ended June 30, 2019, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled \$25.7 million and \$4.0 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, 2019, all of the previously

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issued equipment lease revenue bonds have been repaid. \$78.4 million of unused authorization is still available for new issuance.

Refunding Lease Revenue Bonds Series 2018A - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018A (Open Space Fund – Various Park Projects) (the “Series 2018A Bonds”) in the amount of \$34.9 million to redeem the Corporation’s outstanding Lease Revenue Bonds, Series 2006 (Open Space fund – Various Park Projects) and Lease Revenue Bonds, Series 2007 (Open Space Fund – Various Park Projects) and to pay costs associated with the issuance of the Series 2018A Bonds. The Series 2018A Bonds bear an interest rate of 5.00% with principal amortizing from July 2019 to July 2029. The refunding resulted in deferred accounting gain of \$0.4 million, lease payment savings of \$6.3 million and net present value savings of \$4.5 million or 11.04% on the refunded Series 2006 and 2007 Bonds.

Refunding Lease Revenue Bonds Series 2018B - In August 2018, the City issued Refunding Lease Revenue Bonds Series 2018B (Branch Library Improvement Program) (the “Series 2018B Bonds”) in the amount of \$13.4 million to redeem the Corporation’s outstanding Lease Revenue Bonds, Series 2009A (Branch Library Improvement Program) and to pay costs associated with the issuance of the Series 2018B Bonds. The Series 2018B Bonds bear interest rates of 4.00% and 5.00% with principal amortizing from June 2019 to June 2028. The refunding resulted in deferred accounting loss of \$0.1 million, lease payment savings of \$22.9 million and net present value savings of \$6.6 million or 25.43% on the refunded Series 2009A Bonds.

Events of Default and Remedies

Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2 - Events of default as specified in the Indenture include: (i) failure to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise failure to pay the Credit Bank when due; (ii) failure to observe any covenant or warranty under Credit Agreement; (iii) default on any appropriation debt; (iv) filing for bankruptcy; and (v) downgrade of the City’s rating below “BBB” of which could cause acceleration of mandatory tender of bonds. Upon the occurrence of an event of default, remedies include the termination of Letters of Credit terminates on stated termination date; on last payment of bonds; upon payment of bonds from mandatory tender due to substitute credit facility; or conversion of bonds to mode other than daily or weekly. The bonds are subject to mandatory tender.

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

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

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the “Series 2017 Bonds”) with a par value of \$248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and

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other transportation projects, repay a portion of the then-outstanding amount under a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. Outstanding principal at June 30, 2019 is \$248.3 million. The Series 2017 Bonds are payable from, and secured by a pledge of, the SFCTA's sales tax revenues. Debt service payments of \$8.4 million as a ratio of pledged sales tax revenues of \$115.7 million for the year ended June 30, 2019, resulted in debt service coverage of 13.75x or 1,375%. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

In June 2018, the SFCTA entered into a Revolving Credit (Loan) Agreement with State Street Public Lending Corporation and US Bank National Association for a total amount of \$140.0 million with a rate of interest equal to the sum of 80% of 1-month LIBOR plus a fixed credit spread (subject to adjustment if the SFCTA's credit rating changes). This agreement replaced a prior revolving credit agreement. In fiscal year 2019, the rate of interest paid by the SFCTA under the Revolving Credit Agreement ranged from 2.07% to 2.28%. The Revolving Credit Agreement expires on June 7, 2021 and is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the SFCTA's Series 2017 Bonds. If specified conditions are met, the repayment period for loans under the Revolving Credit Agreement may extend five years after June 7, 2021. As of June 30, 2019, the SFCTA has no outstanding balance under the Revolving Credit Agreement but can borrow up to \$140.0 million under the agreement at any time. The SFCTA paid \$0.4 million for interest and commitment fees in fiscal year 2018-19.

Events of default under the Revolving Credit Agreement include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below Baa2 by Fitch, BBB by Moody's or BBB by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the Revolving Credit Agreement.

Events of Default and Remedies - Other Long-Term Obligations

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

Small Business Revolving Loan Funds - Events of default include (i) termination of small business program; (ii) non-permitted use of loan funds; and (iii) bankruptcy event. Remedies by lender include repossession of the right, title, and interest in the loan proceeds account, as well as any outstanding loans made from the Loan Fund. The loan is subject to acceleration provision.

IBM Credit LLC - Events of default include the failure to make lease payments when due, or failure to observe covenants under the Project Lease. Remedies of the lender are repossessing the leased equipment, entering premises to take possession, or enforce rights under Lease, and other remedies available by law. The IBM credit has no acceleration provision.

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

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Business-Type Activities Long-Term Liabilities

The following provides a brief description of the current year additions to the long-term debt of the business-type activities.

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2019, the Airport has authorized the issuance of up to \$7.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2019, \$2.4 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Bonds, Series 2019A/B/C

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019A (AMT), Series 2019B (Non-AMT/Governmental Purpose), and Series 2019C (Taxable) in aggregate principal amount of \$1.4 billion to finance and refinance (through repayment of commercial paper notes) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal departures level, (d) gate capacity enhancements, (e) security improvements, (f) the Superbay renovation program, (g) extension of AirTrain service to the long-term parking garages, (h) a new long-term parking garage, to fund deposits to debt service reserve accounts and the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance. The net proceeds of the Series 2019A and Series 2019B and the Series 2019C Bonds issued as capital plan bonds (consisting of \$1.4 billion par amount and net original issue premium of \$137.4 million), were used to deposit \$891.5 million to project accounts, \$431.9 million to refund CP, \$20.0 million to the Airport's contingency account, \$18.7 million to the Original Reserve Account, and \$3.7 million to the 2017 Reserve Account, and to pay costs of issuance.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2018, the Airport has authorized the issuance of up to \$11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2019, \$2.9 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2019, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

Second Series Revenue Bonds, Series 2019C and Second Series Revenue Refunding Bonds, Series 2019D

In February 2019, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2019C (Taxable), and Second Series Revenue Refunding Bonds, Series 2019D (Non-AMT), in the aggregate principal amount of \$410.9 million, to refund \$469.4 million of its Series 2009E Bonds, to fund deposits to debt service reserve accounts, and to pay costs of issuance. The net proceeds of the Series 2019C and 2019D Bonds (consisting of \$410.9 million par amount and original issue premium of \$78.6 million), together with \$8.7 million accumulated in the debt service fund relating to the refunded bonds were

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used to deposit \$17.4 million into the 2017 Reserve Account and \$479.8 million into irrevocable escrow funds with the Senior Trustee to refund \$469.4 million in revenue bonds as described below.

	<u>Amount refunded</u>	<u>Interest rate</u>	<u>Redemption price</u>
Second Series Revenue Bonds Issue:			
Series 2009E (Non-AMT/Private Activity)	\$ 469,400	4.38 - 6.00%	100%
Total	<u>\$ 469,400</u>		

The refunded bonds were redeemed on May 2019. In aggregate, the Series 2019C/D refundings resulted in the recognition of a deferred accounting loss of \$1.2 million for the year ended June 30, 2019. In aggregate, the Series 2019C/D refundings decreased the Airport's aggregate gross debt service payments by approximately \$97.5 million over the next twenty years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of \$105.6 million.

Variable Rate Demand Bonds

As of June 30, 2019, the Airport had an outstanding aggregate principal amount of \$559.7 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 37C and Series 2010A, and Second Series Variable Rate Revenue Bonds, consisting of Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2029 (Issue 37C), May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport. The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit 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 letters of credit range between 0.39% and 0.63% per annum. As of June 30, 2019, there were no unreimbursed draws under these facilities.

In December 2018, the termination date of the MUFU Union Bank, N.A. LOC supporting the Issue 37C Bonds was extended by one year, to January 27, 2020. The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2019, are as follows:

	<u>Issue 37C</u>	<u>Series 2010A</u>	<u>Series 2018B</u>	<u>Series 2018C</u>
Principal amount	\$ 82,500	\$ 200,885	\$ 138,170	\$ 138,170
Expiration date	January 27, 2020	June 29, 2020	June 3, 2022	June 3, 2022
Credit provider	MUFU Union Bank N.A. ⁽¹⁾	Bank of America ⁽²⁾	Barclays ⁽³⁾	SMBC ⁽⁴⁾

(1) Formerly Union Bank, N.A.

(2) Bank of America, National Association

(3) Barclays Bank PLC

(4) Sumitomo Mitsui Banking Corporation, acting through its New York branch

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Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2017, 2018 and 2019, the Airport authorized the issuance of \$260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a “Special Facility” under the 1991 Master Bond Resolution, which allows the hotel revenues to be segregated from the Airport’s other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the “Hotel Special Facility Bonds”), in the aggregate principal amount of \$260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

The Hotel Special Facility Bonds were issued pursuant to a Trust Agreement (the “Hotel Trust Agreement”). The maximum principal amount of such bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport’s Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2019, the Airport had \$260.0 million of outstanding Hotel Special Facility Bonds.

Interest Rate Swaps

As of June 30, 2019, the Airport’s derivative instruments are comprised of three interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps continued to be effective as of June 30, 2019.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2019	Effective date
1	2010A(37B)*	\$ 79,684	\$ 73,137	5/15/2008
2	37C	89,856	82,473	5/15/2008
3	2010A**	143,947	134,660	2/1/2010
	Total	\$ 313,487	\$ 290,270	

* 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.

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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 nonperformance risk of each party to the swap to arrive at the fair value. For each swap, the nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB 72 fair value hierarchy.

As of June 30, 2019, the fair value of the Airport's three outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are shown in the following table. Where a swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Counterparty Rating for Merrill Lynch Derivative Products AG, Moody's Long-Term Senior Unsecured Rating for J.P. Morgan Chase Bank N.A. and Goldman Sachs Group, Inc., and Fitch's Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	\$ (10,819)
2	Issue 37C	JP Morgan Chase Bank, NA	A+/Aa2/AA	3.898%	(12,523)
3	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(22,743)
Total					<u>\$ (46,085)</u>

* Reflects ratings of the guarantor.

** The issue 37B Bonds that are hedged by this swap agreement were purchased with proceeds of the Series 2008B Notes, which the Airport subsequently refunded, and the Issue 37B Bonds are held in trust. The swap is now indirectly hedging the Series 2010A-3 Bonds for accounting purposes.

*** Hedges Series 2010A-1 and 2010A-2.

In October 2018, Moody's upgraded the credit rating on J.P. Morgan Chase Bank, N.A., the swap counterparty on the swap associated with the Issue 37C Bonds, from "Aa3" to "Aa2".

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Fair Value Hierarchy

	Fair Value June 30, 2019	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	\$ (46,085)	\$ (46,085)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2019 is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2018	\$ 29,245	\$ 37,558
Change in fair value to year-end	9,583	8,527
Balance as of June 30, 2019	\$ 38,828	\$ 46,085

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 asset (if a termination payment would be due to the counterparty) or inflow liability (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, 2019.

Basis Risk – During the year ended June 30, 2019, the Airport paid a total of \$1.4 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, 2019, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

Counterparty Risk – As of June 30, 2019, 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).

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Termination Risk – The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers, which are rated as to their claims-paying ability and financial strength as follows as of June 30, 2019:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2019 (S&P/Moody's/Fitch)
1	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
2	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
3	Series 2010A	None	N/A

As of June 30, 2019, the fair value of each swap was negative to the Airport as shown above.

Debt Service Reserves

Issue 1 Reserve Account - As of June 30, 2019, the reserve requirement for the Issue 1 Reserve Account was \$448.8 million, which was satisfied by \$452.2 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of \$132.7 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, \$75.8 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2009 Reserve Account - As of June 30, 2019, the reserve requirement for the 2009 Reserve Account was \$5.1 million, which was satisfied by \$20.2 million in cash and investment securities.

2017 Reserve Account - As of June 30, 2019, the reserve requirement for the 2017 Reserve Account was \$49.7 million, which was satisfied by \$52.6 million in cash and investment securities.

Series Secured by Other or No Reserve Accounts - The Airport Commission does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

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

Payment of principal, and interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Masters Bond Resolution. If there are default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three-, four-, or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

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Water Enterprise

Events of Default and Remedies

Revenue Bonds, Capital Appreciation Bonds and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause the Trustee to declare that the principal and accrued interest thereon and all capital appreciation bonds then outstanding in its accreted value thereof, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Hetch Hetchy Water and Power

Events of Default and Remedies

Clean Renewable Energy Bonds - Significant events of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2019, there were no such events described herein.

Qualified Energy Conservation Bonds - Significant events of default as specified in the Equipment Lease/Purchase Agreement, include payment defaults, material breach of warranty, representation, or covenants of the Equipment Lease/Purchase Agreement (not cured within applicable grace periods), and bankruptcy and insolvency events, which could cause acceleration of all Rental Payments. Assets constructed by the projects funded by the proceeds of this debt obligation are pledged as collateral. As of June 30, 2019, there were no such events described herein.

Power Revenue Bonds - Significant events of default as specified in the Power Enterprise Indenture (applicable to Power Revenue Bonds) include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations), declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

San Francisco Municipal Transportation Agency

Events of Default and Remedies

Revenue Bonds – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee, and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

Portsmouth Plaza Parking Corporation Loan – In an event of default under the loan agreement, any outstanding amounts become immediately due if the garage is unable to make payment and fails to comply with the debt service coverage ratio of 1.25:1 for each fiscal year.

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Wastewater Enterprise

Wastewater Revenue Bonds 2018 Series A, B and C

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series A (SSIP) (Green Bonds) in the amount of \$229.0 million with interest rates ranging from 4.0% to 5.0%. Proceeds of the bonds were used for Wastewater capital projects in furtherance of the SFPUC's Sewer System Improvement Program ("SSIP"), to pay off \$25.0 million of outstanding commercial paper notes, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series B (Non-SSIP) in the amount of \$186.0 million with 5.0% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2043.

In August 2018, the Wastewater Enterprise issued revenue bonds 2018 Series C (SSIP) (Green Bonds) in the amount of \$179.1 million with 2.1% interest rate. Proceeds of the bonds were used for Wastewater capital projects, to fund capitalized interest, and pay the cost of issuing the bonds. The bonds mature through October 2048.

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, 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 to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$4.9 million. As of June 30, 2019, the principal amount outstanding of the loan was \$4.9 million.

Southeast Plant (SEP) 521/522 and Disinfection Upgrade Project CWSRF Loan

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has submitted requests for loan disbursements to date totaling \$37.7 million. As of June 30, 2019, the principal amount outstanding on the loan was \$37.7 million.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost

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at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$17.7 million. As of June 30, 2019, the principal amount outstanding of the loan was \$17.1 million.

SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017 the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$34.4 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$29.2 million. As of June 30, 2019, the principal amount outstanding of the loan was \$28.4 million.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2019, there were no such events described herein.

Port of San Francisco

In May 2019, the Port assumed the operations and corresponding balances of the South Beach Harbor (the SBH) from the Office of Community Investment and Infrastructure (OCII), including three loans provided by Cal Boating, which totaled \$6.1 million and accrues interest at a rate of 4.5% per annum. Total principal and interest remaining to be paid on the loans are \$8.8 million. The loan is secured by net revenues as defined in the loan agreement. Annual principal and interest payments were \$536 in 2019 and pledged net revenues were \$2.1 million for the year ended June 30, 2019. Cal Boating may take possession of the operations if after ninety days written notice, the Port remains in breach of any of the provisions of Small Craft Harbor loans and operation contract. Cal Boating shall operate or maintain the operations for the account of the Port until the loan is repaid in full.

Also, in conjunction with the receipt of SBH loans, the Port designated SBH as a Special Facility and the Cal Boating Loans as Special Facility Bonds as provided under the Port's Revenue Bond Master Trust Indenture. Pursuant to Section 2.14 of the Revenue Bond Master Trust Indenture, the Port Commission is authorized to designate an existing or planned facility, structure, equipment or other property, real or personal property that is located within the Port Area as a Special Facility. The Port Commission may designate revenue earned by the Port from or with respect to a Special Facility as "Special Facility Revenue". Special Facility Revenue is not included in revenue as defined in the Revenue Bond Master Trust Indenture, and, consequently, is not included in the net revenues that are pledged as security for the Revenue Bonds under the Revenue Bond Master Trust Indenture.

Events of Default and Remedies

Revenue Bonds - The revenue bonds contain an acceleration provision that in an event of default, the trustee may, upon written request from the credit provider or holders of not less than fifty-one percent

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of the aggregate principal amount then outstanding, by written notice to the Port, shall declare the principal amount of all bonds outstanding and the interest accrued becomes due and payable immediately.

Certificates of Participation – In an event of default, the trustee may enforce all of its rights and remedies under the project lease, including the right to recover base rental payments as they become due under the project lease by pursuing any remedy available in law or in equity, other than by terminating the project lease or re-entering and reletting the leased property, or except as expressly provided in the project lease.

Loan Agreement with the California Division of Boating and Waterways – The loan contains a provision that in an event the Port fails, in whole or in part, to make any payment due under the Fisherman's Wharf loan contract, then such a deficiency shall be added to and become part of the principal of the loan and a provision that if any annual loan installment made by the Port is less than the amount required under the contract, then such payment shall first be applied to reduce any accrued unpaid interest due on the loan while any remaining part of the payment shall be used to reduce the principal of the loan.

(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

General Information About the Pension Plans – The San Francisco City and County Employees' Retirement System (Retirement System) administers a cost-sharing multiple-employer defined benefit pension plan (SFERS Plan), which covers substantially all of the employees of the City and County of San Francisco, and certain classified and certificated employees of the San Francisco Community College and Unified School Districts, and San Francisco Trial Court employees other than judges. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the SFERS Plan. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the SFERS Plan. That report may be obtained on the Retirement System's website at <http://mysfers.org> or by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5th Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

Replacement Benefits Plan – The Replacement Benefits Plan (RBP) is a qualified excess benefit plan established in October 1989. Internal Revenue Code Section 415(m) provides for excess benefit arrangements that legally permit benefit payments above the Section 415 limits, provided that the payments are not paid from the SFERS Trust. The RBP allows the City to pay SFERS retirees any portion of the Charter-mandated retirement allowance that exceeds the annual Section 415(b) limit. The RBP plan does not meet the criteria of a qualified trust under GASB Statement No. 73 because RBP assets are subject to the claims of the employer's general creditors under federal and state law in the event of insolvency.

In addition, some City employees are eligible to participate in the Public Employees' Retirement Fund (PERF) of the California Public Employees' Retirement System (CalPERS) Safety Plan, an agent multi-employer pension plan, or the CalPERS Miscellaneous Rate Plan, included in CalPERS public agency cost-sharing multiple-employer pension plan. Some employees of the Transportation Authority, a blended component unit, and the Successor Agency, a fiduciary component unit, are eligible to participate in a CalPERS Miscellaneous Rate Plan or a CalPERS Public Employees' Pension Reform Act (PEPRA) Miscellaneous Rate Plan, both rate plans are included in CalPERS public agency cost-sharing multiple-employer pension plan. In addition, some employees of the Treasure Island Development Authority, a discretely presented component unit, are eligible to participate in the

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CalPERS Miscellaneous Rate Plan included in CalPERS public agency cost-sharing multiple-employer pension plan.

CalPERS acts as a common investment and administrative agent for various local and state governmental agencies within the State of California. Benefit provisions and other requirements are established by State statute, employer contract with CalPERS and by City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

Benefits

SFERS – The SFERS Plan provides service retirement, disability, and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments (COLA) after retirement. The SFERS Plan also provides pension continuation benefits to qualified survivors. The Retirement System pays benefits according to the category of employment and the type of benefit coverage provided by the City. The four main categories of SFERS Plan members are:

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.
- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

The membership groups and the related service retirement benefits are summarized as follows:

Miscellaneous Non-Safety Members who became members prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

Miscellaneous Non-Safety Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 53 years old and have at least 20 years of credited service or if they are at least 60 years old and have at least 10 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation.

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Sheriff's Department Members and Miscellaneous Safety Members who were hired on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members before November 2, 1976 qualify for a service retirement benefit if they are at least 50 years old and have at least 25 years of credited service. The service retirement benefit is calculated using the member's final compensation (monthly salary earnable at the rank or position the member held for at least one year immediately prior to retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after November 2, 1976 and prior to July 1, 2010 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest one-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

Firefighter Members and Police Members who became members on or after January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final compensation (highest three-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

All members are eligible to apply for a disability retirement benefit, regardless of age, when they have 10 or more years of credited service and they sustain an injury or illness that prevents them from performing their duties. Safety members are eligible to apply for an industrial disability retirement benefit from their first day on the job if their disability is caused by an illness or injury that they receive while performing their duties.

All members' qualified surviving spouses and qualified domestic partners are eligible to apply for death benefits prior to or after member's retirement.

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receives continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable

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salary plus the member’s accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member’s named beneficiary or estate.

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

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in CPI with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient “excess” investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the proposition. Effective July 1, 2012, members who retired before November 6, 1996 will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the “full funding” requirement does not apply to members who retired on or after November 6, 1996 and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when 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.

CalPERS – CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on a final compensation, which is the highest average pay rate and special compensation during any consecutive one-year or three-year period. The cost of living adjustments for the CalPERS plans are applied as specified by the Public Employees’ Retirement Law. The California PEPRA, which took effect in January 2013, changes the way CalPERS retirement and health benefits are applied, and places compensation limits on members. As such, members who established CalPERS membership on or after January 1, 2013 are known as “PEPRA” members.

The CalPERS’ provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>City Miscellaneous Plan</u>		<u>City Safety Plan</u>	
	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013*</u>	Prior to <u>January 1, 2013</u>	On or after <u>January 1, 2013</u>
Hire date				
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	10.81%		20.97%	20.97%

* 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.

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	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.50%
Required employer contribution rates	9.41%	6.84%	10.41%	7.38%

At June 30, 2019, the CalPERS' City Safety Plan had a total of 2,289 members who were covered by these benefits, which includes 1,093 inactive employees or beneficiaries currently receiving benefits, 306 inactive employees entitled to but not yet receiving benefits, and 890 active employees.

Contributions

For the year ended June 30, 2019, the City's actuarial determined contributions were as follows:

SFERS Plan.....	\$ 607,408
City CalPERS Miscellaneous Plan.....	28
City CalPERS Safety Plan.....	34,933
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	479
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	1,637
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	7
Total.....	<u>\$ 644,492</u>

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2019 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2018, 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, 2017 actuarial report, the required employer contribution rates for fiscal year 2019 were 18.81% to 23.31%.

CalPERS – Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERF 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.

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 \$2.4 million replacement benefits in the year ended June 30, 2019.

Pension liabilities are financed by governmental funds and enterprise funds that are responsible for the charges.

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Net Pension Liability

The table below shows how the net pension liability (NPL) as of June 30, 2019 is distributed.

Governmental activities.....	\$ 2,656,465
Business-type activities.....	1,772,650
Fiduciary funds.....	27,178
Component Unit - Treasure Island Development Authority....	28
Total.....	<u>\$ 4,456,321</u>

As of June 30, 2019, the City's NPL is comprised of the following:

	<u>Proportionate Share</u>	<u>Share of Net Pension Liability (Asset)</u>
SFERS Plan.....	94.1042%	\$ 4,030,207
City CalPERS Miscellaneous Plan.....	-0.1573%	(15,154)
City CalPERS Safety Plan.....	N/A	319,740
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	0.0215%	2,069
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	0.2820%	27,178
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28
Replacement Benefits Plan.....	N/A	92,253
Total.....		<u>\$ 4,456,321</u>

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, 2018, 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, 2017, rolled forward to June 30, 2018, 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, 2018 and 2017 were as follows:

	<u>June 30, 2018</u> <u>(Measurement Date)</u>		<u>June 30, 2017</u> <u>(Measurement Date)</u>	
	<u>Proportionate Share</u>	<u>Share of Net Pension Liability (Asset)</u>	<u>Proportionate Share</u>	<u>Share of Net Pension Liability (Asset)</u>
SFERS Plan.....	94.1042%	\$ 4,030,207	94.0674%	\$ 4,697,131
City CalPERS Miscellaneous Plan.....	-0.1573%	(15,154)	-0.1388%	(13,766)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans....	0.0215%	2,069	0.0216%	2,142
Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans.....	0.2820%	27,178	0.2751%	27,280
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28	0.0003%	28
Total.....		<u>\$ 4,044,328</u>		<u>\$ 4,712,815</u>

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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:

	<u>Increase (Decrease)</u>		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Balance at June 30, 2017 (MD).....	\$ 1,320,856	\$ 1,017,528	\$ 303,328
Change in year:			
Service cost.....	34,006	-	34,006
Interest on the total pension liability.....	94,305	-	94,305
Changes of assumptions.....	2,492	-	2,492
Differences between expected and actual experience.....	6,909	-	6,909
Plan to plan resource movement.....	-	(3)	3
Contributions from the employer.....	-	31,189	(31,189)
Contributions from employees.....	-	9,359	(9,359)
Net investment income.....	-	85,351	(85,351)
Benefit payments, including refunds of employee contributions.....	(56,625)	(56,625)	-
Administrative expense.....	-	(1,585)	1,585
Other miscellaneous income/(expense).....	-	(3,011)	3,011
Net changes during measurement period.....	<u>81,087</u>	<u>64,675</u>	<u>16,412</u>
Balance at June 30, 2018 (MD)	<u>\$ 1,401,943</u>	<u>\$ 1,082,203</u>	<u>\$ 319,740</u>

The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	<u>Increase (Decrease)</u>	
	<u>Total Pension Liability</u>	
Balance at June 30, 2017 (MD).....	\$	84,295
Change in year:		
Service cost.....		1,298
Interest.....		2,998
Differences between expected and actual experience.....		564
Assumption changes.....		5,540
Benefit payments, including refunds of employee contributions.....		(2,442)
Net changes during measurement period.....		<u>7,958</u>
Balance at June 30, 2018 (MD).....	<u>\$</u>	<u>92,253</u>

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

For the year ended June 30, 2019, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit	Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	
SFERS Plan.....	\$ 296,582	\$ 191,673	\$ -	\$ -	\$ 488,255
City CalPERS Miscellaneous Plan.....	(2,723)	-	-	-	(2,723)
City CalPERS Safety Plan.....	59,995	-	-	-	59,995
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	581	-	-	-	581
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	-	-	776	-	776
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	-	-	-	9	9
Replacement Benefits Plan.....	6,386	-	-	-	6,386
Total pension expense.....	\$ 360,821	\$ 191,673	\$ 776	\$ 9	\$ 553,279

At June 30, 2019, 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.....	\$ 607,408	\$ -	\$ 2,151	\$ -	\$ 34,933	\$ -	\$ -	\$ -	\$ 644,492
Change in assumptions.....	628,390	-	3,760	2,546	35,047	1,392	9,038	6,174	676,235	10,112
Difference between expected and actual experience.....	32,699	114,064	1,320	963	4,918	7,371	9,646	-	48,583	122,398
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	5,730	3,836	4,155	5,619	-	-	-	-	9,885	9,455
Net differences between projected and actual earnings on plan investments.....	-	647,802	145	75	2,057	-	-	-	2,202	647,877
Total.....	\$ 1,274,227	\$ 765,702	\$ 11,531	\$ 9,203	\$ 76,955	\$ 8,763	\$ 18,684	\$ 6,174	\$ 1,381,397	\$ 789,842

At June 30, 2019, the City reported \$644.5 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, 2020. 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	SFERS Plan	CalPERS Miscellaneous Plans	City CalPERS Safety Plan	Replacement Benefits Plan	Total
2020.....	\$ 257,217	\$ 155	\$ 30,298	\$ 4,531	\$ 292,201
2021.....	113,109	190	15,838	4,531	133,668
2022.....	(331,456)	(39)	(10,174)	2,228	(339,441)
2023.....	(137,754)	(128)	(2,703)	1,220	(139,365)
Total	\$ (98,884)	\$ 178	\$ 33,259	\$ 12,510	\$ (52,937)

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2018 is provided below, including any assumptions that differ from those used in the July 1, 2017 actuarial valuation.

	<u>SFERS Plan Actuarial Assumptions</u>	<u>CalPERS Miscellaneous and Safety Plans</u>
Valuation date.....	June 30, 2017 updated to June 30, 2018	June 30, 2017
Measurement date.....	June 30, 2018	June 30, 2018
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.50%, net of pension plan investment expenses	7.15%, net of pension plan investment expenses
Municipal bond yield.....	3.58% as of June 30, 2017 3.87% as of June 30, 2018 Bond Buyer 20-Bond GO Index, June 29, 2017 and June 28, 2018	
Inflation.....	3.00%	Miscellaneous Plan: 2.5% and Safety Plan: 2.75%
Projected salary increases.....	3.50% 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, 2018	7.15% as of June 30, 2018
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 2.50% Chapters A8.595 and A8.596..... 3.10% Chapters A8.559 and A8.585..... 4.20%	Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies. 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 at the June 30, 2018 measurement date were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014 and an economic experience study as of July 1, 2017.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. All other actuarial assumptions used in the CalPERS June 30, 2017 valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2018 measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2017.

Discount Rates

SFERS – The discount rate used to measure SFERS's total pension liability as of June 30, 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2017 actuarial valuation.

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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 3.50% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996 and before Proposition C passed, a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996 and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2018, of the probability and amount of Supplemental COLA for each future year. We have assumed that a full Supplemental COLA will be paid to all Post 97 Retirees effective July 1, 2018.

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

**Assumed Supplemental COLA
for Members with a 2.00% Basic COLA**

Year Ending June 30	96 - Prop C	Before 11/6/96 or After Prop C
2019	0.75%	0.00%
2022	0.75%	0.29%
2025	0.75%	0.35%
2028	0.75%	0.36%
2031+	0.75%	0.38%

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2097 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.87% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2018 is 7.50%.

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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.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	31.0%	5.4%
Treasuries	6.0%	0.5%
Liquid Credit	3.0%	3.3%
Private Credit	10.0%	4.6%
Private Equity	18.0%	6.6%
Real Assets	17.0%	4.5%
Hedge Funds/Absolute Return	15.0%	3.7%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB Statement No. 68 section.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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The table below reflects long-term expected real rates of return by asset class. The rates of return were calculated using the capital market assumptions applied to determine the discount rate and asset allocation.

Asset Class⁽¹⁾	Target Allocation	Real Return Years 1 - 10⁽²⁾	Real Return Years 11+⁽³⁾
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

⁽¹⁾ In the CalPERS Basic Financial Statements, Fixed Income is included in Global Debt Securities; Liquidity is included in Short-Term Investments; Inflation Assets are included in both Global Equity Securities and Global Debt Securities.

⁽²⁾ An expected inflation of 2.00% used for this period.

⁽³⁾ An expected inflation of 2.92% 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 3.58% as of June 30, 2017 and 3.87% as of June 30, 2018. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 29, 2017 and June 28, 2018. These are the rates used to determine the total pension liability as of June 30, 2017 and June 30, 2018.

The inflation assumption of 3.00% 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 \$220 for 2018 was used for the 2018 measurement date.

The SFERS assumptions about Basic and Supplemental COLA previously discussed also apply to the Replacement Benefits Plan, including the impact of the State Appeals Court determination that the full funding requirement for payment of Supplemental COLA included in Proposition C was unconstitutional and the impact is accounted for as a change in benefits.

At June 30, 2019, the membership in the RBP had a total of 396 active members and 81 retirees and beneficiaries currently receiving benefits.

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Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the NPL for each of the City's cost-sharing retirement plans, calculated using the discount rate, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Cost-Sharing Pension Plans	1% Decrease	Current Share	1% Increase
Proportionate Share of Net Pension Liability	Share of NPL	of NPL	Share of NPL
	@ 6.50%	@ 7.50%	@ 8.50%
SFERS.....	\$ 7,548,159	\$ 4,030,207	\$ 1,121,159
	1% Decrease	Current Share	1% Increase
	Share of NPL	of NPL	Share of NPL
	@ 6.15%	@ 7.15%	@ 8.15%
City CalPERS Miscellaneous Plan.....	\$ (12,330)	\$ (15,154)	\$ (17,486)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	3,635	2,069	776
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	42,059	27,178	14,893
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	39	28	19

The following presents the NPL for the City's CalPERS Safety Plan (agent multiple-employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate.

Agent Pension Plan	1% Decrease	Measurement	1% Increase
	@ 6.15%	Date @ 7.15%	@ 8.15%
City CalPERS Safety Plan.....	\$ 510,475	\$ 319,740	\$ 162,391
	1% Decrease	Measurement	1% Increase
	@ 2.87%	Date @ 3.87%	@ 4.87%
Replacement Benefits Plan.....	\$ 110,408	\$ 92,253	\$ 78,020

Detailed information about the CalPERS Safety Plan's fiduciary net position is available in a separately issued CalPERS financial report, copies may be obtained from the CalPERS website at www.calpers.ca.gov.

Deferred Compensation Plan

The City offers its employees a deferred compensation plan in accordance with Internal Revenue Code (IRC) Section 457. The plan, available to all employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees or other beneficiaries until termination, retirement, death, or unforeseeable emergency.

The City has no administrative involvement and does not perform the investing function. The City has no fiduciary accountability for the plan and, accordingly, the plan assets and related liabilities to plan participants are not included in the basic financial statements.

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$789.8 million in fiscal year 2019. The employers' contribution is mandated and

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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 \$226.3 million to provide postemployment health care benefits for 28,859 retired participants, of which \$186.5 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan). The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units.

GASB Statement No. 75 requires that reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used.

San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2018
Measurement Date (MD)	June 30, 2018
Measurement Period (MP)	July 1, 2017 to June 30, 2018

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

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

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

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service ¹ Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement ²	Any age with 10 years of credited service	
Terminated Vested	5 years of credited service at separation	

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California Public Employees' Retirement System (CalPERS)

Normal Retirement	Age 50 with 20 years of credited service ³
Disabled Retirement ²	Any age with 5 years of credited service
Terminated Vested	5 years of credited service at separation

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

² No service requirement for Safety members retiring under the industrial disability benefit or for surviving spouses / domestic partners of those killed in the line of duty.

³ Age 52 with 5 years of credited service for Miscellaneous members hired on or after January 1, 2013.

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

- Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)
- Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental
- Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2018 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	<u>City Plan</u>
Active plan members	32,380
Inactive employees entitled to but not yet receiving benefit payments	2,071
Inactive employees or beneficiaries currently receiving benefit payments	22,045
Total	<u>56,496</u>

San Francisco County Transportation Authority and Successor Agency

The Transportation Authority's defined benefit postemployment healthcare plan provides healthcare benefits to eligible employees and their surviving spouses. Employees become eligible to retire and receive healthcare benefits upon reaching the age of 50 and meeting program vesting requirements or being converted to disability status and retiring directly from the Transportation Authority. Dental and vision benefits are not available to retirees. The Transportation Authority is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by CalPERS for the provision of healthcare insurance programs for both active and retired employees.

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's other postemployment benefits plan. The Successor Agency sponsors a defined benefit plan providing OPEB to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency pays 100% of the premiums of CalPERS medical plan to eligible employees that satisfied the required services years and minimum age.

The Transportation Authority and the Successor Agency participate in the California Employers' Retiree Benefit Trust Fund Program (CERBT), an agent multiple-employer postemployment health plan, to prefund other postemployment benefits through CalPERS. CalPERS issues publicly available financial reports for all plans it administers and a separate GASB Statement No. 75 report for CERBT that can be found on CalPERS website.

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Projections of the sharing of benefit related costs are based on an established pattern of practice.

As of the June 30, 2017 actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members	37	47
Inactive employees or beneficiaries currently receiving benefit payments	9	115
Total	46	162

Contributions

The City's benefits provided under the OPEB Plan are currently paid through "pay-as-you-go" funding. Additionally, under the City Charter, active officers and employees of the City who commenced employment on or after January 10, 2009, shall contribute to the RHCTF a percentage of compensation not to exceed 2% of pre-tax compensation. The City shall contribute 1% of compensation for officers and employees who commenced employment on or after January 10, 2009 until the City's actuary has determined that the City's portion of the RHCTF is fully funded. At that time, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

Starting July 1, 2016, active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute 0.25% of pre-tax compensation into the RHCTF. Beginning on July 1st of each subsequent year, the active officers and employees of the City who commenced employment on or before January 9, 2009, shall contribute an additional 0.25% of pre-tax compensation up to a maximum of 1%. Starting July 1, 2016, the City contributes 0.25% of compensation into the RHCTF for each officer and employee who commenced employment on or before January 9, 2009. Beginning on July 1st of each subsequent year, the City contributes an additional 0.25% of compensation, up to a maximum of 1% for each officer and employee who commenced employment on or before January 9, 2009. When the City's actuary has determined that the City's portion of the RHCTF is fully funded, the City's 1% contribution shall cease, and officers and employees will each contribute 50% of the maximum 1% of pre-tax compensation. Additional or existing contribution requirements may be established or modified by amendment to the City's Charter.

For the year ended June 30, 2019, the City's funding was based on "pay-as-you-go" plus a contribution of \$32.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was \$185.8 million for a total contribution subsequent to the measurement date of \$218.6 million for the year ended June 30, 2019.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2019, the Transportation Authority contributed \$0.1 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2019, the Successor Agency contributed \$3.0 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

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Net OPEB Liability

The table below shows how the net OPEB liability (NOL) as of June 30, 2019 is distributed.

	2019
Governmental activities.....	\$ 1,945,998
Business-type activities.....	1,643,413
Fiduciary funds.....	18,353
Total.....	\$ 3,607,764

As of June 30, 2019, the City's NOL is comprised of the following:

City defined benefit healthcare plan.....	\$ 3,600,967
Transportation Authority defined benefit healthcare plan.....	229
Successor Agency defined benefit healthcare plan.....	6,568
Total.....	\$ 3,607,764

The changes in the City OPEB Plan's net OPEB liability are as follows:

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017.....	\$ 3,891,686	\$ 174,477	\$ 3,717,209
Changes during the measurement period.....			
Service cost.....	127,850	-	127,850
Interest.....	290,029	-	290,029
Differences between expected and actual experience.....	(385,732)	-	(385,732)
Changes of assumptions.....	111,119	-	111,119
Contributions - employer.....	-	203,858	(203,858)
Contributions - member.....	-	41,682	(41,682)
Net investment income.....	-	14,105	(14,105)
Benefit payments, including refunds of member contributions.....	(178,019)	(178,019)	-
Administrative expense.....	-	(137)	137
Net changes during the measurement period.....	(34,753)	81,489	(116,242)
Balance at June 30, 2018.....	\$ 3,856,933	\$ 255,966	\$ 3,600,967

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The changes in net OPEB liability for the plans of the Transportation Authority and Successor Agency are as follows:

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2017.....	\$ 1,748	\$ 1,503	\$ 245	\$ 10,262	\$ 3,925	\$ 6,337
Changes during the measurement period.....						
Service cost.....	122	-	122	164	-	164
Interest.....	129	-	129	701	-	701
Difference between expected and actual experience.....	(5)	-	(5)	267	-	267
Changes of assumptions.....	-	-	-	1,572	-	1,572
Contributions.....						
Trust deposits.....	-	85	(85)	-	-	-
Employer - explicit subsidy.....	-	47	(47)	-	2,145	(2,145)
Employer - implicit subsidy.....	-	12	(12)	-	-	-
Benefit payments, including refunds of member contributions.....	(58)	(58)	-	(812)	(812)	-
Administrative expense.....	-	(1)	1	-	(11)	11
Expected investment return.....	-	112	(112)	-	-	-
Investment experience (loss)/gain.....	-	7	(7)	-	339	(339)
Net changes during the measurement period.....	188	204	(16)	1,892	1,661	231
Balance at June 30, 2018.....	\$ 1,936	\$ 1,707	\$ 229	\$ 12,154	\$ 5,586	\$ 6,568

OPEB Expenses and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
City defined benefit healthcare plan.....	\$ 191,656	\$ 127,181	\$ 1,494	\$ 320,331
Transportation Authority defined benefit healthcare plan.....	131	-	-	131
Successor Agency defined benefit healthcare plan.....	-	-	1,931	1,931
Total OPEB expense.....	\$ 191,787	\$ 127,181	\$ 3,425	\$ 322,393

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As of June 30, 2019, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 218,625	\$ -	\$ 138	\$ -
Difference between expected and actual experience.....	-	330,627	-	5
Changes in assumptions.....	95,245	-	-	-
Net difference between projected and actual earnings on plan investments.....	-	3,327	-	29
Total.....	\$ 313,870	\$ 333,954	\$ 138	\$ 34

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 2,967	\$ -	\$ 221,730	\$ -
Difference between expected and actual experience.....	182	-	182	330,632
Changes in assumptions.....	1,065	-	96,310	-
Net difference between projected and actual earnings on plan investments.....	-	14	-	3,370
Total.....	\$ 4,214	\$ 14	\$ 318,222	\$ 334,002

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

Year ending June 30:	Deferred Outflows/ (Inflows) of Resources
2020.....	\$ (39,856)
2021.....	(39,856)
2022.....	(40,390)
2023.....	(38,945)
2024.....	(39,230)
Thereafter.....	(39,233)
Total	\$ (237,510)

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2018 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2018
Measurement Date	June 30, 2018
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Medical costs: Applied at beginning of calendar year, starting at 6.50% for 2019, grading down to 5.18% in 2028, and decreasing to an ultimate rate of 3.93% in 2076. Vision and expenses trend remains a flat 3.5% for all years
Expected Rate of Return on Plan Assets	7.40%
Discount Rate	7.40%
Salary Increase Rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 1.50% - 8.00% Fire: 1.50% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%
Inflation Rate	Wage Inflation: 3.50% compounded annually Consumer Price Inflation: 2.75% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2014.

Healthy Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment	
	Factor	Base Year
Female	0.918	2009
Male	0.948	2009

Healthy Annuitants - CalPERS healthy annuitant mortality table without scale BB projection

Gender	Adjustment	
	Factor	Base Year
Female	1.014	2009
Male	0.909	2009

Miscellaneous Disabled Annuitants - RP-2014 Disabled Retiree Tables without MP-2014 projection

Gender	Adjustment	
	Factor	Base Year
Female	1.066	2006
Male	0.942	2006

Safety Disabled Annuitants - CalPERS industrial disability mortality table without scale BB projection

Gender	Adjustment	
	Factor	Base Year
Female	0.983	2009
Male	0.909	2009

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2015 projection scale. The scale was modified using the Society of Actuaries' model implementation tool with rates converging to the ultimate rate in 2017 (instead of 2029) and an ultimate rate of improvement of 0.85% (instead of 1.00%) up to age 85 decreasing to 0.70% (instead of 0.85%) at age 95.

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The Transportation Authority net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined using an actuarial valuation as of June 30, 2017. The Successor Agency's net OPEB liability was measured as of June 30, 2018, and the total pension liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 rolled back to June 30, 2018 using standard update procedures. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

Key Actuarial Assumptions	June 30, 2018 Measurement Date	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2017	June 30, 2019
Measurement Date	June 30, 2018	June 30, 2018
Discount Rate	7.28%	6.75%
General Inflation	3.00% per annum	2.75%
Salary Increases	3.25% per annum, in aggregate	3.00%
Investment Rate of Return	7.28%	6.75%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	Pre-Medicare - 7.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076; Medicare- 6.5% for 2020, decreasing to an ultimate rate of 4.0% in 2076

Sensitivity of Net OPEB Liabilities to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability for each plan calculated using the healthcare cost trend rate, as well as what the plan's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate:

Plan	June 30, 2018 (measurement year)		
	1% Decrease	Healthcare Trend	1% Increase
City Defined Benefit Plan	\$ 3,129,823	\$ 3,600,967	\$ 4,185,277
Transportation Authority	(41)	229	572
Successor Agency	5,520	6,568	7,808

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.4%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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June 30, 2019

(Dollars in Thousands)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return is based on the RHCTF's investment consultant's 10 and 20-year capital market assumptions for the RHCTF's asset allocation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Equities	41.0%	7.3%
Developed Market Equity (non-U.S.)	20.0%	7.1%
Emerging Market Equity	16.0%	9.4%
Credit		
High Yield Bonds	3.0%	5.4%
Bank Loans	3.0%	5.0%
Emerging Market Bonds	3.0%	4.9%
Rate Securities		
Treasury Inflation Protected Securities	5.0%	3.3%
Investment Grade Bonds	9.0%	3.6%
Total	<u>100.0%</u>	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.28 % and 6.75 %, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

The long-term expected rate of return on OPEB plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		Transportation Authority	Successor Agency
Global Equity	57.00%	4.82%	4.82%
Fixed Income	27.00%	1.47%	1.47%
Treasury Inflation Protection Securities	5.00%	1.29%	1.29%
Real Estate Investment Trusts	8.00%	3.76%	3.76%
Commodities	3.00%	0.84%	0.84%
Total	<u>100.00%</u>		

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The following presents the net OPEB liability calculated using the discount rate, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate for each plan:

Plan	June 30, 2018 (measurement year)		
	1% Decrease	Discount Rate	1% Increase
	6.40%	7.40 %	8.40%
City Defined Benefit Plan	\$ 4,139,975	\$ 3,600,967	\$ 3,159,941
	June 30, 2018 (measurement year)		
	1% Decrease	Discount Rate	1% Increase
	6.28%	7.28%	8.28%
Transportation Authority	\$ 524	\$ 229	\$ (11)
	June 30, 2018 (measurement year)		
	1% Decrease	Discount Rate	1% Increase
	5.75%	6.75%	7.75%
Successor Agency	\$ 7,866	\$ 6,568	\$ 5,475

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(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2019, were distributed as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables..	\$ 1,259	\$ 140	\$ 1,399
Restricted			
Rainy Day.....	324,977	54,526	379,503
Public Protection			
Police.....	-	16,375	16,375
Sheriff.....	-	1,085	1,085
Other Public Protection.....	-	23,494	23,494
Public Works, Transportation & Commerce.....	-	342,516	342,516
Human Welfare & Neighborhood Development.....	-	671,217	671,217
Affordable Housing.....	-	261,947	261,947
Community Health.....	-	33,045	33,045
Culture & Recreation.....	-	239,494	239,494
General Administration & Finance.....	-	32,462	32,462
Capital Projects.....	-	471,240	471,240
Debt Service.....	-	161,704	161,704
Total Restricted.....	<u>324,977</u>	<u>2,309,105</u>	<u>2,634,082</u>
Committed			
Budget Stabilization.....	396,760	-	396,760
Recreation and Park Expenditure Savings.....	803	-	803
Total Committed.....	<u>397,563</u>	<u>-</u>	<u>397,563</u>
Assigned			
Public Protection			
Police.....	8,986	2,574	11,560
Sheriff.....	2,807	2,174	4,981
Other Public Protection.....	64,992	-	64,992
Public Works, Transportation & Commerce.....	39,647	55,134	94,781
Human Welfare & Neighborhood Development.....	119,411	19,458	138,869
Affordable Housing.....	25,638	-	25,638
Community Health.....	244,922	-	244,922
Culture & Recreation.....	14,332	17,115	31,447
General Administration & Finance.....	53,815	18,185	72,000
General City Responsibilities.....	35,165	-	35,165
Capital Projects.....	238,577	-	238,577
Litigation and Contingencies.....	186,913	-	186,913
Subsequent Year's Budget.....	326,582	-	326,582
Total Assigned.....	<u>1,361,787</u>	<u>114,640</u>	<u>1,476,427</u>
Unassigned.....	631,437	(331)	631,106
Total.....	<u>\$ 2,717,023</u>	<u>\$ 2,423,554</u>	<u>\$ 5,140,577</u>

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(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a “Rainy Day” or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the “excess revenues” in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City’s actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year’s total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City’s total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District’s Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2019-20 through 2023-24.

Recreation and Park Expenditure Savings Reserve

The City maintains a Recreation and Park Expenditure Savings Reserve under Charter Section 16.107, which sets aside and maintains such an amount, together with any interest earned thereon, in the reserve account, and any amount unspent or uncommitted at the end of the fiscal year shall be carried forward to the next fiscal year and, subject to the budgetary and fiscal limitations of the Charter, shall be appropriated then or thereafter for capital and/or facility maintenance improvements to park and recreation facilities and other one-time expenditures of the Park and Recreation Department.

(c) Encumbrances

At June 30, 2019, encumbrances recorded in the General Fund and nonmajor governmental funds were \$351.4 million and \$538.2 million, respectively.

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(d) Restricted Net Position

At June 30, 2019, the government-wide statement of net position reported restricted net position of \$2.02 billion in governmental activities and \$1.05 billion in business-type activities, of which \$26.0 million and \$162.9 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 \$447.7 million of unrestricted net position of governmental activities, of which \$396.8 million reduced net investment in capital assets and \$50.9 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of \$0.3 million as of June 30, 2019. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2019.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$26.1 million and \$37.4 million, respectively, as of June 30, 2019, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in 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, 2019, the Successor Agency has a deficit of \$471.0 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.

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(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2019 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues....	\$ 87,794	\$ 70,791	\$ 158,585
Property tax.....	89,448	11,680	101,128
Teeter Plan.....	23,793	-	23,793
SB 90.....	3,898	-	3,898
Advances to Successor Agency....	-	6,442	6,442
PG&E franchise tax.....	3,477	-	3,477
Loans.....	16,004	90,552	106,556
Total.....	\$ 224,414	\$ 179,465	\$ 403,879

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

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Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to \$485.2 million per year and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

Transportation Fund for Clean Air (TFCA) Program. On June 15, 2002, the Transportation Authority was designated to act as the overall program manager for the local guarantee (40%) share of transportation funds available through the TFCA program. Funds from this program, administered by the Bay Area Air Quality Management District come from a \$4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

Vehicle Registration Fee for Transportation Improvements Program. On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional \$10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). 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.

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(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 2018 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 2019, 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	\$ 1,763,565
Bond principal and interest remaining due at end of the fiscal year	13,680,347
Bond principal and interest paid in the fiscal year	442,442
Commercial paper issued with subordinate revenue pledge	406,110
Commercial paper principal and interest remaining due at end of the fiscal year ...	3,588
Commercial paper principal, interest and fees paid in the fiscal year	5,515
Net revenues	539,913

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058.

Reserves and Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established three reserve accounts in the Reserve Fund: the Issue 1 Reserve Account, the 2009 Reserve Account, and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for each series of Senior Bonds secured by the 2009 Reserve Account (each a 2009 Reserve Series) is the lesser of: (i) maximum annual debt service for such series of 2009 Reserve Series Bonds, (ii) 125% of average annual debt service for such series of 2009 Reserve Series Bonds, and (iii) 10% of the outstanding principal amount of such series (or allocable issue price of such series if such series is sold with more than a de minimis (2%) amount of original issue discount), in each case as determined from time to time. With respect to all 2009 Reserve Series, the reserve requirement is the aggregate of such

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amounts for each individual series. As of June 30, 2019, only the Series 2009C and 2010D Bonds are secured by the 2009 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any Fiscal Year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2019, only the Series 2017C, 2017D, 2018A, 2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds, or may issue Senior Bonds without a reserve account.

While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

Under the terms of the 1991 Master Bond Resolution, the Airport has covenanted that it will establish and at all times maintain rentals, rates, fees, and charges for the use of the Airport and for services rendered by the Airport so that:

- (i) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and
- (ii) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from GAAP used to determine amounts reported in the Airport's financial statements.

Passenger Facility Charges –The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 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, 2019, the FAA has approved Airport applications (PFC #2 to PFC #8) for collection and use with a total cumulative collection amount of \$2.1 billion. The final charge expiration date is estimated to be March 1, 2029. The Airport is working with the FAA to close 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. Additionally, PFC #6 and PFC #7 have been closed and consolidated into the new commingled PFC #8. For the year ended June 30, 2019, the Airport reported approximately \$110.9 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of \$125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve

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

Purchase commitments for construction, material and services as of June 30, 2019 are as follows:

Construction	\$ 246,778
Operating	<u>32,503</u>
Total	<u>\$ 279,281</u>

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, 2019 was \$49.1 million and was recorded as a transfer. In addition, the Airport compensates the City’s General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2019, was \$171.3 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2019, revenues realized from the following Airport tenant exceeded five percent of the Airport’s total operating revenues:

United Airlines	23.8%
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(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.

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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 \$83.1 million. The principal and interest payments made in 2019 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2019, were \$38.9 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$2.3 million. Annual principal and interest payments were \$0.23 million in 2019 and pledged harbor revenues were \$0.2 million for the year ended June 30, 2019.

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, 2019, the Port's purchase commitments for construction-related services, materials and supplies, and other services were \$21.2 million for capital projects and \$4 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2019, the \$18.7 million in services provided by other City departments included \$2.8 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 \$0.3 million from the City and \$0.3 million from the Planning Department in support of the project.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). MOHCD agreed to pay the Port the fair market value for the property in the amount of \$14.9 million from any source funds available to MOHCD. If MOHCD does not pay the Port the full fair market value as of the date or Ground Lease closing, interest will accrue on the unpaid amounts at a rate of 1.5% simple interest per annum during the first two (2) years and at a rate of 3% per annum thereafter until the date of payment in full. At June 30, 2019, the Port is due a total of \$15.0 million from MOHCD. In March 2019, the Port entered into a Ground Lease with a developer. The Ground Lease has a term of fifty-seven years plus one eighteen year extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2019, the Port has a noncurrent unearned revenue balance in the amount of \$14.5 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

The Port and Department of Building Inspection (DBI) entered into an MOU dated May 7, 2018 to provide plan review and field inspection in accordance with San Francisco Building Code on projects enforced by the Port. As of June 30, 2019, the Port accrued a liability payable to DBI in the amount of \$0.6 million for the 88 Broadway project.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all

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required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2019, rent credits of \$0.4 million have been provided to SFFD.

South Beach Harbor Project Commitments – On May 1, 2019, OCII transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately \$7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. The Port is seeking an extension of time from BCDC to complete the amended project work.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

Port lands are subject to environmental risk elements typical of sites with a mix of light industrial activities dominated by transportation, transportation-related and warehousing activities. Due to the historical placement of fill of varying quality, and widespread use of aboveground and underground tanks and pipelines containing and transporting fuel, elevated levels of petroleum hydrocarbons and lead are commonly found on Port properties. Consequently, any significant construction, excavation or other activity that disturbs soil or fill material may encounter hazardous materials and/or generate hazardous waste.

A 69-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014. The Risk Management Plan provides institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development

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of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at \$4.1 million at June 30, 2019.

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, 2019, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2018	\$ 3,000	\$ 44	\$ 3,044
Current year claims and changes in estimates	1,105	-	1,105
Environmental liabilities at June 30, 2019	<u>\$ 4,105</u>	<u>\$ 44</u>	<u>\$ 4,149</u>

(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 2019, the Water Enterprise sold water, approximately 67,319 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 2019 and applicable revenues for 2019 are as follows:

Bonds issued with revenue pledge	\$ 4,746,890
Bond principal and interest remaining due at end of the fiscal year	7,727,793
Bond principal and interest paid in the fiscal year	261,638
Net revenues	311,619
Funds available for revenue debt service	532,981

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Water Balancing Account – During fiscal year 2019, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$253.2 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, 2019, the City owed the Wholesale Customers \$64.8 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2019, the Water Enterprise had outstanding commitments with third parties of \$237.7 million for various capital projects and for materials and supplies.

Environmental Issue – As of June 30, 2019, the total pollution remediation liability was \$2.2 million, consisting of \$1.3 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and \$0.9 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately \$33.6 million and \$9.5 million, respectively, for the year ended June 30, 2019, 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 \$16.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. In May 2016, the City launched CleanPowerSF to provide green electricity from renewable sources to its residential and commercial customers. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (aka the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise's operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewables.

Approximately 73.8% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 26.2% balance of electricity is sold to CleanPowerSF and other utility 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

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Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

Segment Information – Hetch Hetchy Power issued debt to finance its improvements. The Hetch Hetchy Water fund, the Hetch Hetchy Power fund, and CleanPowerSF fund are reported for in a single enterprise (i.e., Hetch Hetchy Enterprise). CleanPowerSF is presented as a fund of the Enterprise beginning in the year ended 2017. However, investors in the debt rely solely on the revenue generated by the individual activities for repayment. Summary financial information for Hetch Hetchy is presented below:

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
Assets*:					
Current assets.....	\$ 81,599	\$ 205,666	\$ 63,044	\$ -	\$ 350,309
Receivables from other funds and component units.....	-	13,581	-	(3,731)	9,850
Noncurrent restricted cash and investments.....	12,673	19,195	-	-	31,868
Other noncurrent assets.....	160	780	-	-	940
Capital assets.....	149,103	401,528	-	-	550,631
Total assets.....	243,535	640,750	63,044	(3,731)	943,598
Deferred outflows of resources:					
Pensions.....	6,447	7,879	339	-	14,665
Other postemployment benefits.....	1,343	1,641	108	-	3,092
Total deferred outflows of resources.....	7,790	9,520	447	-	17,757
Liabilities:					
Current liabilities.....	6,726	82,314	17,056	-	106,096
Noncurrent liabilities.....	38,123	115,761	6,116	(3,731)	156,269
Total liabilities.....	44,849	198,075	23,172	(3,731)	262,365
Deferred inflows of resources:					
Pensions.....	3,874	4,734	203	-	8,811
Other postemployment benefits.....	1,429	1,746	115	-	3,290
Total deferred inflows of resources.....	5,303	6,480	318	-	12,101
Net position:					
Net investment in capital assets.....	149,103	301,534	-	-	450,637
Restricted for debt service.....	-	1,145	-	-	1,145
Restricted for capital projects.....	8,401	-	-	-	8,401
Unrestricted.....	43,669	143,036	40,001	-	226,706
Total net position.....	\$ 201,173	\$ 445,715	\$ 40,001	\$ -	\$ 686,889

*Certain amounts presented herein have been reclassified from the Statement of Net Position.

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Operating revenues.....	\$ 34,005	\$ 143,561	\$ 167,820	\$ 345,386
Depreciation expense.....	(5,380)	(14,484)	-	(19,864)
Other operating expenses.....	(44,925)	(108,204)	(137,284)	(290,413)
Operating income (loss).....	(16,300)	20,873	30,536	35,109
Nonoperating revenues (expenses):				
Federal and state grants.....	2,984	406	-	3,390
Interest and investment income.....	2,670	6,883	735	10,288
Interest expense.....	-	(2,936)	(130)	(3,066)
Other nonoperating revenues net of expenses.....	29	9,373	-	9,402
Transfers in (out), net.....	20,000	4,490	-	24,490
Change in net position.....	9,383	39,089	31,141	79,613
Net position at beginning of year.....	191,790	406,626	8,860	607,276
Net position at end of year.....	\$ 201,173	\$ 445,715	\$ 40,001	\$ 686,889

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Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Total
Net cash provided by (used in):				
Operating activities.....	\$ (6,191)	\$ 33,091	\$ 12,522	\$ 39,422
Noncapital financing activities.....	20,156	13,138	-	33,294
Capital and related financing activities.....	(22,698)	(51,650)	-	(74,348)
Investing activities.....	1,274	5,315	428	7,017
Increase (decrease) in cash and cash equivalents.....	(7,459)	(106)	12,950	5,385
Cash and cash equivalents at beginning of year.....	97,117	211,275	12,465	320,857
Cash and cash equivalents at end of year.....	<u>\$ 89,658</u>	<u>\$ 211,169</u>	<u>\$ 25,415</u>	<u>\$ 326,242</u>

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 fiscal year 2019, and applicable revenues for 2019 are as follows:

Hetch Hetchy Power

Bonds issued with revenue pledge	\$ 64,871
Bond principal and interest remaining due at end of the fiscal year	81,570
Bond principal and interest paid in the fiscal year*	4,784
Net revenues	39,798
Funds available for revenue debt service	71,013

* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was \$2,569.

Commitments and Contingencies – As of June 30, 2019, Hetch Hetchy had outstanding commitments with third parties of \$96.5 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were \$5.7 million in fiscal year 2019. 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.

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Hetch Hetchy Power

In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the City approved the extension of both agreements for one year to June 30, 2016. A second extension agreement was subsequently approved to extend both agreements for an additional year to June 30, 2017, with an automatic six-month extension through December 31, 2017. Terms and conditions for the MID extension agreement were the same as the original agreement. The second extension agreement for TID removed the District's rights to excess energy from the project and terminated those conditions with the first extension agreement on June 30, 2016. Extended agreements for MID and TID expired on December 31, 2017. Hetch Hetchy will continue to comply with the Raker Act by making generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from its project is available after meeting Hetch Hetchy's municipal load obligations. There were no sales to the Districts in fiscal year 2019 primarily due to purchase agreement with MID and TID ended on December 31, 2017.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver the City's Hetchy power and purchases to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2019, Hetch Hetchy Power purchased \$10.4 million of 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 2019, Hetchy Power purchased \$8.3 million of power and other related products. There was no excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2019.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at \$235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2019, the facility generated 6,427 MWh and rate was at \$306/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2019, purchases of energy under the PPA were \$2.0 million or 6,427 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

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agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine requires a reserve balance of \$2.7 million as of June 30, 2019, which is equivalent to two months' worth of estimated payment. As of June 30, 2019, total electricity purchased from Calpine and Shiloh were \$34.3 million.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy with sPower and Terra-Gen. These contracts have been entered to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide expansion of the CleanPowerSF program. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. The total power purchase cost, net of wholesale sales in fiscal year 2019 equaled \$119.9 million. The total contract cost of long-term renewable energy contracts with sPower (a 22-year contract starting delivery in July 2019) and Terra-Gen (a 15-year contract starting delivery in December 2020) are \$219.2 million and \$102.3 million, respectively, over each contract's term. Additional short-term and medium-term contracts (of commitments ranging from less than 1 year to 5 years) for renewable, carbon-free and conventional energy and resource adequacy capacity executed during 2019 totaled \$44.6 million.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed \$5.6 million. During fiscal year 2019, amounts paid were \$2.6 million.

In March 2018, CleanPowerSF entered into a five-year, \$75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of \$21.4 million as of June 30, 2019. There was no draw against the Credit Agreement during fiscal year 2019.

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 \$33.6 million and purchased electricity for \$9.5 million for the year ended June 30, 2019. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2019, \$33.6 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$10.9 million for the year ended June 30, 2019. Included in 2019 operating revenues are sales of power to departments within the City of \$97.7 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately \$11.7 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, operating expenses in purchase of power from Hetchy Power to CleanPowerSF were \$3.0 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$1.8 million for the year ended June 30, 2019.

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(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire 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 two nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

The SFMTA was established by voter approval of the addition of Article VIII A to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department, and to provide the Transportation System with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided \$500 million in General Obligation Bonds for transportation and street infrastructure; and (4) in 2014 (Proposition B), which increases general fund allocation to SFMTA based on the City's population increase.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United States. It currently has more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

In the beginning of fiscal year 2018, three nonprofit corporations provided operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square garages are owned by the Recreation and Park Department but managed by the SFMTA. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton have been transferred to Sustainable Streets. Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department. The activities of the two remaining nonprofit garages are accounted for in the 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 operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

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Annual principal and interest payments for fiscal year 2019 were 22.6% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 387,670
Bond principal and interest remaining due at end of the fiscal year	544,664
Net revenues	84,685
Bond principal and interest paid in the fiscal year	24,691
Funds available for revenue bond debt service	109,376

Operating and Capital Grants and Subsidies – The City’s Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City’s budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$527.5 million in fiscal year 2019. The General Fund subsidy includes a total revenue baseline transfer of \$408.7 million, as required by the City Charter. Out of the \$408.7 million baseline transfer this year, \$38.1 million is related to the Educational Revenue Augmentation Fund (ERAF) supplemental appropriation. In addition, SFMTA received \$68.8 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 2019, SFMTA received \$47 million from this source. In fiscal year 2019, SFMTA also received additional City General Fund allocation of \$3 million to fund various capital projects such as the UCSF platform extension and crossover track, Vision Zero and Lombard tolling study.

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, 2019, the SFMTA had various operating grants receivable of \$34.3 million. In fiscal year 2019, the SFMTA’s operating assistance from BART’s Americans with Disability Act (ADA) related support of \$2 million, and other federal, state, and local grants of \$11.7 million, to fund project expenses that are operating in nature. Proposition 1B is a 10-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling \$3.1 million in fiscal year 2019 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The recent approval of the California state budget extended the remaining balances of fiscal year 2010 and 2012 to June 30, 2021 and the remaining balances of fiscal years 2015, 2016, and 2017 to June 30, 2022. 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 2019, \$6.1 million in drawdowns were made from the funds for various eligible projects costs. Other allowable costs include incidental expenses, but directly related to construction or acquisition including, but not limited to, planning, engineering, construction management, architectural and other design work, environmental impact reports and assessments, required mitigation expenses, appraisals, legal expenses, site acquisitions, necessary easements, and warranties, as approved by Cal OES. Indirect costs and management and administration are not allowable costs with Propostion1B funds.

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Commitments and Contingencies – The SFMTA has outstanding commitments of approximately \$422.2 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$53.7 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 years 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 and amortized over the life of each sublease unless the purchase option is executed or the sublease is otherwise terminated before its expiration date.

Prior to fiscal year 2019, six of the seven lease transactions had been terminated. On October 26, 2018, SFMTA terminated its one remaining leveraged lease transaction. The deferred inflows of resources amortized amount was \$3.7 million in fiscal year 2019 upon the lease termination.

(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, 2019, the subsidy for LHH was \$135.1 million.

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Net Patient Services Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractals 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, 2019, LHH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	\$ 74,520	\$ 4,360	\$ 2,284	\$ 81,164
Less:				
Provision for bad debt and contractual allowances	(48,962)	(2,865)	(1,501)	(53,328)
Total, net	<u>\$ 25,558</u>	<u>\$ 1,495</u>	<u>\$ 783</u>	<u>\$ 27,836</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Revenue	\$ 432,979	\$ 22,737	\$ 11,911	\$ 467,627
Less:				
Bad debt write-offs and contractual adjustments	(258,078)	(18,230)	(11,744)	(288,052)
Total, net	<u>\$ 174,901</u>	<u>\$ 4,507</u>	<u>\$ 167</u>	<u>\$ 179,575</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2019, LHH accrued and recognized \$31.1 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2019, LHH recorded approximately \$46.6 million in other liabilities for third-party payor settlements payable.

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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 \$12.2 million for the year ended June 30, 2019 and have been included in services provided by other departments.

As of June 30, 2019, LHH has entered into various purchase contracts totaling \$0.2 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2019, the subsidy for SFGH was \$115.8 million.

Net Patient Service Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third-Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

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During the year ended June 30, 2019, SFGH's patient receivables and charges for services were as follows (in thousands):

Patient Receivables, Net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 313,357	\$ 199,552	\$ 141,250	\$ 654,159
Less:				
Contractual Allowances.....	(288,966)	(185,825)	(82,414)	(557,205)
Provision for Bad Debt.....	-	-	(35,664)	(35,664)
Total, Net Accounts Receivable.....	<u>\$ 24,391</u>	<u>\$ 13,727</u>	<u>\$ 23,172</u>	<u>\$ 61,290</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.....	\$ 2,063,429	\$ 1,025,416	\$ 993,071	\$ 4,081,916
Less:				
Contractual Adjustment.....	(1,838,499)	(858,424)	(437,565)	(3,134,488)
Bad Debt Write Off.....	-	-	(127,103)	(127,103)
Total, Net Patient Service Revenue.....	<u>\$ 224,930</u>	<u>\$ 166,992</u>	<u>\$ 428,403</u>	<u>\$ 820,325</u>

California's initial Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service (FFS) cost-based reimbursements for inpatient hospital services; 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) 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 \$19.9 million for the year ended June 30, 2019. 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 CMS approved California Medi-Cal 2020 Demonstration waiver, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of a 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 Health Care Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal);

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(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 \$122.1 million for the year ended June 30, 2019.

In addition, SFGH was reimbursed by the State, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2019, 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, 2019, SFGH recorded approximately \$292.3 million in unearned credits and other liabilities, which was comprised of \$243.3 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and \$49.0 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 \$275.1 million and estimated costs and expenses to provide charity care were \$78.5 million in fiscal year 2019.

Other Revenues – With California electing to implement a State-run Medicaid Expansion afforded by the ACA, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. A final reconciliation has been conducted for fiscal year 2016-17 showing \$0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2020 for fiscal year 2017-18. For the year ended June 30, 2019, SFGH recognized \$58.5 million of realignment funding.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2019, was approximately \$170.9 million.

Gift – From fiscal year 2014-15 through fiscal year 2015-16, 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, 2019, SFGH has spent \$45.8 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining \$16.6 million as restricted net position.

Commitments and Contingencies – As of June 30, 2019, SFGH had outstanding commitments with third parties for capital projects totaling \$6.8 million.

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(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City’s municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. As of June 30, 2019, the Wastewater Enterprise serves approximately 148,068 residential accounts, which discharge about 16.3 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 25,897 non-residential accounts, which discharge about 7.6 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise’s revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2049.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2019, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 1,667,095
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	89,456
Bond principal and interest remaining due at end of the fiscal year	2,735,352
Bond principal and interest paid in the fiscal year	60,347
Net revenues	150,365
Funds available for revenue debt service	253,646

Commitments and Contingencies – As of June 30, 2019, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$269.1 million.

Pollution Remediation Obligations – As of June 30, 2019, the Wastewater Enterprise recorded \$7.5 million in pollution remediation liability, consisting of \$7.5 million cleanup cost estimate at the Yosemite Creek site. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling \$10.9 million for the year ended June 30, 2019. The Wastewater Enterprise purchased water from Water Enterprise totaling \$1.3 million for the year ended June 30, 2019. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was \$13.9 million for the year ended June 30, 2019. 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 \$10.6 million for the year ended June 30, 2019 and have been included in services provided by other departments.

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(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.

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, 2019, the summary of changes in capital assets is as follows:

	Balance June 30, 2018	Additions	Transfers	Balance June 30, 2019
Capital assets not being depreciated:				
Land held for lease	\$ 18,525	\$ -	\$ -	\$ 18,525
Capital assets being depreciated:				
Furniture and equipment - General	2,584	-	(278)	2,306
Building and improvements	38,473	-	(38,473)	-
Total capital assets being depreciated	41,057	-	(38,751)	2,306
Less accumulated depreciation for:				
Furniture and equipment	(2,562)	(9)	278	(2,293)
Building and improvements	(17,798)	(709)	18,507	-
Total accumulated depreciation	(20,360)	(718)	18,785	(2,293)
Total capital assets being depreciated, net	20,697	(718)	(19,966)	13
Total capital assets, net	<u>\$ 39,222</u>	<u>\$ (718)</u>	<u>\$ (19,966)</u>	<u>\$ 18,538</u>

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In accordance with the Dissolution Law, on April 30, 2019, the Successor Agency transferred the operations of the Rincon Point South Beach Project to the City. This included the operations, leasehold interests, and the following assets and liabilities:

Assets:	
Cash and investments	\$ 5,078
Capital assets	19,966
Other assets	104
Liabilities:	
Long-term liabilities - Cal Boating Loans Payable	(6,144)
Interest payable	(207)
Other liabilities	(457)
Total	\$ 18,340

The transfer of these assets was recorded as a deduction in the statement of changes in fiduciary net position and as a special item in the Port of San Francisco Enterprise Fund. For the period from July 1, 2018 to April 30, 2019, the Successor Agency recorded total additions of \$4,584 and deductions of \$3,076 related to the transferred operations.

(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%	\$ 23,105
Tax allocation revenue bonds ^(b)	2047	1.45% - 8.41%	859,951
Total long-term bonds and loans			\$ 883,056

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.

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 \$1.46 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2019, were \$158.6 million against the total debt service payment of \$96.2 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$27.3 million. The hotel tax revenue recognized during the year ended June 30, 2019 was \$6.0 million against the total debt service payment of \$6.0 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable

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immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2019, are as follows:

	July 1, 2018	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2019
Bonds payable:				
Tax revenue bonds	\$ 920,246	\$ -	\$ (60,295)	\$ 859,951
Hotel Tax Revenue Bonds.....	27,715	-	(4,610)	23,105
Less unamortized amounts:				
For issuance premiums	48,065	-	(2,543)	45,522
For issuance discounts	(3,089)	-	142	(2,947)
Total bonds payable	992,937	-	(67,306)	925,631
Accreted interest payable.....	57,709	8,723	-	66,432 ⁽¹⁾
Notes, loans, and other payables.....	6,392	-	(6,392)	- ⁽²⁾
Accrued vacation and sick leave pay.....	952	787	(590)	1,149
Successor Agency - long term obligations..	<u>\$ 1,057,990</u>	<u>\$ 9,510</u>	<u>\$ (74,288)</u>	<u>\$ 993,212</u>

- (1) Amounts represent interest accretion on Capital Appreciation Bonds.
(2) Cal Boating loan payable was transferred to the City on April 30, 2019.

As of June 30, 2019, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Allocation Revenue Bonds		Hotel Occupancy Tax Revenue Refunding Bonds	
	Principal	Interest *	Principal	Interest
2020	\$ 59,572	\$ 36,956	\$ 3,365	\$ 1,155
2021	61,482	35,839	3,510	987
2022	58,881	36,145	3,690	812
2023	50,188	42,255	3,865	627
2024	32,834	43,201	4,220	434
2025-2029	154,813	162,255	4,455	222
2030-2034	155,154	123,679	-	-
2035-2039	149,001	80,231	-	-
2040-2044	113,911	37,699	-	-
2045-2047	24,115	1,858	-	-
Total	<u>\$ 859,951</u>	<u>\$ 600,118</u>	<u>\$ 23,105</u>	<u>\$ 4,237</u>

* Including payment of accreted interest.

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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. The Successor Agency made payments in the amount of \$1.8 million to the City during the year ended June 30, 2019, and the outstanding payable balance was \$6.4 million.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2019, the Successor Agency had outstanding encumbrances totaling approximately \$846.

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 Leases - The Successor Agency has a cancelable operating lease for its office site. Leases under the Master Lease Option Agreement with the San Francisco Port Commission were transferred to the City on April 30, 2019. Rent payments totaled \$0.9 million for the year ended June 30, 2019. The Successor Agency recorded \$0.9 million of operating lease rental income for the leases transferred to the City on April 30, 2019.

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, 2019, the Successor Agency disbursed \$32.6 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, 2019, the gross value of the notes and mortgage receivable was \$254.1 million and the allowance for uncollectible amounts was \$252.6 million.

Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2019, the Successor Agency had outstanding community facility district bonds totaling \$182.3 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.

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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, 2019, the Successor Agency distributed \$12.5 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

The Treasure Island Development Authority (TIDA) is a nonprofit public benefit corporation. TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. TIDA is governed by seven members of the TIDA Board of Directors who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors. The specific purpose of TIDA is to promote the planning, redevelopment, reconstruction, rehabilitation, reuse and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare and common benefit of the inhabitants of the City.

The services provided by TIDA include administering the acquisition of former Naval Station Treasure Island from the U.S. Navy and implementing the Treasure Island Development Project; renting existing Treasure Island facilities including commercial facilities and approximately 650 housing units to generate revenues to cover operating costs; maintaining Treasure Island utilities, facilities and other infrastructure; and overseeing the U.S. Navy's remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the 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.

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On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2024. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway. The first residential project on Yerba Buena Island, a 124-unit condominium building, began construction in June 2019 and is expected to be ready for occupancy in 2021. Geotechnical improvement of soil conditions in the first subphase area on Treasure Island has progressed over the past 18 months making way for the construction of new utility and roadway infrastructure. The first residential project on Treasure Island – a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares – will break ground in the first quarter of 2020.

TICD has submitted a Street Improvement Permit (SIP) application and initiated the subdivision mapping process for the third subphase area with the objective of securing SIP and final subdivision map approval by the middle of 2020. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2019, TIDA has the following payables to other City departments:

Payable to	Purpose	6/30/2019		Total
		Current	Noncurrent	
SFCTA	YBI and mobility management expenses	\$ 1,725	\$ -	\$ 1,725
General Fund	Cash coverage	2,149	-	2,149
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 3,874</u>	<u>\$ 2,599</u>	<u>\$ 6,473</u>

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(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, 2019 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 9,768
	Port of San Francisco	69
	Laguna Honda Hospital	8
		<u>9,845</u>
Nonmajor Governmental Funds	General Fund	72
	Nonmajor Governmental Funds	8,760
	Municipal Transportation Agency	400
	Port of San Francisco	412
		<u>9,644</u>
San Francisco Water Enterprise	General Fund	22
	Nonmajor Governmental Funds	614
	Port of San Francisco	24
		<u>660</u>
Hetch Hetchy Water and Power Enterprise	General Fund	694
	Nonmajor Governmental Funds	5,602
	San Francisco Wastewater Enterprise	955
		<u>7,251</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	<u>45,550</u>
Port of San Francisco	Nonmajor Governmental Funds	14,958
	Hetch Hetchy Water and Power Enterprise	350
		<u>15,308</u>
San Francisco Wastewater Enterprise	General Fund	9
	Nonmajor Governmental Funds	208
	Port of San Francisco	80
		<u>297</u>
Total		<u><u>\$ 88,555</u></u>

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, 2019, Hetch Hetchy loaned \$5.6 million to other City funds.

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The SFMTA has a receivable from nonmajor governmental funds of \$45.6 million for capital and operating grants.

Due from component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Component unit – TIDA	\$ 2,149 ⁽¹⁾
Nonmajor Governmental Funds	Component unit – TIDA	1,725 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	1,643 ⁽²⁾
San Francisco Water Enterprise	Successor Agency	4 ⁽²⁾
San Francisco Wastewater Enterprise	Successor Agency	2 ⁽²⁾

Advance to component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 2,599 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	6,442 ⁽²⁾

(1) See discussion at Note 15.

(2) See discussion at Note 14(b) related to the Due to/Advances from the Primary Government.

<u>Transfers In: Funds (in thousands)</u>										
<u>Transfers Out:</u>	<u>Funds</u>									
<u>Funds</u>	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transportation Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Total
General Fund.....	\$ -	\$ 684,719	\$ 47	\$ 1,200	\$ 4,522	\$ 527,516	\$ 115,842	\$ -	\$ 135,125	\$ 1,468,971
Nonmajor governmental funds.....	17,436	63,858	-	-	-	104,247	14	440	-	185,995
Internal Service Funds.....	1,382	-	-	-	-	-	-	-	-	1,382
San Francisco International Airport.....	49,112	-	-	-	-	-	-	-	-	49,112
Water Enterprise.....	-	334	-	-	20,000	-	-	-	-	20,334
Hetch Hetchy Water and Power Enterprise.....	-	32	-	-	-	-	-	-	-	32
San Francisco General Hospital Medical Center.....	29,870	-	-	-	-	-	-	-	1,105	30,975
Wastewater Enterprise.....	3,724	272	-	-	-	-	-	-	-	3,996
Laguna Honda Hospital..	2,814	-	-	-	-	-	-	-	-	2,814
Total transfers out	<u>\$ 104,338</u>	<u>\$ 749,215</u>	<u>\$ 47</u>	<u>\$ 1,200</u>	<u>\$ 24,522</u>	<u>\$ 631,763</u>	<u>\$ 115,856</u>	<u>\$ 440</u>	<u>\$ 136,230</u>	<u>\$ 1,763,611</u>

The \$1.47 billion General Fund transfer out includes a total of \$778.5 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of \$684.7 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred \$49.1 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of \$6.6 million for interest earned by the SFGH but credited to the General Fund. The General Fund also received \$23.0 million from SFGH and \$2.0 million from Laguna Honda Hospital to fund the DPH project and \$0.8 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. SFGH transferred \$0.3 million to the General Fund for supplementation of interdepartmental work order. Laguna Honda Hospital received \$505 from SFGH to supplement LHH intergovernmental work order and \$600 to re-appropriate funds within DPH.

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SFMTA received \$104.2 million transfers from nonmajor governmental funds, of which \$90.9 million was for capital activities, \$13.3 million was for operating activities.

The Water Enterprise transferred \$20.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, \$302 to the Art Commission for art enrichment and \$32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received \$1.2 from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred \$3.7 million to the General Fund related to the Land Reuse of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), \$150 to the Neighborhood Development Fund for the Watershed Stewardship Grants, \$90 to the Art Commission for art enrichment and \$32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise received \$4.5 million from the City's Education Revenue Augmentation fund for utility acquisition assessment and transferred \$32 to the Office of the City Administrator for the Surety Bond Program.

(17) COMMITMENTS AND CONTINGENT LIABILITIES

Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Governmental Activities

Fiscal Years	
2020.....	\$ 66,258
2021.....	52,240
2022.....	46,660
2023.....	36,576
2024.....	27,052
2025-2029.....	51,055
2030-2034.....	3,395
2035-2039.....	2,821
2040-2044.....	1,974
Total.....	<u>\$ 288,031</u>

Operating lease expense incurred for governmental activities for fiscal year 2018-19 was approximately \$59.6 million.

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Business-type Activities

Fiscal Years	Airport	Port	SFMTA	Total Business-type Activities
2020.....	\$ 205	\$ 2,726	\$ 17,651	\$ 20,582
2021.....	209	2,726	9,171	12,106
2022.....	213	2,726	7,712	10,651
2023.....	218	2,726	7,851	10,795
2024.....	222	2,726	4,597	7,545
2025-2029.....	200	13,628	20,072	33,900
2030-2034.....	-	13,628	17,833	31,461
2035-2039.....	-	13,628	1,652	15,280
2040-2044.....	-	13,628	1,912	15,540
2045-2049.....	-	13,628	14,034	27,662
2050-2054.....	-	13,628	-	13,628
2055-2059.....	-	13,628	-	13,628
2060-2064.....	-	13,628	-	13,628
2065-2069.....	-	227	-	227
Total.....	\$ 1,267	\$ 122,881	\$ 102,485	\$ 226,633

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2018-19 was \$0.2 million, \$2.7 million, and \$21.0 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	
2020.....	\$ 2,744
2021.....	2,356
2022.....	1,480
2023.....	968
2024.....	649
2025-2029.....	2,387
2030-2034.....	461
Total.....	\$ 11,045

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Business-type Activities

Fiscal Years	Airport	Port	SFGH	SFMTA	Total Business-type Activities
2020.....	\$ 89,556	\$ 47,323	\$ 1,615	\$ 5,428	\$ 143,922
2021.....	82,626	42,890	1,663	4,182	131,361
2022.....	77,025	38,800	1,713	2,805	120,343
2023.....	69,834	32,526	1,765	2,406	106,531
2024.....	60,790	25,021	1,818	1,724	89,353
2025-2029.....	245,375	96,800	9,294	6,250	357,719
2030-2034.....	189,379	82,421	-	6,250	278,050
2035-2039.....	-	64,160	-	6,250	70,410
2040-2044.....	-	43,010	-	6,250	49,260
2045-2049.....	-	37,159	-	14,583	51,742
2050-2054.....	-	16,289	-	-	16,289
2055-2059.....	-	14,575	-	-	14,575
2060-2064.....	-	14,519	-	-	14,519
2065-2069.....	-	10,764	-	-	10,764
2070-2074.....	-	5,242	-	-	5,242
2075-2079.....	-	2,456	-	-	2,456
Total.....	<u>\$ 814,585</u>	<u>\$ 573,955</u>	<u>\$ 17,868</u>	<u>\$ 56,128</u>	<u>\$ 1,462,536</u>

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 \$16.6 million and \$16.7 million, respectively, in fiscal year 2018-19. Airport's concession agreements provide that the Minimal Annual Guarantee (MAG) 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 is reinstated once monthly enplanements equal or exceed 80% for the reference month enplanement for two consecutive months. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement, the rental companies pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher. During the current holdover term, the MAG is \$0. The holdover term will continue until a new On-Airport Rental Car Operation Lease Agreement Request for Bids process is concluded and awarded. The MAG attributable to the rental car companies was approximately \$0 for fiscal year 2018-19.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$2.94 billion, private equity in the amount of \$3.48 billion, private credit in the amount of \$1.16 billion, and absolute return investments in the amount of \$207.1 million, which totaled \$7.79 billion at June 30, 2019.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of \$97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

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(18) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of \$1.0 billion with \$250.0 million in War Perils Liability, subject to a deductible of \$10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of \$1.0 billion per single occurrence and a deductible of \$500 per single occurrence. This policy includes flood coverage up to a \$10 million sub-limit. The Airport carries public officials liability and employment practices liability coverage of \$5.0 million, subject to a deductible of \$100 per single occurrence for each wrongful act other than employment practices' violations, and \$250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment, and watercraft liability for Airport fire and rescue vessels, active assailant liability insurance, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to nor carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance: 1) marine general liability coverage of \$100.0 million, subject to a deductible of \$100 per occurrence; 2) hull and machinery liability coverage of \$1.1 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of \$1.0 billion and a deductible of \$750 per occurrence (\$150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port Commission and the City as additional insured parties. 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 purchased 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.

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<u>Risks</u>	<u>Coverage</u>
a. General/Transit Liability	Self-insured
b. Property	Self-insured and purchase insurance
c. Workers' Compensation	Self-insured
d. Employee (transit operators)	Purchase insurance
e. Directors and Officers	Purchase insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. The annual budget for claims was \$11.9 million for fiscal year 2019. As of June 30, 2019, the reserve was \$27.1 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 its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2019 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, 2017, resulted from the following activity:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2017-2018	\$ 297,169	\$ 134,444	\$ (46,602)	\$ 385,011
2018-2019	385,011	28,608	(70,118)	343,501

Breakdown of the estimated claims payable at June 30, 2019 is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payable.....	\$ 87,006
Long-term portion of estimated claims payable.....	147,379
Total	<u>\$ 234,385</u>
<u>Business-type activities:</u>	
Current portion of estimated claims payable.....	\$ 48,686
Long-term portion of estimated claims payable.....	60,430
Total	<u>\$ 109,116</u>

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Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2019 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, 2019 was \$508.4 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2017, resulted from the following activity:

Fiscal Year	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2017-2018	\$ 435,751	\$ 119,174	\$ (91,363)	\$ 463,562
2018-2019	463,562	144,716	(99,920)	508,358

Breakdown of the accrued workers' compensation liability at June 30, 2019 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 51,733
Long-term portion of accrued workers' compensation liability.....	229,735
Total	<u>\$ 281,468</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 39,274
Long-term portion of accrued workers' compensation liability.....	187,616
Total	<u>\$ 226,890</u>

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2019, the City issued \$34.0 million taxable and \$86.5 million tax-exempt commercial paper (CP) with interest rates of 2.37% and 1.17% and maturity dates of August 2019 and October 2019, respectively. The CP was issued to refinance \$30.3 million of maturing CP and to finance the 49 South Van Ness construction project, affordable rental housing projects and the acquisition of real property for the Hall of Justice project. The \$34.0 million taxable CP was refinanced with \$24.2 million taxable CP with interest rate of 2.15% and maturity of October 2019 in August 2019.

In September 2019, the Airport issued \$1.2 billion of its Series 2019E, Series 2019F, Series 2019G and 2019H Bonds for the purpose of financing and refinancing (through the repayment of commercial paper notes) a portion of the costs of capital improvements to the Airport, funding deposits to a debt service reserve account and the Airport's contingency reserve account, funding deposits to capitalized interest accounts, paying costs of issuance, refinancing swap termination payments (through repayment of commercial paper notes) and current refunding \$328.0 million in outstanding Bonds. Moody's, S&P, and Fitch assigned credit ratings of "A1", "A+", and "A+" to these bonds. In connection with this transaction, the variable rate Issue 37C Bonds were refinanced with fixed rate bonds, and the letter of credit supporting the Issue 37C Bonds was terminated. In addition, \$11.9 million was transferred from the 2009 Reserve Account to the Issue 1 Reserve Account.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2019
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In October 2019, the City issued \$15.9 million of taxable CP with interest rate of 1.28% and maturity of December 2019, and \$28.2 million of tax-exempt CP with interest rates of 1.30% and 1.25%, with maturity of October 2019 to refund \$43.2 million of maturing CP for capital equipment for the San Francisco General Hospital, the 49 South Van Ness building construction project, and the animal care and control project. The \$28.2 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued \$24.5 million of taxable and \$63.1 million of tax-exempt CP with interest rate of 1.95% and 1.25% and maturity of January 2020 and October 2019, respectively, for new money and to refund \$24.4 million of maturing CP. The CP was issued to finance the 49 South Van Ness building construction project, the affordable rental housing project, and Hall of Justice construction project. The \$63.1 million tax-exempt CP was retired on its maturity in October 2019.

In October 2019, the City issued Certificates of Participation (49 South Van Ness Project) Series 2019A (the Certificates) in the amount of \$247.8 million, the proceeds of which will be used to: finance or refinance the costs of acquisition, demolition, construction and installation of improvements to an office building to be used by the City, located at 49 South Van Ness Street, San Francisco, California (the Project); retire certain commercial paper certificates of participation of the City, the proceeds of which financed a portion of the cost of the Project; fund the Reserve Account established under the Trust Agreement for the Certificates; pay capitalized interest through December 1, 2020; pay for costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 3.0% to 5.0% and will mature from April 2021 through April 2050.

In October 2019, the City issued General Obligation Bonds Series 2019B (Clean and Safe Neighborhood Parks) and Series 2019C (Affordable Housing) in the amount of \$3.1 million and \$92.7 million, respectively. The Series 2019B bears an interest rate of 5.0% and will mature on June 2020 and the Series 2019C bears interest rates ranging from 1.55% to 2.70% and will mature from June 2020 through June 2039. The Series 2019B was issued to provide funds to improve the safety and quality of neighborhood parks across the City and waterfront open spaces under the jurisdiction of the Port of San Francisco and pay certain costs related to the issuance of the Series 2019B. The Series 2019C was issued to: finance or refinance the construction, acquisition and or rehabilitation of affordable rental housing units; implement infrastructure improvements supporting affordable housing units; allow moderate-income households the opportunity to purchase their first home through down payment assistance and pay certain costs related to the issuance of the Series 2019C.

In November 2019, the City issued \$116.5 million Refunding Certificates of Participation Series 2019-R1 (Multiple Capital Improvement Projects) (the Certificates) to provide funds to prepay certain certificates of participation the proceeds of which financed capital projects of the City consisting of improvements to Laguna Honda Hospital and related property owned by the City and various City streets; finance the acquisition of capital equipment, including mechanical street sweepers, and other capital expenditures; and pay the costs of execution and delivery of the Certificates. The Certificates bear interest rates ranging from 2.125% to 5.0% and will mature from April 2020 through April 2035. The refunding resulted in accounting gain of \$0.2 million and a net present value savings of \$28.1 million or 19.9% of refunded bonds.

In December 2019, the City issued \$14.0 million of tax-exempt CP with interest rate of 1.03% and maturity of February 2020 to refund \$13.9 million of maturing CP for capital equipment for the San Francisco General Hospital, and the animal care and control project. \$1.9 million tax-exempt CP was retired on its maturity in December 2019.

(b) Elections

On November 5, 2019, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that authorizes the City to issue \$600.0 million in General Obligation Bonds to finance projects to acquire, build and rehabilitate rental housing for extremely low, low and middle-income individuals and families; repair and rebuild public housing developments; acquire and

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)

June 30, 2019

(Dollars in Thousands)

construct housing for seniors; acquire and rehabilitate affordable rental housing to prevent the loss of such housing and to assist middle-income City residents and workers to secure permanent housing; and support affordable housing for educators and employees of the San Francisco and Unified School District and City College of San Francisco.

Proposition D – An ordinance that imposes a business tax on commercial ride-share companies for fares generated by rides that start in San Francisco as follows: 1.5% on a shared-ride fare; and 3.25% on a private-ride fare. The same business tax will apply to driver-less vehicle companies. The City will impose these taxes on fares by these companies until November 5, 2045. Passenger rides in zero-emission vehicles will be subject to a 1.5% business tax until December 31, 2024. The City will deposit the tax revenues (estimated at \$30.0 million to \$35.0 million annually) into a Traffic Mitigation Congestion Fund. The San Francisco Municipal Transportation Agency will receive half of the revenues to improve Muni service and reliability, maintain and expand Muni vehicles and facilities, and improve Muni station access; and the San Francisco County Transportation Authority will receive half of the revenues to improve pedestrian and bicycle safety.

Proposition E – An ordinance that amends the Planning Code to allow 100% Affordable Housing projects and Educator Housing projects in public zoning districts and to expedite City approval of these projects. Under Proposition E, 100% Affordable Housing and Educator Housing projects: will be allowed in residential zoning districts and in public zoning districts, except on property used for parks; will be located on lots that are least 10,000 square feet; will not demolish or replace existing residential units; will be subject to less restrictive rules regarding size, ground-floor height, density and other factors than other residential buildings; will allow a limited amount of mixed or commercial use that supports affordable housing; and will not be subject to any conditional use restriction unless the restriction has been adopted by the voters. Proposition E requires a review of proposed 100% Affordable Housing and Educator Housing projects within 90 to 180 days, depending on the size of the project and authorizes the expedited review of the first 500 units of proposed Educator Housing. The Planning Department can administratively approve the Affordable and Educator Housing projects, without review by the Planning Commission.

(c) Others

Purchase of Watershed Property in Alameda County

In July 2019, the San Francisco Public Utilities Commission approved the purchase of 787 acres of agricultural land commonly known as the Wool Ranch in the unincorporated town of Sunol, Alameda County for \$9.7 million. Acquisition of watershed lands upstream and downstream of SFPUC reservoirs will protect source water quality and native species and their habitats.

Termination of Interest Rate Swap Agreements

In August 2019, the Airport terminated a swap associated with the Issue 37C Bonds, with a remaining notional amount of \$82.5 million. The Airport paid a termination amount of \$13.6 million to the counterparty, JPMorgan Chase Bank, N.A. In August 2019, the Airport also terminated a swap associated with the Series 2010A-3 Bonds, with a remaining notional amount of \$73.1 million. The Airport paid a termination amount of \$11.4 million to the counterparty, Merrill Lynch Capital Services, Inc. The termination payments were financed with taxable commercial paper that was refinanced with the proceeds of the Series 2019E, 2019F, 2019G and 2019H.

Cash Defeasance of Bonds

In September 2019, the Airport legally defeased \$5 of its Second Series Revenue Refunding Bonds, Series 2010D, \$160 of its Second Series Revenue Bonds, Series 2010F, \$5 of its Second Series Revenue Refunding Bonds, Series 2011C, \$5 of its Second Series Revenue Refunding Bonds, Series 2011F, \$5 of its Second Series Revenue Refunding Bonds, Series 2012A, \$5 of its Second Series Revenue Refunding Bonds, Series 2009D, \$5 of its Second Series Revenue Bonds, Series 2013A, \$10 of its Second Series Revenue Bonds, Series 2014A, \$5 of its Second Series Revenue Bonds, Series 2017A, \$5 of its Second Series Revenue Bonds, Series 2018D, \$5 of its Second Series Revenue

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Refunding Bonds, Series 2018G, and \$5 of its Second Series Revenue Refunding Bonds, Series 2018A, using available cash on hand together with amounts held by the Trustee for purposes of paying future debt service on such bonds.

Special Use and Special Facilities Districts

In September 2019, the Port executed documents, pursuant to Section 2.14 of the Port's Revenue Bond Master Indenture (Master Indenture), which made effective the Port Commission's earlier designation of the Pier 70 Special Use District (SUD) and Mission Rock Project Site as Special Facilities under Section 2.14 of the Revenue Bond Master Indenture. The revenues from the Pier 70 SUD and Mission Rock Project Site constitute Special Facility Revenues and are not included in the net revenues pledged to the Revenue Bonds.

Rating Upgrade

In November 2019, Moody's Investors Services Inc. (Moody's) raised its long-term rating on the Water Revenue Bonds from "Aa3" to "Aa2" with a "stable" outlook.

Coronavirus Disease (COVID-19)

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and related adverse public health developments have adversely affected workforces, customers, economies, and financial markets globally, potentially leading to a long-term economic downturn. It has also disrupted the normal operations of many governments, including the City. This outbreak, and the resulting State of California and City Shelter-in-Place Orders put in place to combat the spread of the virus, are expected to result in decreased revenues and spending and adversely affect results of operations. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our operations or results of operations at this time.



**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, 2019 ***
(Dollars in Thousands)

	For the year ended June 30, 2019				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,030,207	\$ (15,154)	\$ 2,069	\$ 27,178	\$ 28
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	0.00%
Plan fiduciary net position as a percentage of total pension liability	85.20%	72.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2018				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,697,131	\$ (13,766)	\$ 2,142	\$ 27,280	\$ 28
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	0.00%
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

	For the year ended June 30, 2017				
	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					

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, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2015				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPR	Successor Agency Classic & PEPR	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%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2018. The impact of benefit changes for the year ended June 30, 2017, which was \$1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2018, there were no changes in the discount rate. For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

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

Changes of Assumptions – In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five 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, 2019 ***
(Dollars in Thousands)

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

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2017 valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – In 2018, Demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2018. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

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

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2019 *
(Dollars in Thousands)

<u>City Replacement Benefits Plan*</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan total pension liability:			
Service cost.....	\$ 1,298	\$ 1,605	\$ 956
Interest.....	2,998	2,218	2,112
Changes of benefits.....	564	15,326	10,310
Changes of assumptions.....	5,540	(10,290)	11,516
Benefit payments.....	(2,442)	(3,164)	(1,332)
Net change in total pension liability.....	<u>7,958</u>	<u>5,695</u>	<u>23,562</u>
Total pension liability, beginning.....	<u>84,295</u>	<u>78,600</u>	<u>55,038</u>
Plan total pension liability, ending.....	<u>\$ 92,253</u>	<u>\$ 84,295</u>	<u>\$ 78,600</u>
Covered-employee payroll.....	\$ 3,082,273	\$ 2,919,519	\$ 2,681,695
Plan total pension liability as a percentage of the covered-employee payroll.....	2.99%	2.89%	2.93%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2018.

Changes of Assumptions – The discount rate was changed from 3.58% in the measurement period ended June 30, 2017 to 3.87% in the measurement period ended June 30, 2018.

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

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Employer Contributions – Pension Plans
June 30, 2019 *
(Dollars in Thousands)**

	For the year ended June 30, 2019					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions ⁽¹⁾	\$ 607,408	\$ 28	\$ 479	\$ 1,637	\$ 7	\$ 34,933
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -	\$ 104,989
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	0.00%	33.27%
	For the year ended June 30, 2018					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions ⁽¹⁾	\$ 582,568	\$ 42	\$ 403	\$ 1,283	\$ 6	\$ 30,743
Contributions in relation to the actuarially determined contributions ⁽¹⁾	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -	\$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	0.00%	28.80%
	For the year ended June 30, 2017					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
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	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -	\$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	25.22%
	For the year ended June 30, 2016					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
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%

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

CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2019 *
(Dollars in Thousands)

	For the year ended June 30, 2015					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions ^{(1)**}	\$ 556,511	\$ 31	\$ 400	\$ 598	\$ 2	\$ 20,718
Contributions in relation to the actuarially determined contributions ⁽¹⁾	<u>(556,511)</u>	<u>(31)</u>	<u>(400)</u>	<u>(598)</u>	<u>(2)</u>	<u>(20,718)</u>
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%

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

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only five 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) –
Schedule of Employer Contributions – Pension Plans (Continued)**

June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2019 *
(Dollars in Thousands)

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) –
Schedule of Employer Contributions – Pension Plans (Continued)**

June 30, 2019 *
(Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date.....	June 30, 2017 updated to June 30, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.15% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.50%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date.....	June 30, 2016 updated to June 30, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date.....	June 30, 2015 updated to June 30, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2019 *
(Dollars in Thousands)

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) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan**

June 30, 2019
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 127,850	\$ 164	\$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	(34,753)	1,892	188
Total OPEB liability - beginning	3,891,686	10,262	1,748
Total OPEB liability - ending	\$ 3,856,933	\$ 12,154	\$ 1,936
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 203,858	\$ 2,145	\$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	81,489	1,661	204
Plan fiduciary net position - beginning	174,477	3,925	1,503
Plan fiduciary net position - ending	255,966	5,586	1,707
Net OPEB liability - ending	\$ 3,600,967	\$ 6,568	\$ 229
Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2019
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 125,195	\$ 159	\$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	232,667	54	175
Total OPEB liability - beginning	3,659,019	10,208	1,573
Total OPEB liability - ending	\$ 3,891,686	\$ 10,262	\$ 1,748
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 183,898	\$ 1,097	\$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	67,373	650	235
Plan fiduciary net position - beginning	107,104	3,275	1,268
Plan fiduciary net position - ending	174,477	3,925	1,503
 Net OPEB liability - ending	\$ 3,717,209	\$ 6,337	\$ 245
 Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
 Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only two years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans
Year Ended June 30, 2019
(In Thousands)**

	For the year ended June 30, 2019		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 218,625	\$ 812	\$ 138
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	\$ -	\$ (2,155)	\$ -
Covered payroll	\$ 3,583,448	\$ 6,384	\$ 4,039
Contributions as a percentage of covered payroll	6.10%	46.48%	3.42%

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 203,858	\$ 813	\$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,932)	(143)
Contribution deficiency/(excess)	\$ -	\$ (2,119)	\$ -
Covered payroll	\$ 3,393,658	\$ 5,742	\$ 4,045
Contributions as a percentage of covered payroll	6.01%	37.36%	3.50%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 183,898	\$ 804	\$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	\$ -	\$ (293)	\$ -
Covered payroll	\$ 3,241,700	\$ 5,042	\$ 3,946
Contributions as a percentage of covered payroll	5.67%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only three years of information is available for the Successor Agency plan and the Transportation Authority plan.

Notes to Schedule:

The Transportation Authority and Successor Agency calculate their annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2018-19 contribution rates for the plans are as follows:

Actuarial Assumption	For the year ended June 30, 2019	
	Successor Agency	Transportation Authority
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets
General Inflation	2.75%, per annum	3.00% per annum
Salary Increases	3.00%, per annum	3.25% per annum, in aggregate
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2011	CalPERS Experience Study for the period from 1997 to 2015
Healthcare Cost Trend Rate	4.00%	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%
Investment Rate of Return	7.00%	7.28%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2019
(In Thousands)**

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Budgetary Fund Balance, July 1	\$ 250,121	\$ 2,342,082	\$ 2,342,082	\$ -
Resources (Inflows):				
Property taxes.....	1,728,000	2,142,727	2,246,302	103,575
Business taxes.....	879,380	879,414	917,811	38,397
Other local taxes:				
Sales and use tax.....	196,870	196,870	213,625	16,755
Hotel room tax.....	375,830	375,830	392,328	16,498
Utility users tax.....	99,090	99,090	93,918	(5,172)
Parking tax.....	85,540	85,540	86,020	480
Real property transfer tax.....	228,000	228,000	364,044	136,044
Other local taxes.....	68,060	68,060	65,371	(2,689)
Licenses, permits and franchises:				
Licenses and permits.....	13,261	13,222	12,530	(692)
Franchise tax.....	17,572	17,572	15,786	(1,786)
Fines, forfeitures, and penalties.....	3,125	3,131	5,271	2,140
Interest and investment income.....	27,270	20,323	80,453	60,130
Rents and concessions:				
Garages - Recreation and Park.....	8,938	8,938	7,726	(1,212)
Rents and concessions - Recreation and Park.....	5,315	5,320	5,920	600
Other rents and concessions.....	516	638	546	(92)
Intergovernmental:				
Federal grants and subventions.....	278,439	282,452	257,359	(25,093)
State subventions:				
Social service subventions.....	112,895	114,483	109,716	(4,767)
Health / mental health subventions.....	205,711	229,994	233,034	3,040
Health and welfare realignment.....	282,848	282,848	303,087	20,239
Public safety sales tax.....	104,660	104,660	107,620	2,960
Other grants and subventions.....	54,873	55,422	68,547	13,125
Other.....	12,217	2,346	2,120	(226)
Charges for services:				
General government service charges.....	78,120	78,936	78,512	(424)
Public safety service charges.....	43,737	44,098	56,588	12,490
Recreation charges - Recreation and Park.....	22,320	23,251	23,503	252
MediCal, MediCare and health service charges.....	117,117	117,055	104,711	(12,344)
Other financing sources:				
Transfers from other funds.....	170,671	239,056	239,056	-
Repayment of loan from component unit.....	87	87	-	(87)
Other resources (inflows).....	41,051	29,712	31,707	1,995
Subtotal - Resources (Inflows)	5,261,513	5,749,075	6,123,211	374,136
Total amounts available for appropriation.....	5,511,634	8,091,157	8,465,293	374,136

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 35,928	\$ 36,083	\$ 34,383	\$ 1,700
District Attorney.....	60,667	60,239	60,070	169
Emergency Communications.....	61,785	56,856	56,651	205
Fire Department.....	361,432	374,945	374,945	-
Juvenile Probation.....	38,733	35,704	33,217	2,487
Police Department.....	542,109	542,095	542,034	61
Public Defender.....	38,249	38,160	37,808	352
Police Accountability.....	8,356	8,325	7,408	917
Sheriff.....	219,420	206,319	204,326	1,993
Superior Court.....	31,559	31,540	31,329	211
Subtotal - Public Protection	<u>1,398,238</u>	<u>1,390,266</u>	<u>1,382,171</u>	<u>8,095</u>
Public Works, Transportation and Commerce				
Board of Appeals.....	1,372	1,102	1,031	71
Business and Economic Development.....	56,800	52,549	41,199	11,350
General Services Agency - Public Works.....	115,771	150,763	150,258	505
Port.....	9,760	2	2	-
Public Utilities Commission.....	-	8,041	8,027	14
Municipal Transportation Agency.....	-	2,471	2,471	-
Subtotal - Public Works, Transportation and Commerce	<u>183,703</u>	<u>214,928</u>	<u>202,988</u>	<u>11,940</u>
Human Welfare and Neighborhood Development				
Children, Youth and Their Families.....	44,859	44,968	44,645	323
Commission on the Status of Women.....	9,034	9,131	8,893	238
County Education Office.....	116	116	-	116
Environment.....	-	23	23	-
Homelessness and Supportive Housing.....	201,807	189,737	179,581	10,156
Human Rights Commission.....	4,727	5,123	4,696	427
Human Services.....	793,272	784,423	765,815	18,608
Mayor - Housing/Neighborhoods.....	87,712	87,371	67,655	19,716
Subtotal - Human Welfare and Neighborhood Development	<u>1,141,527</u>	<u>1,120,892</u>	<u>1,071,308</u>	<u>49,584</u>
Community Health				
Public Health.....	943,631	967,113	958,657	8,456
Culture and Recreation				
Academy of Sciences.....	6,467	6,467	6,393	74
Arts Commission.....	8,456	9,847	9,789	58
Asian Art Museum.....	11,303	11,004	10,737	267
Fine Arts Museum.....	18,254	18,029	17,753	276
Law Library.....	2,161	2,163	1,796	367
Recreation and Park Commission.....	109,862	106,546	105,886	660
Subtotal - Culture and Recreation	<u>156,503</u>	<u>154,056</u>	<u>152,354</u>	<u>1,702</u>

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)**
Year Ended June 30, 2019
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
General Administration and Finance				
Assessor/Recorder.....	\$ 35,604	\$ 28,545	\$ 27,821	\$ 724
Board of Supervisors.....	15,826	15,772	15,368	404
City Attorney.....	19,736	23,328	11,876	11,452
City Planning.....	45,889	48,069	45,653	2,416
Civil Service.....	901	838	815	23
Controller.....	12,163	16,676	16,618	58
Elections.....	19,141	16,132	15,436	696
Ethics Commission.....	6,458	6,028	5,160	868
General Services Agency - Administrative Services.....	76,985	63,279	62,578	701
General Services Agency - Technology.....	8,533	5,309	5,051	258
Health Service System.....	593	642	485	157
Human Resources.....	18,669	18,991	18,777	214
Mayor.....	7,624	7,062	6,244	818
Retirement Services.....	1,581	1,385	1,385	-
Treasurer/Tax Collector.....	34,484	38,218	35,333	2,885
Subtotal - General Administration and Finance	<u>304,187</u>	<u>290,274</u>	<u>268,600</u>	<u>21,674</u>
General City Responsibilities				
General City Responsibilities.....	147,491	172,028	143,921	28,107
Other financing uses:				
Debt service.....	14,664	47	3	44
Transfers to other funds.....	1,164,612	1,468,021	1,468,021	-
Budgetary reserves and designations.....	57,078	-	-	-
Total charges to appropriations.....	<u>5,511,634</u>	<u>5,777,625</u>	<u>5,648,023</u>	<u>129,602</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 2,313,532</u>	<u>\$ 2,817,270</u>	<u>\$ 503,738</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 2,817,270	
Reserves and designations made from budgetary fund balance not available for appropriation			(1,686,776)	
Reserves for Litigation and Contingencies and General Reserves			<u>(317,807)</u>	
Net Available Budgetary Fund Balance, June 30			<u>\$ 812,687</u>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 8,465,293	
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..... (2,342,082)				
Property tax revenue - Teeter Plan net change from prior year.....			1,702	
Change in unrealized gain/(loss) on investments.....			36,877	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment...			(28,807)	
Interest earnings from other funds assigned to General Fund as other revenues.....			14,985	
Grants, subventions and other receivables received after 60-day recognition period.....			(18,775)	
Prepaid lease revenue, Civic Center Garage.....			84	
Transfers from other funds are inflows of budgetary resources, but are not				
revenues for financial reporting purposes.....			<u>(239,056)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 5,890,221</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 5,648,023	
Difference - budget to GAAP:				
Recognition of expenditures for advances and imprest cash and capital asset acquisition				
for internal service fund..... 29				
Intergovernmental expense offset.....			(149,525)	
Transfers to other funds are outflows of budgetary resources but are not				
expenditures for financial reporting purposes.....			<u>(1,468,021)</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 4,030,506</u>	

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(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 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.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)
Year Ended June 30, 2019
(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.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (continued)**

Year Ended June 30, 2019

(In Thousands)

The fund balance of the General Fund as of June 30, 2019, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 2,817,270
Unrealized Gains/ (Losses) on Investments.....	16,275
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(23,793)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(87,794)
Pre-paid lease revenue.....	(6,194)
Nonspendable Fund Balance (Not Available for Appropriation).....	1,259
	<hr/>
Fund Balance - GAAP basis.....	<u>\$ 2,717,023</u>

General Fund budget basis fund balance as of June 30, 2019 is composed of the following:

Not available for appropriations:

 Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 229,069
Rainy Day - One Time Spending Account.....	95,908

 Committed Fund Balance:

Budget Stabilization Reserve.....	396,760
Recreation and Parks Expenditure Saving Reserve	803

 Assigned for Encumbrances.....
 351,446 |

 Assigned for Appropriation Carryforward.....
 496,846 |

 Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	86,979
Salaries and benefits costs (MOU).....	28,965

 Subtotal.....
 --- \$ 1,686,776 |

Available for appropriations:

 Assigned for Litigation and Contingences.....
 186,913 |

 Assigned balance subsequently appropriated as part of
 the General Fund budget for use in fiscal year 2019-20.....
 210,638 |

 Unassigned - General Reserve.....
 130,894 |

 Unassigned - Budget for use in fiscal year 2020-21.....
 285,152 |

 Unassigned - Reserve for Other Contingencies.....
 308,000 |

 Unassigned - Available for future appropriations.....
 8,897 |

 Subtotal.....
 --- 1,130,494 |

Fund Balance, June 30, 2019 - Budget basis.....
 \$ 2,817,270 |



SINGLE AUDIT SECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE				
Passed through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	02502-SN-38-R	\$ 30,831	\$ -
National School Lunch Program	10.555	02502-SN-38-R	51,918	-
Summer Food Service Program for Children	10.559	04029-SFSP-38	430,587	-
Subtotal Child Nutrition Cluster			<u>513,336</u>	<u>-</u>
Child and Adult Care Food Program	10.558	04029-CACFP-38	629,249	-
Child Nutrition Discretionary Grants Limited Availability	10.579	NSLP-18-CA-01	32,251	-
Passed through State of California Department of Public Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15-10059	2,713,950	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16-10166	807,640	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-1718-06	22,917	22,503
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-1819-06	82,386	80,539
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	None	38,748,219	1,468,553
Passed through State of California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	None	47,000	-
Total U.S. DEPARTMENT OF AGRICULTURE			<u>43,596,948</u>	<u>1,571,595</u>
U.S. DEPARTMENT OF COMMERCE				
Direct Program				
Economic Adjustment Assistance	11.307	--	292,409	-
Total U.S. DEPARTMENT OF COMMERCE			<u>292,409</u>	<u>-</u>
U.S. DEPARTMENT OF DEFENSE				
Direct Program				
Navy Cooperative Agreement for Hunters Point	12.unknown	--	398,000	-
Total U.S. DEPARTMENT OF DEFENSE			<u>398,000</u>	<u>-</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Direct Program				
Community Development Block Grants/Entitlement Grants	14.218	--	27,232,397	11,328,907
Emergency Solutions Grant Program	14.231	--	1,372,246	1,172,539
Home Investment Partnerships Program	14.239	--	3,469,456	-
Housing Opportunities for Persons with AIDS	14.241	--	7,610,292	5,574,569
Continuum of Care Program	14.267	--	32,556,914	27,786,128
Total U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>72,241,305</u>	<u>45,862,143</u>
U.S. DEPARTMENT OF INTERIOR				
Direct Program				
NPS Cooperative Agreement	15.unknown	--	836,357	-
Water Desalination Research and Development	15.506	--	200,000	-
Passed through State of California Office of Historic Preservation				
Historic Preservation Fund Grants-In-Aid	15.904	P17AF00014	4,090	-
Total U.S. DEPARTMENT OF INTERIOR			<u>1,040,447</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE				
Direct Program				
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	171,113	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	470,296	-
DNA Backlog Reduction Program	16.741	--	465,208	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	135,108	-
Equitable Sharing Program	16.922	--	725,703	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF JUSTICE (continued)				
Passed through State of California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	HA17 04 0380	\$ 54,804	\$ -
Crime Victim Assistance	16.575	KI 17 01 0380	153,972	-
Crime Victim Assistance	16.575	WW17 36 0380	310,108	-
Crime Victim Assistance	16.575	XC16 01 0380	340,312	-
Crime Victim Assistance	16.575	XE16 01 0380	245,255	-
Crime Victim Assistance	16.575	XV15 01 0380	220,085	-
Crime Victim Assistance	16.575	HA18 01 0380	58,252	-
Crime Victim Assistance	16.575	WW18 37 0380	792,648	-
Subtotal Crime Victim Assistance			<u>2,175,436</u>	<u>-</u>
Violence Against Women Formula Grants	16.588	PU18010380	115,926	-
Violence Against Women Formula Grants	16.588	VV18 01 0380	159,632	-
Subtotal Violence Against Women Formula Grants			<u>275,558</u>	<u>-</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ18140380	2,270	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ17130380	11,693	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			<u>13,963</u>	<u>-</u>
Passed through National Association of VOCA Assistance				
Crime Victim Assistance/Discretionary Grants	16.582	19-011	4,329	-
Passed through Board of State and Community Corrections				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	650-17	30,325	-
Total U.S. DEPARTMENT OF JUSTICE			<u>4,467,039</u>	<u>-</u>
U.S. DEPARTMENT OF LABOR				
Direct Program				
H-1B Job Training Grants	17.268	--	561,293	324,596
Passed through State of California Department of Employment Development				
Employment Service/Wagner-Peyser Funded Activities	17.207	K7105802	1,816	1,816
Employment Service/Wagner-Peyser Funded Activities	17.207	K9111203	1,040	1,040
Subtotal Employment Service/Wagner-Peyser Funded Activities Cluster			<u>2,856</u>	<u>2,856</u>
WIOA Cluster				
WIOA Adult Program	17.258	K8106682	296,883	132,476
WIOA Adult Program	17.258	K9110055	978,805	849,363
WIOA Youth Activities	17.259	K8106682	129,367	-
WIOA Youth Activities	17.259	K9110055	619,962	453,349
Subtotal WIOA Youth Activities			<u>749,329</u>	<u>453,349</u>
WIOA Dislocated Worker Formula Grants	17.278	K8106682	1,124,664	344,884
WIOA Dislocated Worker Formula Grants	17.278	K9110055	934,036	752,932
Subtotal WIOA Dislocated Worker Formula Grants			<u>2,058,700</u>	<u>1,097,816</u>
Passed through City of San Jose				
WIOA Adult Program	17.258	K7102072	15,000	-
Passed through Nova Workforce Board				
WIOA Adult Program	17.258	K8106650	175,640	-
Subtotal WIOA Cluster			<u>4,274,357</u>	<u>2,533,004</u>
H-1B Job Training Grants	17.268	001-RTW-15	79,984	74,424
Total U.S. DEPARTMENT OF LABOR			<u>4,918,490</u>	<u>2,934,880</u>
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Metropolitan Transportation Commission				
Highway Research and Development Program	20.200	SHRP2L 6084 (192)	67,958	-
Highway Planning and Construction	20.205	STPLNI 6084 (232)	162,404	-
Passed through State of California Department of Transportation				
Highway Planning and Construction	20.205	ATPL-5934(175)	140,111	-
Highway Planning and Construction	20.205	BHLO-5934(168)	1,576,311	-
Highway Planning and Construction	20.205	BRLS-5934(177)	10,018,504	-
Highway Planning and Construction	20.205	DEM09L-5934(155)	140	-
Highway Planning and Construction	20.205	ER-32L0(204)	326,756	-
Highway Planning and Construction	20.205	ER-4802(002)	279,597	-
Highway Planning and Construction	20.205	HP21L-5934(178)	687,457	-
Highway Planning and Construction	20.205	ATPLNI-6447(008)	1,262,830	942,766
Highway Planning and Construction	20.205	STPL-5934(171)	3,227,593	-
Highway Planning and Construction	20.205	STPL-5934(174)	465,686	-
Highway Planning and Construction	20.205	HPLUL-5934(154)	161,917	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION (continued)				
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PT18070	\$ 37,289	\$ -
State and Community Highway Safety	20.600	PT19127	85,570	-
State and Community Highway Safety	20.600	PS19027	36,188	-
Subtotal State and Community Highway Safety			<u>159,047</u>	<u>-</u>
National Priority Safety Programs	20.616	DI18011	43,044	-
Subtotal Highway Safety Cluster			<u>202,091</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT18070	26,651	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT19127	18,442	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>45,093</u>	<u>-</u>
Total U.S. DEPARTMENT OF TRANSPORTATION			<u>18,624,448</u>	<u>942,766</u>
U.S. DEPARTMENT OF THE TREASURY				
Direct Program				
Equitable Sharing	21.016	--	313,729	-
Total U.S. DEPARTMENT OF THE TREASURY			<u>313,729</u>	<u>-</u>
U.S. NATIONAL ENDOWMENT FOR THE ARTS				
Direct Program				
Promotion of the Arts Grants to Organizations and Individuals	45.024	--	30,000	-
Total U.S. NATIONAL ENDOWMENT FOR THE ARTS			<u>30,000</u>	<u>-</u>
U.S. SMALL BUSINESS ADMINISTRATION				
Passed through Humboldt State University Sponsored Programs Foundation				
Small Business Development Centers	59.037	F0228	209,807	-
Small Business Development Centers	59.037	F0330	22,022	-
Subtotal Small Business Development Centers			<u>231,829</u>	<u>-</u>
Total U.S. SMALL BUSINESS ADMINISTRATION			<u>231,829</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program				
The San Francisco Bay Water Quality Improvement Fund	66.126	--	21,770	-
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	--	6,286	-
Passed through Bay Area Air Quality Management District				
National Clean Diesel Emissions Reduction Program	66.039	15GML3	91,411	-
Total U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>119,467</u>	<u>-</u>
U.S. DEPARTMENT OF ENERGY				
Direct Program				
Conservation Research and Development	81.086	--	98,085	-
Renewable Energy Research and Development	81.087	--	190,049	-
Total U.S. DEPARTMENT OF ENERGY			<u>288,134</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	29888	90,400	-
Total U.S. DEPARTMENT OF EDUCATION			<u>90,400</u>	<u>-</u>
U.S. ELECTION ASSISTANCE COMMISSION				
Passed through State of California Secretary of State				
Help America Vote Act Requirements Payments	90.401	17G26137	50,000	-
Help America Vote Act Requirements Payments	90.401	18G27138	9,531	-
Subtotal Help America Vote Act Requirements Payments			<u>59,531</u>	<u>-</u>
Total U.S. ELECTION ASSISTANCE COMMISSION			<u>59,531</u>	<u>-</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Program				
Environmental Public Health and Emergency Response	93.070	--	\$ 216,945	\$ -
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	--	272,123	158,417
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	1,262,052	10,337
Projects for Assistance in Transition from Homelessness (PATH)	93.150	--	250,715	250,715
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	372,689	301,339
Drug Abuse and Addiction Research Programs	93.279	--	124,014	-
Child Abuse and Neglect Discretionary Activities	93.670	--	75,661	75,661
PPHF: Racial and Ethnic Approaches to Community Health Program financed solely by Public Prevention and Health Funds	93.738	--	271,327	-
Alzheimer's Disease Initiative: Specialized Supportive Services Project (ADISS) thru Prevention and Public Health Funds (PPHF)	93.763	--	249,877	238,476
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	--	211,654	-
HIV Emergency Relief Project Grants	93.914	--	15,179,292	13,008,000
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	313,998	115,835
HIV Prevention Activities Non-Governmental Organization Based	93.939	--	951,674	-
HIV Prevention Activities Health Department Based	93.940	--	7,741,636	830,876
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	1,392,155	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	--	1,295,854	144,552
Passed through National Association of County and City Health Officials				
Medical Reserve Corps Small Grant Program	93.008	MRCSG101005-04-00	3,105	-
Passed through State of California Department of Aging				
Aging Cluster				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-1819-06	13,460	13,460
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-1819-06	38,217	38,217
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-1819-06	87,136	87,136
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-1819-06	1,282,844	560,480
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-1819-06	1,918,224	1,897,539
National Family Caregiver Support, Title III, Part E	93.052	AP-1819-06	558,706	551,133
Nutrition Services Incentive Program	93.053	AP-1819-06	1,952,932	1,952,932
Subtotal Aging Cluster			<u>5,851,519</u>	<u>5,100,897</u>
Medicare Enrollment Assistance Program	93.071	MI-1718-06	53,529	53,529
Medicare Enrollment Assistance Program	93.071	MI-1819-06	38,267	38,267
Subtotal Medicare Enrollment Assistance Program			<u>91,796</u>	<u>91,796</u>
State Health Insurance Assistance Program	93.324	HI-1718-06	112,748	103,584
Passed through Regents of the University of California				
Global AIDS	93.067	8940sc a03	11,276	-
Global AIDS	93.067	9289sc a02	38,064	-
Global AIDS	93.067	9319sc a01	13,666	-
Global AIDS	93.067	10815sc	18,747	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	10259sc	100,031	-
Mental Health Research Grants	93.242	9739sc 01	27,624	-
Mental Health Research Grants	93.242	9833sc 01	20,282	-
Drug Abuse and Addiction Research Programs	93.279	8952sc	22,445	-
Drug Abuse and Addiction Research Programs	93.279	8278sc	2,664	-
Nursing Research	93.361	10409sc 01	20,328	-
Allergy and Infectious Diseases Research	93.855	10612sc	32,187	-
Passed through University of California San Francisco				
Global AIDS	93.067	10076sc 01	33,151	-
Global AIDS	93.067	10129sc 01	28,559	-
PPHF Geriatric Education Centers	93.969	9349sc	25,122	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Passed through State of California Department of Public Health				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	17-10188	\$ 1,158,897	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136	16-10233	173,561	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	15-10979	58,369	-
Immunization Cooperative Agreements	93.268	17-10345	292,627	-
Medical Assistance Program	93.778	201738	4,556,711	-
Medical Assistance Program	93.778	17-10259	215,313	-
Medical Assistance Program	93.778	201838	585,633	-
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	15-10169	1,076,522	-
HIV Care Formula Grants	93.917	15-11073	3,510,833	2,705,880
HIV Care Formula Grants	93.917	16-10856	1,358,693	1,288,302
Subtotal HIV Care Formula Grants			<u>4,869,526</u>	<u>3,994,182</u>
Maternal and Child Health Services Block Grant to the States	93.994	201738	176,729	-
Maternal and Child Health Services Block Grant to the States	93.994	201838	214,807	-
Subtotal Maternal and Child Health Services Block Grant to the States			<u>391,536</u>	<u>-</u>
Passed through State of California Department of Social Services				
Guardianship Assistance	93.090	None	2,589,654	-
Promoting Safe and Stable Families	93.556	None	427,838	306,473
Temporary Assistance for Needy Families	93.558	None	58,286,588	8,283,053
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	None	253,534	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1607	5,860	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1706	11,680	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1706	1,387	1,337
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1808	9,821	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1806	2,425	2,061
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	REFS1806	26,584	-
Subtotal Refugee and Entrant Assistance State/Replacement Designee Administered Programs			<u>311,291</u>	<u>3,398</u>
U.S. Repatriation	93.579	None	2,684	-
Refugee and Entrant Assistance Targeted Assistance Grants	93.584	TAFO1606	25,418	25,013
Refugee and Entrant Assistance Targeted Assistance Grants	93.584	TAFO1706	31,197	18,274
Subtotal Refugee and Entrant Assistance Targeted Assistance Grants			<u>56,615</u>	<u>43,287</u>
Community-Based Child Abuse Prevention Grants	93.590	None	24,698	-
Adoption and Legal Guardianship Incentive Payments	93.603	None	3,212	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	None	1,650,808	69,433
Foster Care Title IV-E	93.658	None	36,649,085	6,239,261
Adoption Assistance	93.659	None	10,156,287	317,470
Social Services Block Grant	93.667	None	1,216,848	-
Chafee Foster Care Independence Program	93.674	None	421,581	369,518
Medical Assistance Program	93.778	None	81,450,228	3,313,931
Passed through Public Health Foundation Enterprise				
Injury Prevention and Control Research and State and Community Based Programs	93.136	0392.0102	31,859	-
Mental Health Research Grants	93.242	349.0103	8,887	-
Mental Health Research Grants	93.242	349.0104	158,595	-
Mental Health Research Grants	93.242	550.0101	16,526	-
Drug Abuse and Addiction Research Programs	93.279	176.0106	3,000	-
Drug Abuse and Addiction Research Programs	93.279	208.0105	46,097	-
Drug Abuse and Addiction Research Programs	93.279	0333.0103 NCE	19,342	-
Drug Abuse and Addiction Research Programs	93.279	526.0101	42,122	-
Minority Health and Health Disparities Research	93.307	350.0104	29,792	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.1390	24,973	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.4005	42,743	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.4006	543,121	-
Subtotal Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			<u>610,837</u>	<u>-</u>
Allergy and Infectious Diseases Research	93.855	0014.0106	87,235	-
Allergy and Infectious Diseases Research	93.855	0014.0107	36,591	-
Child Health and Human Development Extramural Research	93.865	0419.0103	40,038	-

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (continued)				
Passed through Regents of The University of Michigan				
Injury Prevention and Control Research and State and Community Based Programs	93.136	R49CE002099	\$ 19,934	\$ -
Passed through California Family Health Council				
Family Planning Services	93.217	380-5320-71209-17-18	237,850	-
Family Planning Services	93.217	380-5320-71209-19-20	45,809	-
Subtotal Family Planning Services			<u>283,659</u>	<u>-</u>
Passed through SF Community Clinic Consortium				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS00049-17-02	654,013	-
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	6 H80CS00049-18-01	206,191	-
Subtotal Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)			<u>860,204</u>	<u>-</u>
Grants for New and Expanded Services under the Health Center Program	93.527	6 H80CS00049-18-01	481,112	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA00163-26-01	76,337	-
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	6 H76HA00163-27-01	86,236	-
Passed through Rutgers, The State University of New Jersey				
Mental Health Research Grants	93.242	401	12,905	-
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	--	8,045,861	-
Passed through State of California Department of Education				
CCDF Cluster				
Child Care and Development Block Grant	93.575	17-14092-2563-00	101,304	21,357
Child Care and Development Block Grant	93.575	18-14092-25630-01	317,934	81,667
Child Care and Development Block Grant	93.575	18-14872-25630-05	13,122	-
Child Care and Development Block Grant	93.575	17-14130-2563-03	133,401	133,401
Child Care and Development Block Grant	93.575	17-14092-2563-03	66,700	66,700
Child Care and Development Block Grant	93.575	18-14130-25630-03	163,335	163,335
Child Care and Development Block Grant	93.575	CRET8034	523,243	523,243
Child Care and Development Block Grant	93.575	CLPC8036	52,697	-
Child Care and Development Block Grant	93.575	C2AP 8046	1,094,116	1,094,116
Child Care and Development Block Grant	93.575	CAPP 8051	89,852	89,852
Subtotal Child Care and Development Block Grant			<u>2,555,704</u>	<u>2,173,671</u>
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-8051	257,560	257,560
Subtotal CCDF Cluster			<u>2,813,264</u>	<u>2,431,231</u>
Passed through State of California Department of Health Care Services				
Medical Assistance Program	93.778	18-02	1,074,727	-
Medical Assistance Program	93.778	18-03	401,093	-
Block Grants for Community Mental Health Services	93.958	None	3,247,376	1,093,590
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	970/0080.0172	15,484	-
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	924967	45,200	-
Allergy and Infectious Diseases Research	93.855	965896	73,177	-
Passed through Magee-Womens Research Institute And Foundation				
Allergy and Infectious Diseases Research	93.855	9516	32,208	-
Passed through State of California Department of Alcohol and Drug Programs				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	7,825,460	7,825,460
Total U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>269,786,250</u>	<u>54,720,772</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number (CFDA)	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY				
Direct Program				
Assistance to Firefighters Grant	97.044	--	\$ 681,798	\$ -
Port Security Grant Program	97.056	--	995,920	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	2,406,314	-
Passed through State of California Department of Parks & Recreation				
Boating Safety Financial Assistance	97.012	C18L0606	7,343	-
Passed through State of California Governor's Office of Emergency Services				
Hazard Mitigation Grant	97.039	FEMA-4158-DR-CA	404,208	-
Emergency Management Performance Grants	97.042	075-00000	303,380	-
Homeland Security Grant Program	97.067	075-00000	876,731	-
Homeland Security Grant Program	97.067	2016-0102	3,711,854	2,260,448
Homeland Security Grant Program	97.067	2017-0083	14,736,295	11,907,420
Homeland Security Grant Program	97.067	2018-0054	6,009,396	3,227,885
Subtotal Homeland Security Grant Program			<u>25,334,276</u>	<u>17,395,753</u>
Total U.S. DEPARTMENT OF HOMELAND SECURITY			<u>30,133,239</u>	<u>17,395,753</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 446,631,665</u>	<u>\$ 123,427,909</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards.

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4).

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2019. Federal expenditures for these entities are separately audited.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the Economic Adjustment Assistance Program described in Note 5. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (CFDA number 93.778).

5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, grants for revolving loan funds (RLF) under the Economic Adjustment Assistance Program (CFDA number 11.307) are calculated as the federal share of the sum of RLF loans outstanding at the end of the fiscal year, cash and investment balance in the RLF at the end of the fiscal year, administrative expenses paid out of RLF income during the year, and the unpaid principal of all loans written off during the year.

The City incurred \$292,409 of expenditures under two separate Economic Adjustment Assistance Program grants. The Port of San Francisco received a non-RLF grant and incurred program expenditures of \$14,746 during the year. The Mayor's Office of Housing received a RLF grant and calculated federal expenditures for the year using the formula in the preceding paragraph. As of June 30, 2019, the total outstanding RLF and cash and investments in the RLF were \$320,332 and \$77,389, respectively. There were no administrative expenses paid out of the RLF income and \$30,772 of unpaid principal of loans was written off during the year. The federal share of the RLF was 64.8% and federal expenditures of \$277,663 were included in the Schedule.

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

**6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT
REPORTING REQUIREMENTS**

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	CFDA No.	Expenditures	
			State	Federal
U.S. Department of Agriculture				
<i>Passed through State of California Department of Aging</i>				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-1718-06	10.561	\$ -	\$ 22,917
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	SP-1819-06	10.561	-	82,386
U.S. Department of Health and Human Services				
<i>Passed through State of California Department of Aging</i>				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	AP-1819-06	93.041	-	13,460
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	AP-1819-06	93.042	-	38,217
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	AP-1819-06	93.043	-	87,136
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	AP-1819-06	93.044	-	1,282,844
Special Programs for the Aging, Title III, Part C, Nutrition Services	AP-1819-06	93.045	218,802	1,918,224
National Family Caregiver Support, Title III, Part E	AP-1819-06	93.052	-	558,706
Nutrition Services Incentive Program	AP-1819-06	93.053	-	1,952,932
Medicare Enrollment Assistance Program	MI-1718-06	93.071	-	53,529
Medicare Enrollment Assistance Program	MI-1819-06	93.071	-	38,267
State Health Insurance Assistance Program	HI-1819-06	93.324	212,436	112,748
			<u>431,238</u>	<u>\$ 6,161,366</u>
State Award - California Department of Aging				
Special Deposit Fund-Federal Citation Penalties Account, General Fund Allocation	AP-1819-06		23,298	
Skilled Nursing Facility (SNF) Quality & Accountability Fund (QAF) Allocation	AP-1819-06		24,796	
Ombudsman State General Fund	AP-1819-06		72,120	
Ombudsman Public Health L&C Program Fund	AP-1819-06		5,220	
Total Expenditures of CDA Awards			<u>\$ 556,672</u>	

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

<u>CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(1) CFDA no. 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
State of California Department of Public Health	16-10166	\$ 807,640
State of California Department of Aging	SP-1718-06	22,917
State of California Department of Aging	SP-1819-06	82,386
State of California Department of Social Services	None	38,748,219
	Program Total	<u>\$ 39,661,162</u>
(2) CFDA no. 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	--	\$ 470,296
Board of State and Community Corrections	650-17	30,325
	Program Total	<u>\$ 500,621</u>
(3) CFDA no. 17.258 - WIOA Adult Program		
State of California Department of Employment Development	K8106682	\$ 296,883
State of California Department of Employment Development	K9110055	978,805
City of San Jose	K7102072	15,000
Nova Workforce Board	K8106650	175,640
	Program Total	<u>\$ 1,466,328</u>
(4) CFDA no. 17.268 - H-1B Job Training Grants		
U.S. Department of Labor	--	\$ 561,293
NOVA Workforce Board	001-RTW-15	79,984
	Program Total	<u>\$ 641,277</u>
(5) CFDA no. 20.205 - Highway Planning and Construction		
Metropolitan Transportation Commission	STPLNI 6084 (232)	\$ 162,404
State of California Department of Transportation	ATPL-5934(175)	140,111
State of California Department of Transportation	BHLO-5934(168)	1,576,311
State of California Department of Transportation	BRLS-5934(177)	10,018,504
State of California Department of Transportation	DEM09L-5934(155)	140
State of California Department of Transportation	ER-32L0(204)	326,756
State of California Department of Transportation	ER-4802(002)	279,597
State of California Department of Transportation	HP21L-5934(178)	687,457
State of California Department of Transportation	ATPLNI-6447(008)	1,262,830
State of California Department of Transportation	STPL-5934(171)	3,227,593
State of California Department of Transportation	STPL-5934(174)	465,686
State of California Department of Transportation	HPLUL-5934(154)	161,917
	Program Total	<u>\$ 18,309,306</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019

7. PROGRAM TOTALS (Continued)

<u>CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(6) CFDA no. 93.067 - Global AIDS		
Regents of the University of California	8940sc a03	\$ 11,276
Regents of the University of California	9289sc a02	38,064
Regents of the University of California	9319sc a01	13,666
Regents of the University of California	10815sc	18,747
University of California San Francisco	10076sc 01	33,151
University of California San Francisco	10129sc 01	28,559
	Program Total	<u>\$ 143,463</u>
(7) CFDA no. 93.136 - Injury Prevention and Control Research and State and Community Based Programs		
State of California Department of Public Health	16-10233	\$ 173,561
Public Health Foundation Enterprise	0392.0102	31,859
Regents of The University of Michigan	R49CE002099	19,934
	Program Total	<u>\$ 225,354</u>
(8) CFDA no. 93.242 - Mental Health Research Grants		
Regents of the University of California	9739sc 01	\$ 27,624
Regents of the University of California	9833sc 01	20,282
Public Health Foundation Enterprise	349.0103	8,887
Public Health Foundation Enterprise	349.0104	158,595
Public Health Foundation Enterprise	550.0101	16,526
Rutgers, The State University of New Jersey	401	12,905
	Program Total	<u>\$ 244,819</u>
(9) CFDA no. 93.243 - Substance Abuse and Mental Health Services - Projects of Regional and National Significance		
U.S. Department of Health and Human Services	--	\$ 372,689
State of California Department of Public Health	15-10979	58,369
	Program Total	<u>\$ 431,058</u>
(10) CFDA no. 93.279 - Drug Abuse and Addiction Research Programs		
U.S. Department of Health and Human Services	--	\$ 124,014
Regents of the University of California	8952sc	22,445
Regents of the University of California	8278sc	2,664
Public Health Foundation Enterprise	176.0106	3,000
Public Health Foundation Enterprise	208.0105	46,097
Public Health Foundation Enterprise	0333.0103 NCE	19,342
Public Health Foundation Enterprise	526.0101	42,122
	Program Total	<u>\$ 259,684</u>

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

7. PROGRAM TOTALS (Continued)

CFDA no. / Program Title / Federal Grantor or Pass-Through Grantor	Pass-Through Identifying Number	Federal Expenditures
(11) CFDA no. 93.778 - Medical Assistance Program		
State of California Department of Public Health	201738	\$ 4,556,711
State of California Department of Public Health	17-10259	215,313
State of California Department of Public Health	201838	585,633
State of California Department of Social Services	None	81,450,228
State of California Department of Health Care Services	18-02	1,074,727
State of California Department of Health Care Services	18-03	401,093
	Program Total	<u>\$ 88,283,705</u>
(12) CFDA no. 93.855 - Allergy and Infectious Diseases Research		
Regents of the University of California	10612sc	\$ 32,187
Public Health Foundation Enterprise	0014.0106	87,235
Public Health Foundation Enterprise	0014.0107	36,591
Family Health International (FHI360)	970/0080.0172	15,484
Fred Hutchinson Cancer Research Center	924967	45,200
Fred Hutchinson Cancer Research Center	965896	73,177
Magee-Womens Research Institute And Foundation	9516	32,208
	Program Total	<u>\$ 322,082</u>
(13) CFDA no. 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
U.S. Department of Health and Human Services	--	\$ 313,998
SF Community Clinic Consortium	6 H76HA00163-26-01	76,337
SF Community Clinic Consortium	6 H76HA00163-27-01	86,236
	Program Total	<u>\$ 476,571</u>

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2019**

8. CALIFORNIA DEPARTMENT OF EDUCATION (CDE) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDE require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDE grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	CFDA No.	Award Amount		Expenditures	
			State	Federal	State	Federal
U.S. Department of Agriculture						
<i>Passed through State of California, Department of Education:</i>						
School Breakfast Program	02502-SN-38-R	10.553	\$ -	\$ 30,831	\$ -	\$ 30,831
National School Lunch Program	02502-SN-38-R	10.555	-	51,918	-	51,918
Child and Adult Care Food Program	04029-CACFP-38	10.558	-	629,249	-	629,249
Summer Food Service Program for Children	04029-SFSP-38	10.559	-	430,588	-	430,588
Child Nutrition Discretionary Grants Limited Availability	NSLP-18-CA-01	10.579	-	32,601	-	32,251
U.S. Department of Health and Human Services						
<i>Passed through State of California, Department of Education:</i>						
Child Care and Development Block Grant	17-14092-2563-00	93.575	-	254,790	-	101,304
Child Care and Development Block Grant	17-14092-2563-03	93.575	-	109,011	-	66,700
Child Care and Development Block Grant	17-14130-2563-03	93.575	-	218,106	-	133,401
Child Care and Development Block Grant	18-14092-25630-01	93.575	-	387,980	-	317,934
Child Care and Development Block Grant	18-14130-25630-03	93.575	-	218,021	-	163,335
Child Care and Development Block Grant	18-14872-25630-05	93.575	-	15,494	-	13,122
Child Care and Development Block Grant	C2AP 8046	93.575	8,105,753	1,094,116	8,105,753	1,094,116
Child Care and Development Block Grant	CLPC 8036	93.575	3,112	56,647	2,895	52,697
Child Care and Development Block Grant	CRET 8034	93.575	62,363	523,243	62,363	523,243
Child Care and Development Block Grant	CAPP 8051	93.575	-	89,852	-	89,852
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	CAPP 8051	93.596	271,217	257,560	271,217	257,560
			<u>\$ 8,442,445</u>	<u>\$ 4,400,007</u>	<u>\$ 8,442,228</u>	<u>\$ 3,988,101</u>
State Award - California Department of Education						
California State Preschool-California Migrant Program Quality Rating and Improvement Systems Block Grant	17-25276-1038-00		1,098,549		517,453	
California State Preschool-California Migrant Program Quality Rating and Improvement Systems Block Grant	18-25276-68478-00		1,098,288		969,779	
Total Expenditures of CDE Awards			<u>\$ 10,639,282</u>		<u>\$ 9,929,460</u>	



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2019, except for our report on the schedule of expenditures of federal awards, as to which the date is April 14, 2020. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, Municipal Transportation Agency, San Francisco Wastewater Enterprise, and the Health Service System, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Macias Gini E O'Connell LEP". The signature is written in a cursive, slightly slanted style.

San Francisco, California
December 30, 2019

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2019. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and report on the results separately to the Successor Agency. The Authority, the Airport, and the MTA engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of the Uniform Guidance. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

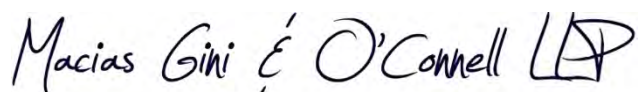
Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



San Francisco, California
April 14, 2020

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	No
• Significant deficiency(cies) identified?.....	None reported
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?.....	No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number(s)</u>
Community Development Block Grants/Entitlement Grants	14.218
Highway Planning and Construction	20.205
	93.041, 93.042, 93.043, 93.044, 93.045, 93.052,
Aging Cluster	93.053
Hospital Preparedness Program	93.074
Temporary Assistance for Needy Families.....	93.558
HIV Prevention Activities - Health Department Based	93.940
Block Grants for Prevention and Treatment of Substance Abuse.....	93.959
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977
Dollar threshold used to distinguish between Types A and B programs	\$3,000,000
Auditee qualified as a low-risk auditee?	Yes

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.



OFFICE OF THE CONTROLLER

CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

Reference Number:	2018-001 Reliability of System-Generated Reports used for Financial Reporting <i>Significant Deficiency in Internal Controls over Financial Reporting</i>
Audit Finding:	<p>An effective information system should allow management to obtain and process quality information to make informed decisions in achieving key objectives and addressing risks. It defines quality information as information that is appropriate, current, complete, accurate, accessible, and provided on a timely basis.</p> <p>On July 3, 2017, the City implemented a new enterprise financial and procurement system, PeopleSoft Financial System, which impacted many facets of the City's financial management processes, and resulted in the creation of new spreadsheets and alternative solutions to address unexpected system-generated outputs and workflow bottlenecks. A number of system-generated reports did not produce expected results and required substantial time and effort in validating the system outputs. To overcome the additional efforts required in validating system outputs, various spreadsheets and reconciliations were created to ensure the City's financial statements were prepared in accordance with generally accepted accounting principles. These reconciliations and review processes resulted in significant delays in compiling the City's financial statements and performing the audits for the year ended June 30, 2018.</p>
Status of Corrective Action:	Corrective action was implemented.