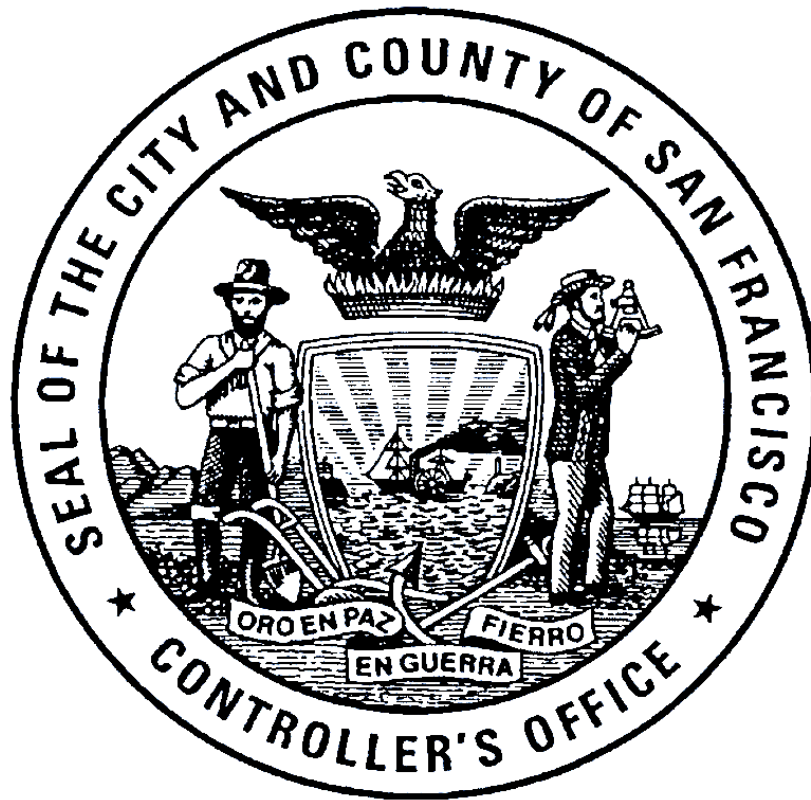


# CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report  
Year ended June 30, 2013



Prepared by:  
Office of the Controller

A handwritten signature in black ink, appearing to read "B. Rosenfield".

Ben Rosenfield  
Controller



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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report  
Year Ended June 30, 2013

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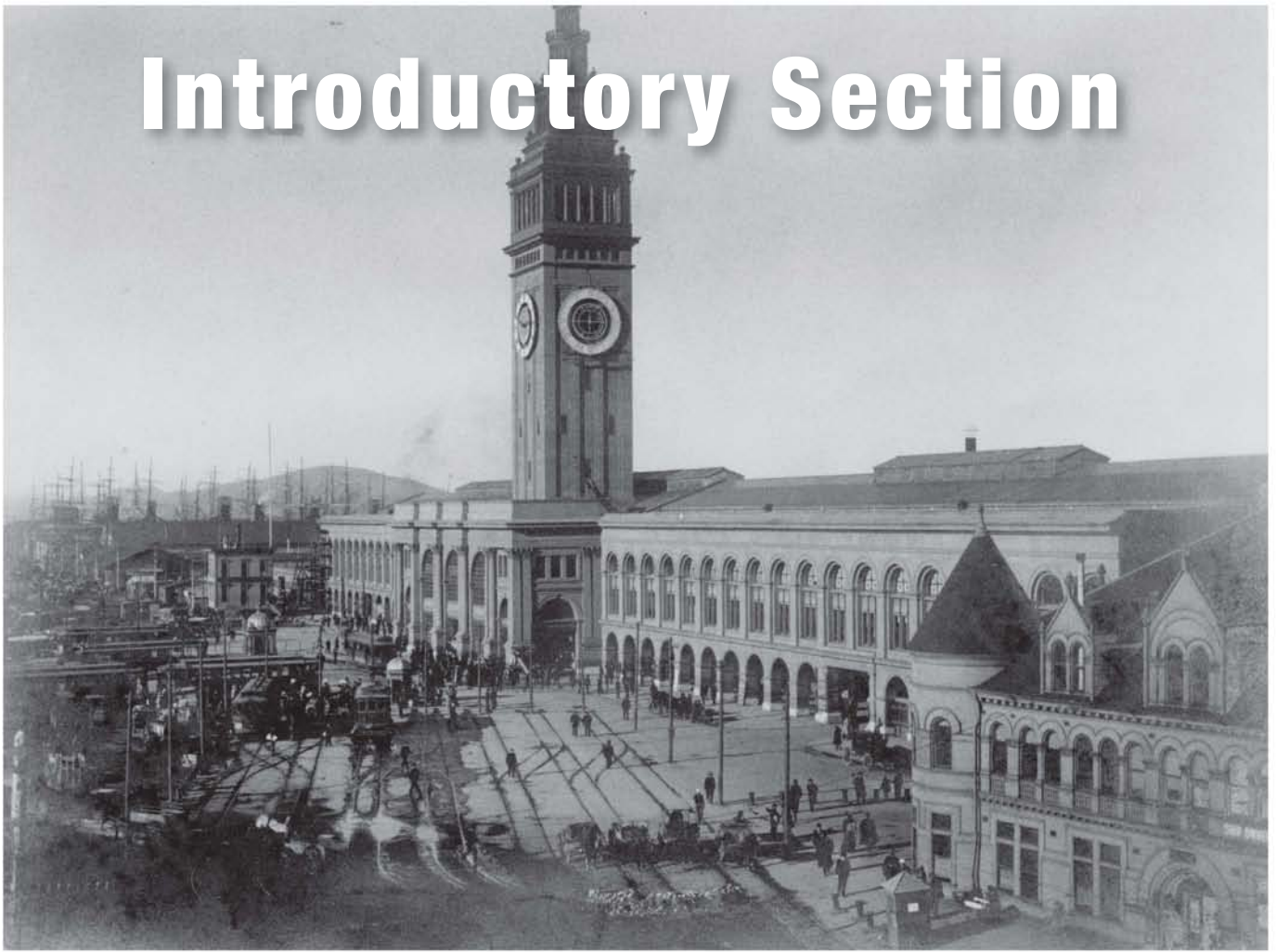
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# Introductory Section



The Ferry Building with the turreted Post Office building that opened in 1901.

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



November 27, 2013

The Honorable Mayor Edwin Lee  
The Honorable Members of the Board of Supervisors  
Residents of the City and County of San Francisco  
San Francisco, California

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2013, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

**KEY FINANCIAL REPORT SECTIONS:**

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

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



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

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

## **SAN FRANCISCO'S ECONOMY:**

### **Overview of Recent Trends**

Over the past fiscal year, San Francisco's economic recovery has accelerated. Unemployment rates in fiscal year 2012-13 fell steadily, continuing a trend that began in fiscal year 2010-11. Average unemployment for fiscal year 2012-13 was 6.5%, down 1.5% from the previous fiscal year's level of 8.0%. Unemployment began the period at 7.7% in July 2012, and closed at 5.8% in June 2013.

In comparison to the U.S. economy, San Francisco entered the recent recession late and emerged from it relatively early. The San Francisco Metropolitan Division, of which the City and County of San Francisco is the largest jurisdiction, began seeing year-over-year job growth in December 2010. Over the course of fiscal year 2012-13, the San Francisco Metropolitan Division experienced a total employment increase of 2.3%. In the period between March 2012 and March 2013, the latest data available, nearly every major sector of the City's economy saw growth in employment, according to the Bureau of Labor Statistics.

Other local economic indicators were also positive during this past fiscal year. Housing prices, residential and commercial rent, hotel revenues, and retail sales all showed significant signs of recovery.

San Francisco's taxable sales have been growing rapidly, with fiscal year 2012-13 sales tax revenue up 4.9% over fiscal year 2011-12. For the last two fiscal years, San Francisco has seen record high taxable sales growth, exceeding pre-recession revenue levels in fiscal year 2011-12.

The hotel sector, which is a key barometer of San Francisco's travel and tourism industry, saw significant growth in fiscal year 2012-13 over the previous year. Hotel room average occupancy rose to 84.3% for the fiscal year, a significant increase from the prior year and approaching a historical high. Average daily room rates grew significantly in fiscal year 2012-13, jumping 7.4% from \$197 per room-night in fiscal year 2011-12 to \$212 per room-night.

Key indicators of the City's real estate market reflect similar strength during fiscal year 2012-13. Commercial and residential rents and median home prices increased. The average residential rent for apartments in San Francisco rose 6.6% during fiscal year 2012-13, from \$2,640 to \$2,813. Commercial rents saw a 14.8% increase in fiscal year 2012-13 compared to fiscal year 2011-12. The average median home price in fiscal year 2012-13 was at \$765,583, up 18.4% from the previous fiscal year.

The strength of San Francisco's current recovery is a testament to the strength of its economic fundamentals – the education and creativity of its workforce, its environment, technological base, and cultural amenities. These fundamentals are among the strongest of any city in North America, and are likely to secure the City's long-term prosperity.

**SAN FRANCISCO GOVERNMENT:****Profile of San Francisco Government**

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

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

**San Francisco's Budgetary Process**

The budget is adopted at the character level of expenditure within each department, and the department level and fund is the legal level of budgetary control. Note 2(c) to the Basic Financial Statements summarizes the budgetary roles of City officials and the timetable for their various budgetary actions according to the City Charter.

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for fiscal years 2012-13 and 2013-14 in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years.

As further required by these amendments, the Board of Supervisors and Mayor are required to adopt a five-year financial plan every two years. The most recent plan was adopted in April 2013. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

**Internal and Budgetary Controls**

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

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

**Cash Management**

The City's pooled deposits and investments are invested pursuant to policy established by the Treasurer working with the City's Treasury Oversight Committee. The City's investment policy seeks the preservation of capital, liquidity and a market rate of return, in that order. The policy addresses the safekeeping and custody practices with financial institutions in which the City deposits funds, types of investments permitted, and the percentage of the portfolio which may be invested in certain instruments with longer terms to maturity. The earned income yield of fiscal year 2012-13 was 0.95%. Certain investments, including a portion of those of the Successor Agency to the Redevelopment Agency, were held by the Treasurer in separately managed accounts.

**Risk Management**

With certain exceptions, it is the policy of the City not to purchase commercial insurance against property or liability risk. 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 and supplemental appropriations. The City maintains limited coverage for certain facilities, primarily property of San Francisco International Airport; Port of San Francisco; Municipal Transportation Agency; Hetch Hetchy, Water Department; and art at City-owned museums. Additionally, various types of liability insurance are maintained by the City for the Port and the Airport. Claims payment history (experience) and payroll costs (exposure) are considered when calculating the claims liabilities and workers' compensation outstanding liabilities for each department. The City's insurance/self-insurance program is reviewed annually in the budget process. The claims liabilities and workers' compensation liabilities are reported on the financial statements. They have been actuarially determined and include an estimate of incurred but not reported losses.

**Pension and Retiree Health Trust Fund Operations**

The City has a defined benefit retirement plan in which a substantial majority of full-time employees participate. The plan's most recent actuarial calculations, as of July 1, 2012, estimate the plan is 82.6% funded, down from 87.7% as of that date in 2011. This decrease is primarily due to an unfunded increase in the actuarial liability as a result of economic assumptions changes approved by the Retirement Board and investment returns for the July 1, 2012 actuarial valuation being significantly lower than the assumed 7.58% investment return. The results of the July 1, 2012 actuarial valuation reflect the impact of recent wide fluctuations in financial markets on the value of plan assets. Member contributions to the plan increased 30.6% from the prior year as a result of the employee cost-sharing provisions of Proposition C, which went into effect on July 1, 2012, and plan deductions increased 5.4%.

The City's retiree health benefit liability has been calculated at \$4.42 billion as of July 1, 2010. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning July 1, 2016, employees hired before January 10, 2009 will also start contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary, and rising to 2% of salary on July 1, 2019. As of June 30, 2013, the Trust Fund had a net position of \$31 million, an increase of 73% versus the prior year. Given increasing pay-as-you-go and prefunding contributions and reductions in the benefit level for recently-hired employees, the City expects to fund the Annual Required Contribution (ARC) by fiscal year 2019-20.

**General Fund Financial Position Highlights**

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2012-13 at \$541 million, up \$85 million from the prior year level, and now equaling the prior peak of \$541 million as of June 30, 2007.

The General Fund's cash position also reflects a strong improvement in fiscal year 2012-13, rising to a new year-end peak of \$720 million, up \$190 million from June 30, 2012.

Strong revenue growth and the implementation of new reserves policies have caused General Fund rainy day and budget stabilization reserves to grow to \$148 million as of June 30, 2013, a \$40 million increase from the prior year ending balance of \$108 million. These reserve balances now exceed the pre-recession peak of \$134 million in fiscal year 2007-08.

### **Key Government Initiatives**

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

### **Improving the City's Public Transportation Systems**

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

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet this regional need. The center is designed to provide expanded bus, commuter train, and ultimately high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby intracity subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The \$1.9 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources, including federal stimulus funding, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site.

The City has begun preliminary construction work on the Central Subway project, the second phase of a program designed to create a light-rail line running from Chinatown, under the heart of downtown, and connecting to the most-recent extension of the light-rail system to the Southeast portion of the City. The subway will connect to Bay Area Rapid Transit (BART) and Caltrain, the region's two largest regional commuter rail services. The Central Subway project, with an estimated budget of \$1.6 billion and a targeted completion date of 2018, is estimated to provide approximately 35,000 daily boardings at four stations along the new 1.7 mile line. Once completed, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City is also implementing a street repair and improvement program, funded with a \$248 million general obligation bond, state and local revenue sources. Under this program, 2,540 blocks will be repaved or sealed, 1,900 curb ramps for disabled access will be constructed and over 125,000 square feet of public sidewalk will be repaired. In commercial corridors, and along busy arterials, the program will allow the City to build complete streets that enhance pedestrian and bicycle safety and enhance the vibrancy of urban neighborhoods. The bond also provides funds to rehabilitate existing traffic signal infrastructure and allow transit signal priority along key transit routes, improving transit efficiency and relieving traffic congestion. Now a third of the way through the program, the City projects it will meet or exceed its performance goals.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2012-13 as part of an approved capital plan of \$2.1 billion over the next five years. Projects under construction during the fiscal year include runway safety area improvements, a new air traffic control tower, renovations to Terminal 3, improvements to baggage handling and checked baggage inspection systems, and a new West Field cargo facility. The plan also includes funds for programming, planning, and construction of the initial phases of the Terminal 1 Renovation Program, which has a projected cost of \$2.1 billion and anticipated phased completion dates through 2023. These projects are necessitated by the continued growth in passenger volumes at SFO, which accounts for 96% of international air travel and 71% of all air travel into the Bay Area.

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

The City is approximately 75% complete with a \$4.6 billion program to upgrade the City's local and regional water system, known as the Water System Improvement Program (WSIP). The program consists of 35 local projects located within San Francisco and 47 regional projects spread over 7 counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water to the system's wholesale and regional retail customers in Alameda, Santa Clara and San Mateo counties, collectively serving some 1.8 million people outside of San Francisco, as well as another 800,000 retail customers in San Francisco. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives. Completion of the two remaining in-city projects is expected by 2015, followed by the remaining regional projects by 2019.

Large-scale sewer improvements are also underway as part of the Sewer System Improvement Program (SSIP), a \$6.9 billion, three-phased 20-year program. The first phase, totaling \$2.7 billion, includes \$1.7 billion in improvements to the Southeast Treatment Plant and funding for other green infrastructure and urban watershed assessment projects to minimize stormwater impact on the sewer system. The SSIP will upgrade the City's wastewater system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, today many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

The City's power enterprise, Hetch Hetchy Power, is in the fifth year of a 20-year rehabilitation program for its aging reservoirs, powerhouses, switchyards and pipelines and tunnels. Funding for the program is \$33.6 million and \$49.1 million in fiscal years 2012-13 and 2013-14, respectively.

**Expanding Access to Healthcare**

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

The City continues preparation for implementation of the Affordable Care Act. In the current fiscal year, the City's Department of Public Health (DPH) created the San Francisco Health Network, which comprises the department's full continuum of direct health care services. The San Francisco Health Network is an integrated health care delivery system that will improve the department's ability to provide and manage care for insured patients that select our network, organize the elements of the delivery system, improve system efficiency, and improve the patient experience.

While the Affordable Care Act will extend health insurance to an estimated 35,000 uninsured San Franciscans, not everyone will have health insurance. There are an estimated 84,000 uninsured adults in San Francisco. Approximately 70% of them (60,000) are enrolled in Healthy San Francisco, the City's comprehensive access program for the uninsured. Based upon the City's experience with Healthy San Francisco, the department estimates that approximately 49,000 San Franciscans will remain residually uninsured after implementation. The residually uninsured will include those ineligible for the insurance expansions offered under Health Reform and those who are eligible but who, for a variety of reasons, do not enroll. The department will continue to be the safety net for these individuals.

Amidst these changes, the City is on schedule to replace and modernize the City's two public hospitals. The voters approved a general obligation bond measure to fund the replacement of San Francisco General Hospital in November 2008. This \$887 million project is required given changes to state law governing seismic requirements for hospitals. It will replace the current facility with a new nine-story building on the existing hospital campus. The hospital is the only trauma center in San Francisco, and also acts as the safety net hospital for our residents. Construction of the project is underway, with completion expected in fiscal year 2015-16. This project follows substantial completion of the reconstruction of the City's skilled nursing facility, Laguna Honda Hospital, in fiscal year 2011-12.

**Modernizing the City's Parks and Libraries**

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

A comprehensive capital improvement program intended to renovate the City's branch library system is nearly complete, with planned improvements in 23 of the 24 branch libraries included within the capital program now finished. The \$196 million program, funded with a mix of general obligation and lease-revenue bonds, and other local sources, focuses on seismic safety, accessibility, and modernization of facilities for current uses. Final completion of the improvement program is scheduled by fiscal year 2013-14.

**Delivering Public and Private Waterfront Improvements**

The Port of San Francisco celebrates its 150<sup>th</sup> anniversary in 2013. As custodian of over seven miles of waterfront property, the Port seeks public/private partnerships to rehabilitate aging port facilities for maximum public benefit. Significant waterfront improvements were completed during the past fiscal year, increasing public enjoyment during the race events of the 34<sup>th</sup> America's Cup. Current completed projects include the first phase of a new cruise terminal facility at Pier 27 (\$62 million), the Brannan Street Wharf (\$26 million), the Pier 43 Bay Trail Link (\$10 million) and the Jefferson Street Public Realm street improvements (\$6 million). The Exploratorium, a twenty-first century learning laboratory, opened at Pier 15. Additionally, the City is currently negotiating public-private partnerships for several large development projects to further activate the waterfront. These opportunities include a potential state of the art multi-purpose facility for the Golden State Warriors basketball organization at Piers 30-32, a new mixed-use development adjacent to the Giants baseline stadium, and the rehabilitation of the Pier 70 area, which contemplates sustained ship repair usage, historic preservation, new waterfront parks, and over 3.7 million square feet of new and rehabilitated building space.

**Planning for the City's Growth**

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. After years of planning, development continued to pick up during fiscal year 2012-13 in several areas of the City. At the end of the fiscal year, over 53,600 housing units and 22.1 million square feet of commercial space was in the planning or construction stages. About 5,100 housing units were under construction, along with 1.86 million square feet of commercial space. In recent years the City completed major area planning efforts in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. It also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced. While private construction slowed in San Francisco during the recession, development activity is accelerating and may well surpass what was seen during the previous upswing in the business cycle.

**Other Long-Term Challenges Remain**

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

While significant investments are proposed in the City's adopted ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$14 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades. Mayor Edwin Lee has convened a taskforce to recommend funding mechanisms to bridge a portion of the gaps in the City's transportation needs, but it is likely that significant funding gaps will remain even assuming the identification of significant new funding sources for these needs.

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other post employment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial liabilities of almost \$8 billion for these benefits, comprised of \$4.4 billion for retiree health obligations and \$3.4 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

Lastly, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, further progress is needed. Economic stabilization reserves have grown significantly during the last three fiscal years and now exceed pre-recession peaks, but remain below adopted target levels of 10% of discretionary General Fund revenues. Further progress towards targeted level in future fiscal years will allow the City to better weather inevitable negative variances that will be driven by future economic volatility.

**OTHER INFORMATION:****Independent Audit**

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

**Award for Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2012. This was the 31<sup>st</sup> consecutive year, beginning with the fiscal year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

**Acknowledgements**

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

Respectfully submitted,



Ben Rosenfield  
Controller



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City and County  
of San Francisco, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

Executive Director/CEO





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**CITY AND COUNTY OF SAN FRANCISCO**

**List of Principal Officials**

As of June 30, 2013

**ELECTED OFFICIALS**

Mayor .....	Edwin M. Lee
Board of Supervisors:	
President .....	David Chiu
Supervisor.....	Eric L. Mar
Supervisor.....	Mark Farrell
Supervisor.....	Katy Tang
Supervisor.....	London Breed
Supervisor.....	Jane Kim
Supervisor.....	Norman Yee
Supervisor.....	Scott Wiener
Supervisor.....	David Campos
Supervisor.....	Malia Cohen
Supervisor.....	John Avalos
Assessor/Recorder.....	Carmen Chu
City Attorney.....	Dennis J. Herrera
District Attorney.....	George Gascón
Public Defender.....	Jeff Adachi
Sheriff.....	Ross Mirkarimi
Superior Courts	
Presiding Judge .....	Judge Cynthia Lee
Treasurer/Tax Collector .....	José Cisneros

**APPOINTED OFFICIALS**

City Administrator.....	Naomi Kelly
Controller.....	Benjamin Rosenfield

**DEPARTMENT DIRECTORS/ADMINISTRATORS**

Airport.....	John L. Martin
Appeals Board.....	Cynthia Goldstein
Arts Commission .....	Tom DeCaigny
Asian Art Museum .....	Jay Xu
Board of Supervisors .....	Angela Calvillo
Assessment Appeals Board .....	Dawn Duran
County Transportation Authority.....	Maria Lombardo (Interim)
Building Inspection .....	Tom Hui (Acting)
California Academy of Sciences .....	Gregory C. Farrington, Ph.D.
Child Support Services.....	Karen M. Roye
Children, Youth and Their Families.....	Maria Su
Civil Service .....	Jennifer Johnston
Economic and Workforce Development.....	Todd Rufo
Elections.....	John Arntz
Emergency Management .....	Anne Kronenberg
Entertainment.....	Jocelyn Kane
Environment .....	Melanie Nutter
Ethics.....	John St. Croix
Fine Arts Museums .....	Colin B. Bailey
Fire .....	Joanne Hayes-White

**CITY AND COUNTY OF SAN FRANCISCO**

**List of Principal Officials**

As of June 30, 2013

**DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)**

General Services Agency	
Animal Care and Control .....	Rebecca Katz
Convention Facilities Management .....	John Noguchi
County Clerk .....	Karen Hong Yee
Medical Examiner .....	Amy P. Hart, M.D.
Public Works .....	Mohammed Nuru
Purchaser/Contract Administration .....	Jaci Fong
Real Estate .....	John Updike
Department of Technology .....	Marc Touitou
Health Service System .....	Catherine Dodd
Human Resources .....	Micki Callahan
Human Rights .....	Theresa Sparks
Human Services .....	Trent Rhorer
Aging and Adult Services .....	Anne Hinton
Juvenile Probation .....	William P. Siffermann
Law Library Board of Trustees .....	Marcia Bell
Library .....	Luis Herrera
Municipal Transportation Agency .....	Ed Reiskin
Planning .....	John Rahaim
Police .....	Greg Suhr
Office of Citizen Complaints .....	Joyce M. Hicks
Port .....	Monique Moyer
Public Health .....	Barbara A. Garcia
Public Utilities .....	Harlan Kelly
Recreation and Park .....	Phil Ginsburg
Residential Rent Board .....	Delene Wolf
Retirement System .....	Jay Huish
Small Business .....	Regina Dick-Endrizzi
Status of Women .....	Emily Murase
Successor Agency to the Redevelopment Agency .....	Tiffany Bohee
Superior Court .....	T. Michael Yuen
Adult Probation .....	Wendy S. Still
War Memorial .....	Elizabeth Murray

**DISCRETELY PRESENTED COMPONENT UNIT**

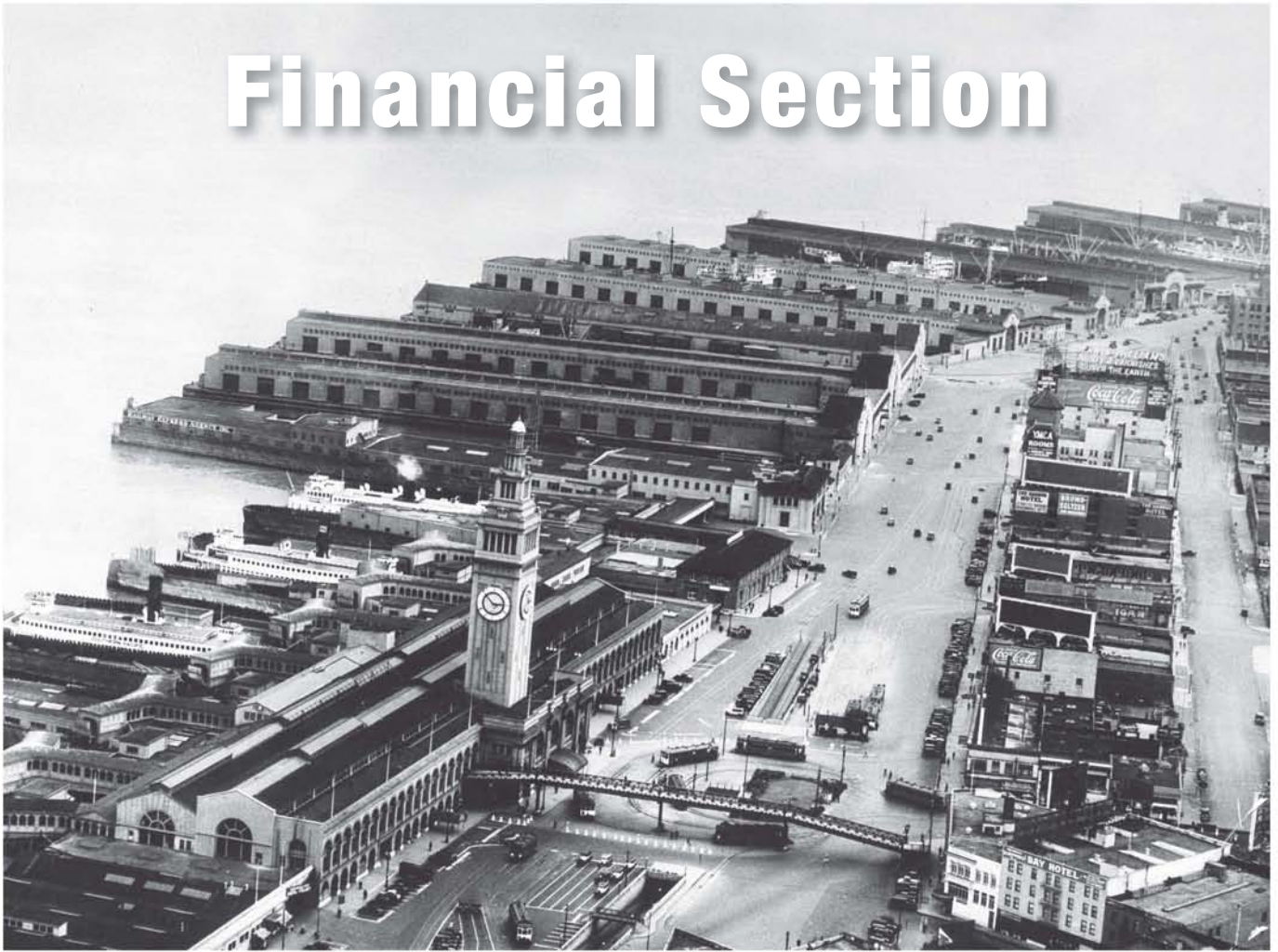
Treasure Island Development Authority .....	Mirian Saez
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# Financial Section



The Embarcadero looking south with view of the cast-iron footbridge for ferry passengers in 1932.

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



### Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2013, 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 International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), San Francisco Municipal Transportation Agency (major fund), San Francisco Wastewater Enterprise (major fund), San Francisco Market Corporation, 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
Business-type activities	91.4%	87.7%	73.1%
Aggregate remaining fund information	0.9%	0.5%	9.9%

Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in 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 conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which such partial and summarized information was derived.

We have previously audited the City's 2012 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated January 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, 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 funding progress, and the schedule of employer contributions 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 combining fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Walnut Creek, California  
November 27, 2013



**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited)**  
**Year Ended June 30, 2013**

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2011-12 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2012-13 basic financial statements.

**FINANCIAL HIGHLIGHTS**

The assets and deferred outflows of resources of the City exceeded its liabilities at the end of the fiscal year by approximately \$7.49 billion (net position). Of this balance, \$6.69 billion represents the City's net investment in capital assets and \$959.7 million represents restricted net position. This is offset by a deficit in unrestricted net position of \$158.0 million. The City's total net position increased by \$543.0 million or 7.8 percent over the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by \$213.2 million or 3.3 percent, \$57.7 million or 6.4 percent and \$272.1 million or 63.3 percent, respectively.

The City's governmental funds reported total revenues of \$4.49 billion; a \$237.7 million or 5.6 percent increase over the prior year. Within this, revenues from property taxes, other local taxes, business taxes, sales and use tax, intergovernmental grants and charges for services grew by approximately \$68.9 million, \$5.9 million, \$42.5 million, \$9.8 million, \$76.0 million and \$31.2 million, respectively. At the same time, there was a decline in revenues from hotel room tax, interest and investment income and other revenues for a total of \$27.3 million. Governmental funds expenditures totaled \$4.35 billion for this period, a \$288.4 million or 7.1 percent increase, reflecting increases in demand for governmental services of \$158.4 million and capital outlay of \$140.9 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$1.67 billion, an increase of \$131.5 million or 8.6 percent from prior year, primarily due to a strong growth in most revenues and other financing sources over a moderate increase of expenditure and other financing uses this year over last year.

The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by \$649.9 million during this fiscal year. The City issued a total of \$1.27 billion in debt this year. Of this amount, a total of \$521.9 million in general obligation bonds were issued for improvements for earthquake safety and emergency response projects, clean and safe neighborhood park projects, road repaving and street safety projects and San Francisco General Hospital rebuild projects. The City also issued \$11.1 million in equipment lease revenues bonds, \$35.6 million certificates of participation for Moscone Convention Center project and borrowed \$5.9 million for the renovation of the City's west harbor marina. The San Francisco International Airport issued a total of \$84.7 million refunding revenue bonds to remarket its variable rate refunding revenue bonds with fixed interest rates. The San Francisco Water Enterprise issued \$24.0 million in revenue refunding bonds for cash flow savings and an economic gain. The San Francisco Wastewater Enterprise issued a total of \$525.0 million in revenue bonds to refund a portion of its long term debt, finance capital projects and pay off its outstanding commercial paper notes. The San Francisco Municipal Transportation Agency (MTA) issued a total of \$63.8 million of revenue bonds to provide new money for various transit and parking projects and refund outstanding revenue bonds issued by the Parking Authority. The balance of commercial paper issued to fund new capital projects or to refinance matured commercial paper also increased by \$174.8 million this fiscal year. Of this increase, \$4.7 million was for governmental activities and \$170.1 million was for business-type activities.

During fiscal year 2012-13, the City returned \$176.6 million of current assets, \$29.0 million of capital assets and \$3.9 million of current liabilities, to the Successor Agency, which had been transferred to the City in the prior year. The return of assets and related liabilities was pursuant to State and City law and additional State Department of Finance (DOF) guidance clarifying that ongoing enforceable housing obligations and related assets and liabilities were supposed to be retained by the Successor Agency upon dissolution. Such transfers made prior to the DOF issuing a Finding of Completion on May 29, 2013 are

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

treated as extraordinary items. Therefore, an extraordinary loss of \$201.7 million was recorded in the statement of activities. A corresponding extraordinary gain of \$190.1 million, representing the amount transferred by the City less \$11.6 million in distributions to taxing entities, was recorded in the statement of changes in fiduciary net position.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

<b>CAFR</b>	Introductory Section	<b>INTRODUCTORY SECTION</b>			
	+				
	Financial Section	<b>Management's Discussion and Analysis</b>			
		<b>Government - wide Financial Statements</b>	<b>Fund Financial Statements</b>		
		Statement of net position	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
			Balance sheet	Statement of net position	Statement of fiduciary net position
		Statement of activities	Statement of revenues, expenditures, and changes in fund balances	Statement of revenues, expenses, and changes in fund net position	Statement of changes in fiduciary net position
			Budgetary comparison statement	Statement of cash flows	
		Notes to the Financial Statements			
		<b>Required Supplementary Information Other Than MD&amp;A</b>			
Information on individual non-major funds and other supplementary information that is not required					
+					
Statistical Section	<b>STATISTICAL SECTION</b>				

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

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
<b>Scope</b>	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
<b>Accounting basis and measurement focus</b>	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
<b>Type of asset and liability information</b>	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
<b>Type of inflow and outflow information</b>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

type activities). The governmental activities of the City include public protection, public works, transportation and commerce, human welfare and neighborhood development, community health, culture and recreation, general administration and finance, and general City responsibilities. The business-type activities of the City include an airport, port, public transportation systems (including parking), water and power operations, an acute care hospital, a long-term care hospital, sewer operations, and a produce market.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate 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 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 as a Fiduciary component unit of the City.

### **Fund Financial Statements**

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

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

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

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

The City, for the first time, adopted a rolling two year budget in July 2012, which appropriated budget for its General Fund for fiscal year 2012-13. A budgetary comparison statement 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, 2013**

**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), Municipal Transportation Agency (MTA), San Francisco General Hospital Medical Center (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, retiree's health care, the Successor Agency to the San Francisco Redevelopment 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 progress in funding its obligation to provide pension and other postemployment benefits to its employees and the City's schedule of contributions for its employees' other postemployment benefits.

**Combining Statements and Schedules**

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**Net Position**  
**(in thousands)**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Assets and deferred outflows of resources:</b>						
Current and other assets.....	\$ 3,050,201	\$ 2,850,238	\$ 4,908,208	\$ 4,681,192	\$ 7,958,409	\$ 7,531,430
Capital assets.....	4,044,648	3,688,246	12,840,891	11,880,773	16,885,539	15,569,019
Deferred outflows of resources.....	-	-	64,743	98,979	64,743	98,979
Total assets and deferred outflows of resources.....	<u>7,094,849</u>	<u>6,538,484</u>	<u>17,813,842</u>	<u>16,660,944</u>	<u>24,908,691</u>	<u>23,199,428</u>
<b>Liabilities:</b>						
Current liabilities.....	1,333,315	1,195,565	2,013,518	1,608,865	3,346,833	2,804,430
Noncurrent liabilities .....	<u>3,941,375</u>	<u>3,422,909</u>	<u>10,126,222</u>	<u>10,020,813</u>	<u>14,067,597</u>	<u>13,443,722</u>
Total liabilities.....	<u>5,274,690</u>	<u>4,618,474</u>	<u>12,139,740</u>	<u>11,629,678</u>	<u>17,414,430</u>	<u>16,248,152</u>
<b>Net position:</b>						
Net investment in capital assets*.....	2,275,963	2,199,316	4,691,579	4,538,990	6,692,499	6,479,334
Restricted *.....	686,216	675,163	371,958	249,434	959,732	902,057
Unrestricted (deficit) *.....	<u>(1,142,020)</u>	<u>(954,469)</u>	<u>610,565</u>	<u>242,842</u>	<u>(157,970)</u>	<u>(430,115)</u>
Total net position.....	<u>\$ 1,820,159</u>	<u>\$ 1,920,010</u>	<u>\$ 5,674,102</u>	<u>\$ 5,031,266</u>	<u>\$ 7,494,261</u>	<u>\$ 6,951,276</u>

\* See note 2(k) to the basic financial statements.

**Analysis of Net Position**

Current and other assets increased by \$427.0 million of which \$200.0 million in governmental activities and \$227.0 million in business-type activities. Governmental activities increases reflect the overall operating results of the year ended June 30, 2013 and the business-type activities increases reflect increased receipts from capital grants and contributions and charges for services as discussed in the analysis of changes in net position.

Net position may serve as a useful indicator of the government's financial position. As noted earlier, at the end of fiscal year 2012-13, the City's total assets and deferred inflows of resources exceeded its liabilities by \$7.49 billion.

The largest portion of the net position reflects the City's \$6.69 billion in net investment in capital assets (e.g. land, buildings, and equipment). This is 89.3 percent of the City's total net position, a 3.3 percent increase over the prior year that is largely due to growth in net capital assets in the governmental activities and increases in all business-type activities except the Airport. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position, \$959.7 million or 12.8 percent represents restricted resources that are subject to external limitations regarding their use. The governmental activities have a \$1.14 billion deficit in the unrestricted net position, due largely to transfers to business-type activities and the recognition of other postemployment benefit expense. This deficit also included \$373.5 million of long-term bonds issued to fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise and road paving and street safety in MTA (see Note 2(k)).

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**Changes in Net Position**  
**(in thousands)**

	Governmental activities		Business-type activities		Total	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for services.....	\$ 517,660	\$ 435,207	\$ 3,279,275	\$ 2,553,359	\$ 3,796,935	\$ 2,988,566
Operating grants and contributions.....	1,086,154	998,701	224,382	200,318	1,310,536	1,199,019
Capital grants and contributions.....	29,718	41,174	251,753	173,975	281,471	215,149
General revenues:						
Property taxes.....	1,415,068	1,355,855	-	-	1,415,068	1,355,855
Business taxes.....	480,131	437,678	-	-	480,131	437,678
Sales and use tax.....	208,025	198,236	-	-	208,025	198,236
Hotel room tax.....	238,782	239,567	-	-	238,782	239,567
Utility users tax.....	91,871	91,676	-	-	91,871	91,676
Other local taxes.....	359,808	353,746	-	-	359,808	353,746
Interest and investment income.....	7,862	31,453	1,009	82,533	8,871	113,986
Other.....	52,865	91,236	61,737	287,778	114,602	379,014
Total revenues.....	<u>4,487,944</u>	<u>4,274,529</u>	<u>3,818,156</u>	<u>3,297,963</u>	<u>8,306,100</u>	<u>7,572,492</u>
<b>Expenses</b>						
Public protection.....	1,236,922	1,158,618	-	-	1,236,922	1,158,618
Public works, transportation and commerce.....	189,124	210,415	-	-	189,124	210,415
Human welfare and neighborhood development.....	946,562	942,523	-	-	946,562	942,523
Community health.....	751,491	673,905	-	-	751,491	673,905
Culture and recreation.....	338,042	307,269	-	-	338,042	307,269
General administration and finance.....	249,271	237,818	-	-	249,271	237,818
General City responsibilities.....	83,895	96,147	-	-	83,895	96,147
Unallocated Interest on long-term debt.....	107,790	110,145	-	-	107,790	110,145
Airport.....	-	-	756,961	746,610	756,961	746,610
Transportation.....	-	-	1,026,726	959,088	1,026,726	959,088
Port.....	-	-	81,422	72,307	81,422	72,307
Water.....	-	-	445,804	431,248	445,804	431,248
Power.....	-	-	129,790	130,709	129,790	130,709
Hospitals.....	-	-	992,687	954,566	992,687	954,566
Sewer.....	-	-	223,727	214,593	223,727	214,593
Market.....	-	-	1,231	1,138	1,231	1,138
Total expenses.....	<u>3,903,097</u>	<u>3,736,840</u>	<u>3,658,348</u>	<u>3,510,259</u>	<u>7,561,445</u>	<u>7,247,099</u>
Increase/(decrease) in net position before transfers and extraordinary items.....	584,847	537,689	159,808	(212,296)	744,655	325,393
Transfers.....	(483,028)	(251,088)	483,028	251,088	-	-
Extraordinary gain/(loss) from dissolution of the Redevelopment agency.....	(201,670)	323,130	-	-	(201,670)	323,130
Change in net position.....	(99,851)	609,731	642,836	38,792	542,985	648,523
Net position at beginning of year.....	<u>1,920,010</u>	<u>1,310,279</u>	<u>5,031,266</u>	<u>4,992,474</u>	<u>6,951,276</u>	<u>6,302,753</u>
Net position at end of year.....	<u>\$ 1,820,159</u>	<u>\$ 1,920,010</u>	<u>\$ 5,674,102</u>	<u>\$ 5,031,266</u>	<u>\$ 7,494,261</u>	<u>\$ 6,951,276</u>

**Analysis of Changes in Net Position**

The City's total net position increased by \$543.0 million during fiscal year 2012-13, the third consecutive increase following three years of decline. Although the governmental activities net position decreased \$99.8 million, the business-type activities increased \$642.8 million. With the exception of Laguna Honda Hospital, all of the City's business-type activities contributed to this growth.

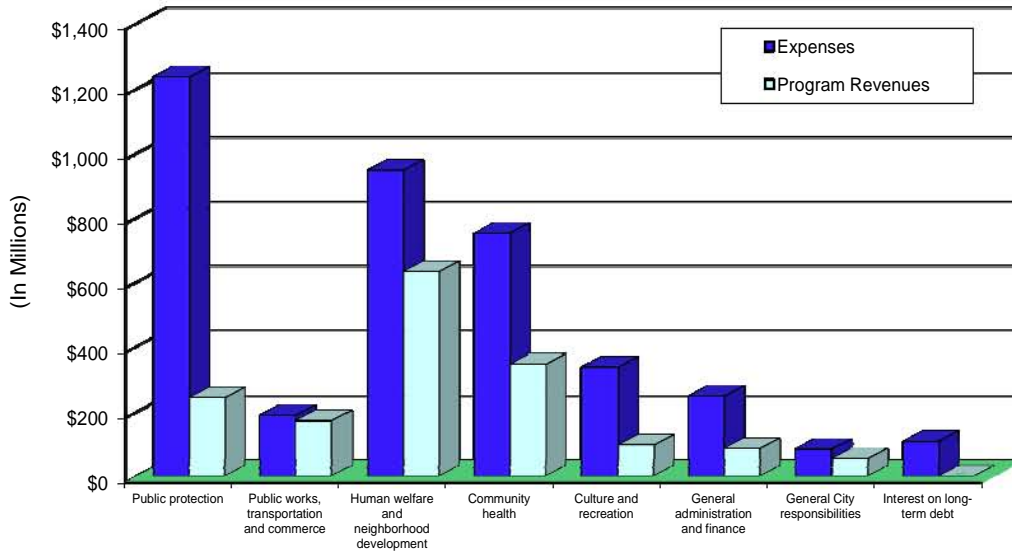
The City's governmental activities experienced a \$213.4 million or 5.0 percent growth in total revenues reflecting increases in nearly all of the general city revenues. This included \$87.5 million in operating grants and contributions, \$59.2 million in property taxes, \$82.5 million in charges for services, and \$42.4 million in business taxes. Sales and use tax and other local taxes also had a combined growth of

**CITY AND COUNTY OF SAN FRANCISCO**

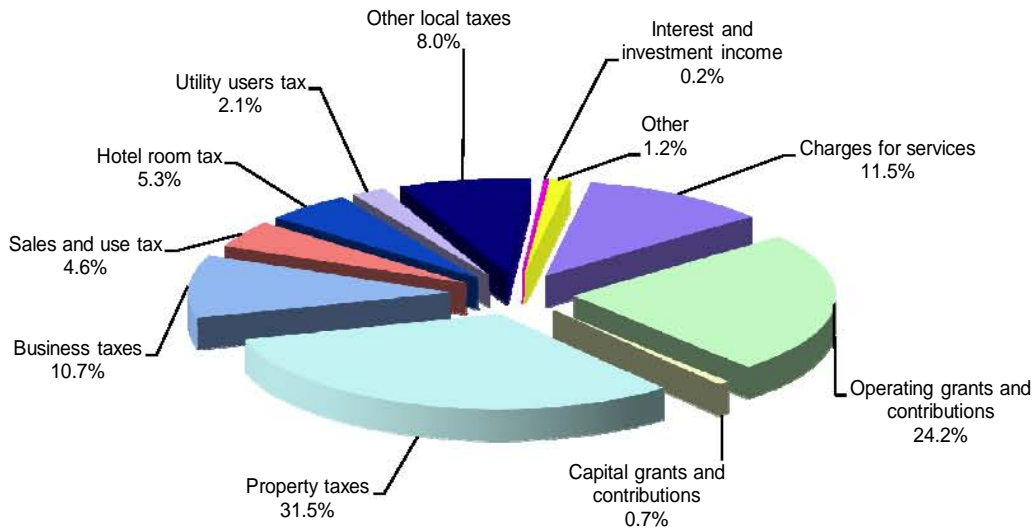
**Management's Discussion and Analysis (Unaudited) (Continued)  
Year Ended June 30, 2013**

\$15.9 million. These improvements were partly offset by a decline in other revenues sources, including a \$23.6 million decrease in interest and investment income, and a \$38.4 million drop in other general revenues. The City's governmental activities expenses reported an increase of \$166.3 million or 4.4 percent this fiscal year. The net transfer to business-type activities increased by \$231.9 million. A discussion of these and other changes in presented in the governmental activities and business-type activities sections that follow.

**Expenses and Program Revenues - Governmental Activities**



**Revenues By Source - Governmental Activities**



**Governmental activities.** Governmental activities decreased the City's total net position by approximately \$99.8 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$4.49 billion, a \$213.4 million or 5.0 percent increase over the prior year. For the same period, expenses totaled \$3.90 billion before transfers of \$483.0 million and an extraordinary loss of \$201.7 million, resulting in a total net position decrease of \$99.8 million by June 30, 2013.



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**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

Property tax revenues increased by \$59.2 million or 4.4 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to property tax in-lieu of vehicle license fee revenues tied to the year-over-year increase of the aggregate secured roll assessed value to recent tax rate increases. Further, in the current year, a one-time surrender of low and moderate income housing and other assets funds from the Successor Agency to the San Francisco Redevelopment Agency resulted in the City, as one of the taxing entities in the county, receiving property tax revenues based upon a determination by the California Department of Finance. An increase in parking tax revenues by \$5.0 million made up the majority of the growth in other local taxes of \$6.1 million.

Revenues from business and sale and use taxes totaled approximately \$688.2 million, a growth of \$52.2 million over the prior year. Business taxes grew by \$42.4 million due to an increase in employment and average weekly wages in San Francisco, and stronger growth in the business and computer services sectors resulting in increased payments from companies in these sectors. Sales and use tax also increased by \$9.8 million. The increase reflected strong sales growth across virtually every economic segment, with particularly strong performance in retail and food establishments such as restaurants, apparel stores, department stores, and food markets.

Operating grants and contributions increased \$87.5 million. This was largely due to the increases from state sources, including \$59.8 million for human welfare programs, \$20.6 million for public protection, \$16.1 for community health and \$3.1 million for general administration and finance programs. These were partly reduced by a combined decrease of \$12.1 million in other governmental activities.

Total charges for services increased \$82.5 million, or 18.9 percent, while other revenues decreased \$38.4 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions. Building permit, environmental review, and other planning fee revenues increased due to an overall 3 percent increase in the volume of cases and building permits and a growing number of larger scale projects. Street and right-of-way permit revenues increased due to the improved economy. Fire Department inspection and plan check fee revenues increased consistent with increased construction and building activity. Recording fees increased resulting from the annualization of a page fee increase from \$4 to \$10 in the middle of fiscal year 2011-12. Additional special events as well as increased use fees resulting from improved programming opportunities and implementation of a new demand-responsive program delivery model in 2010 improved fee revenues for the Recreation and Park Department. These increases were partially offset by a reduction in patient charges of \$2.8 million. The decrease in other revenues is related to decreased gifts and bequests received primarily as a result of reduced America's Cup reimbursements and a reduction in funding for services to other agencies.

Interest and investment income revenue decreased by \$23.6 million, or 75.0 percent, primarily due to the decreased interest rate on the City's pooled investments from 1.32 percent in the prior year to 0.95 percent in the current year, and also due to the large unrealized loss from the City's pooled investments, which is the difference between the fair value and the book value of the City's investments.

Net transfers from the governmental activities to business-type activities were \$483.0 million, a 92.4 percent or \$231.9 million increase from the prior fiscal year. This was mainly due to increased operating subsidies of \$84.7 million from the General Fund to Laguna Honda and \$13.9 million to the MTA. In addition, Water received \$63.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System and the Port received \$18.3 million for parks and open spaces. The General Fund received additional transfers over the prior year of \$50.6 million from San Francisco General Hospital Medical Center for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT) matching program reimbursement. Port received \$1.3 million for certain lost revenues (payment in lieu of rents) during the America's Cup events.

The moderate increase of total governmental expenses of \$166.3 million or 4.4 percent was primarily due to increases in demand for the government's services in almost all functional services by \$202.2 million,

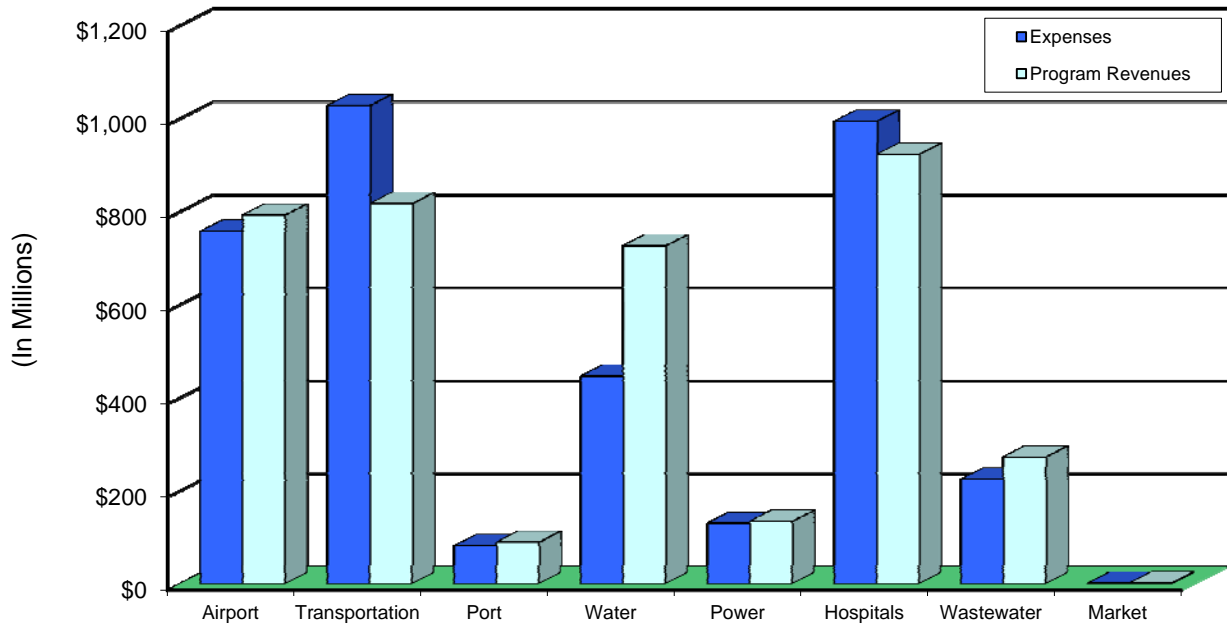
**CITY AND COUNTY OF SAN FRANCISCO**  
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**Year Ended June 30, 2013**

which was partly offset by the decrease of expenses in public works, transportation and commerce, general city responsibility and unallocated interest on long term debt functions by \$35.9 million.

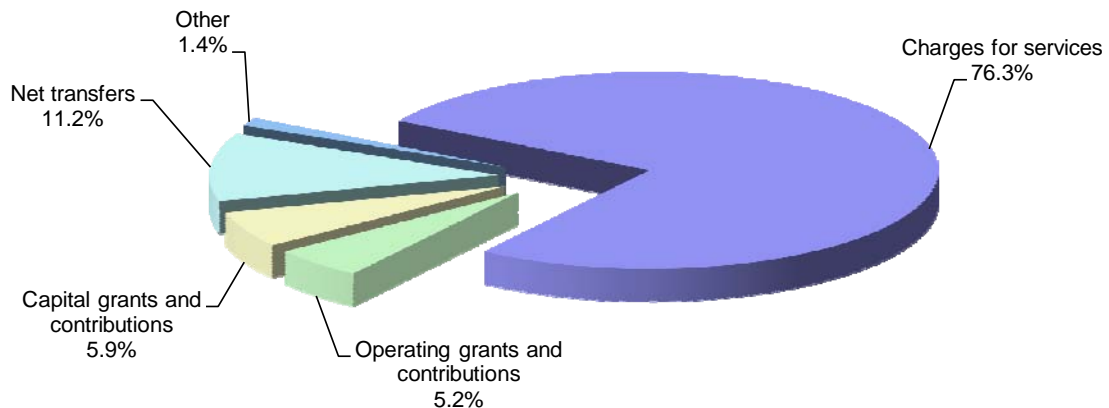
The City recorded an extraordinary loss due to the dissolution of the former Redevelopment Agency of \$201.7 million, which consisted of returning \$176.6 million of current assets and \$29.0 million of capital assets offset by \$3.9 million of current liabilities.

The charts below illustrate expenses and program revenues by functional area, and all revenues by source. As shown, public protection is the largest function (31.7 percent), followed by human welfare and neighborhood development (24.3 percent) and community health (19.3 percent). General revenues are not shown by program or function because they are used to support activities citywide. The distribution of these revenues shows property tax (31.5 percent) as the single largest funding source, followed by operating grants and contributions (24.2 percent), charges for services (11.5 percent), and business taxes (10.7 percent). This relative ranking is equivalent to the prior fiscal year and the actual percentage distributions showed only small differences.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues By Source - Business-type Activities**



**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

Business-type activities increased the City's net position by \$642.8 million. Key factors contributing to this increase are:

- The San Francisco International Airport's net position at fiscal year-end was \$294.4 million, a \$3.8 million or 1.3 percent increase over the prior fiscal year. Total operating revenues of \$726.4 million were offset by operating expenses of \$561.5 million, resulting in \$164.9 million in net operating income for the fiscal year, a \$39.3 million or 31.3 percent improvement over the prior fiscal year largely due to a rise in passenger traffic and spending. This was offset by an \$18.4 million increase in total operating expenses. At the same time, non-operating activities deficit was \$190.6 million, an \$84.1 million increase over the prior fiscal year. Non-operating revenues decreased by \$92.1 million due largely to a decrease in investment income associated with a fair value adjustment change. Interest expense, increased by \$8.0 million, while capital contributions from grants grew by \$51.4 million, offset by a \$2.5 million increase in transfers to the City.
- The City's Water Enterprise, the third largest municipal water agency in California, ended fiscal year 2012-13 with a net position of \$733.0 million, an increase of \$374.5 million over the prior year, a 104.5 percent increase. Of this, 94.6 percent or \$356.1 million, is water service revenue due to a one-time early repayment of capital cost recovery payments from Wholesale Water Customers through the Bay Area Water Supply and Conservation Agency. Water service revenue also reported an additional \$20.2 million due primarily to rate increases of 12.5 and 11.5 percent for retail and wholesale customers, respectively. Operating expenses decreased slightly by \$0.8 million, or 0.3 percent. Non-operating revenue categories reported a decrease of \$29.7 million due mostly to a decrease in investment income of \$33.7 million as a result of an unrealized loss in the fair value of investments as well as lower interest rates. Interest expense increased by \$15.4 million. The enterprise received \$66.4 million in capital contributions from the City due to bond proceeds for improvements to the Auxiliary Water Supply System Earthquake Safety and Emergency Response Project. Transfers to the City were \$2.9 million, a decrease of \$12.2 million since the last fiscal year as projects related to water conservation were completed in prior years.
- Hetch Hetchy Water and Power's net position at fiscal year-end was \$518.5 million, an increase of \$5.8 million, or 1.1 percent, since the end of the prior fiscal year. \$2.4 million is attributable to Hetch Hetchy Water and \$3.4 million to Power, the enterprise's two segments, which share some assets used for both water and power operations. Power's operating revenues increased this fiscal year by \$1.7 million, which was offset by a \$4.9 million decline in non-operating activities, primarily related to grants and an unrealized investment loss reflecting a decline in fair value, resulting in a year over year decrease in change in net position from \$6.3 million to \$3.5 million. Hetch Hetchy Water reported a \$4.9 million increase to operating revenues and a \$2.1 million decline in operating expenses, offset by a \$14.0 million decrease in transfers in for this fiscal year. In the prior fiscal year, the fund had received a transfer in from Water Enterprise for certain water storage and transmission facility improvements.
- The Municipal Transportation Agency (MTA) reported a net position of \$2.27 billion at the end of this fiscal year, an increase of \$171.0 million, or 8.2 percent since the end of last fiscal year. This is attributable to increases of: \$144.3 million in operating revenues including passenger fares, parking and transportation fees and fines, and charges for service; \$25.3 million in capital contributions; and \$22.5 million in transfers from the City. These were offset on the expense side by increases of \$67.2 million, or 7.0 percent, in contract, personnel, maintenance, and other expenses. The largest portion of the MTA's net position reflects its net investment in capital assets, which totaled \$2.13 billion, an increase of 2.5 percent over the prior year. The MTA's unrestricted net position balance is \$125.5 million, which increased significantly by \$119.0 million over the prior year's unrestricted net position balance of \$6.5 million.
- General Hospital, the City's acute care hospital, ended the fiscal year with a net deficit of \$75.9 million compared to a deficit of \$90.7 million the prior year, a decrease in the net deficit of \$14.8 million or 16.3 percent. Although the Hospital had an overall increase in operating revenues of approximately \$127.1 million, primarily attributable to increased net patient service revenue, those revenues were exceeded by an increase in operating expenses of \$23.0 million, mostly in personnel

## CITY AND COUNTY OF SAN FRANCISCO

### Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2013

expenses. Non-operating activity showed decreases in grant revenues of \$5.6 million, and net transfers out of \$15.1 million for this year compared to net transfers in of \$47.5 million in the prior year. Transfers in and out will vary from year to year based upon the City's budget.

- The City's Wastewater Enterprise had a net position of \$1.15 billion at June 30, 2013, an increase from the prior year of \$54.6 million, or 5.0 percent. Total change in net position increased by \$15.5 million, or 39.6 percent. Of this increase, total non-operating revenues increased by \$18.6 million, primarily due to two new grants started in April 2013. Operating revenues increased by \$8.4 million, or 3.4 percent mainly due to increased capacity fee revenues from large commercial and residential high-rise projects in the San Francisco South of Market and Mission Bay areas. Revenues were offset by increased operating expenses of \$12.4 million due in part to \$5.9 million in additional sewer improvement project costs net of write-offs; \$1.7 million in material and supplies and contractual services primarily attributable to increases in building, construction, and sewer treatment supplies; and \$1.5 million in depreciation primarily attributable to Sunnydale Sewer Improvements and 525 Golden Gate Headquarters.
- The Port's net position increased by \$27.7 million, or 8.3 percent, yielding a total net position of \$363.2 million at the end of fiscal year 2012-13. The Port is responsible for a seven and one-half mile stretch of waterfront land and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. Although the Port's operating revenues increased by \$2.9 million due mostly to fees and transaction cost and expense recoveries from developers, its operating expenses increased by \$9.4 million due to revisions in pollution remediation estimates in the prior year. The Port's increase in net position during the current year was largely due to \$7.6 million in capital contributions in the form of federal, state, and local grants and net transfers in of \$19.6 million.
- Laguna Honda Hospital, the City's skilled nursing care hospital, had a decrease in net position of \$9.6 million, or 2.3 percent this year. The decrease is related to additional operating expenses of \$7.6 million, which offset a small increase in operating revenues of \$0.2 million, coupled with a decrease in non-operating income of \$76.5 million, or 90.6 percent. Although Laguna Honda Hospital's loss from operations was \$92.6 million compared to \$85.3 million in fiscal year 2011-12, net transfers in of \$75.0 million offset the impact of the loss, leaving Laguna Honda with a net position of \$407.9 million.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

### Governmental Funds

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

At the end of fiscal year 2012-13, the City governmental funds reported combined fund balances of \$1.67 billion, an increase of \$131.5 million or 8.6 percent over the prior year. Of the total fund balances, \$384.0 million is assigned and a negative \$94.5 million is unassigned. The total of \$289.5 million or 17.3 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 \$353.2 million. The remainder of the governmental funds fund balances includes \$24.1 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, \$1.22 billion restricted for programs at various levels and \$137.5 million committed for other reserves.

**CITY AND COUNTY OF SAN FRANCISCO**

**Management's Discussion and Analysis (Unaudited) (Continued)  
Year Ended June 30, 2013**

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 \$353.2 million while total fund balance reached \$540.9 million. Combined assigned and unassigned fund balances represent 12.6 percent of total expenditures, while total fund balance represents 19.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$532.3 million, before transfers and other items of \$447.2 million, resulting in total fund balance increasing by \$85.1 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

The City recorded an extraordinary loss due to the dissolution of the former Redevelopment Agency of \$201.7 million, which consisted of \$176.6 million of current assets and \$29.0 million of capital assets offset by \$3.9 million of current liabilities. Of this loss, \$172.7 million related to the assets and liabilities in the governmental funds.

**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 in more detail.

At the end of fiscal year 2012-13, the unrestricted net position for the proprietary funds was as follows: Airport: \$187.3 million, Water Enterprise: \$198.4 million, Hetch Hetchy Water and Power: \$187.3 million, Wastewater Enterprise: \$70.3 million, MTA: \$125.5 million, the Port: \$16.2 million and Market Corporation: \$5.0 million. In addition, the San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net position of \$137.0 million and \$42.5 million, respectively.

The following table shows actual revenues, expenses and results of operations for fiscal year 2012-13 in the City's proprietary funds (in thousands). As seen here, the total net position for these funds increased by approximately \$642.8 million due to current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	<b>Operating Revenues</b>	<b>Operating Expenses</b>	<b>Operating Income (Loss)</b>	<b>Non- Operating Revenues (Expense)</b>	<b>Capital Contributions and Others</b>	<b>Interfund Transfers, Net</b>	<b>Change In Net Position</b>
Airport.....	\$ 726,358	\$ 561,458	\$ 164,900	\$ (190,587)	\$ 65,958	\$ (36,464)	\$ 3,807
Water.....	721,470	303,739	417,731	(106,752)	-	63,484	374,463
Hetch Hetchy.....	133,927	128,160	5,767	254	-	(196)	5,825
Municipal Transportation Agency.....	494,805	1,023,885	(529,080)	145,799	178,218	376,020	170,957
General Hospital.....	734,498	758,137	(23,639)	53,558	-	(15,120)	14,799
Wastewater Enterprise.....	252,554	208,260	44,294	9,377	-	888	54,559
Port.....	80,202	79,982	220	328	7,577	19,565	27,690
Laguna Honda Hospital.....	133,746	226,371	(92,625)	7,964	-	75,029	(9,632)
Market Corporation.....	1,715	1,231	484	(116)	-	-	368
Total.....	<u>\$ 3,279,275</u>	<u>\$ 3,291,223</u>	<u>\$ (11,948)</u>	<u>\$ (80,175)</u>	<u>\$ 251,753</u>	<u>\$ 483,206</u>	<u>\$ 642,836</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**Fiduciary Funds**

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2012-13, the net position of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled \$17.12 billion, representing a \$1.76 billion increase over the prior year, an 11.5 percent change. This increase is primarily a result of net appreciation in the fair value of investments. The Private Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$457.0 million at year's end. This 31.2 percent, or \$207.2 million, decrease in the net deficit is due to the extraordinary gain from dissolution of the former Redevelopment Agency. The Investment Trust Fund's net position was \$328.0 million at year's end, and the 1.4 percent increase represents the excess of contributions over distributions to external participants.

***General Fund Budgetary Highlights***

The City's final budget differs from the original budget in that it contains carry-forward appropriations for various programs and projects, and supplemental appropriations approved during the fiscal year.

During the year, actual revenues and other resources were \$117.8 million higher than the final budget. The City realized \$36.0 million, \$29.0 million, \$26.8 million and \$12.8 million more revenue than budgeted in property taxes, real property transfer tax, business tax, and Recreation and Park garage charges, respectively. These increases were partly offset by \$31.8 million shortfall of actual versus budgeted revenue in other categories, namely, hotel room tax, federal grants and subventions, charges for services, other financing sources and other resources.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$29.1 million in expenditure savings. Major factors include:

- \$9.4 million savings in the Human Services Agency, due largely to lower than budgeted payments for Foster Care and Adoption Aid, other aid, and a State policy change in Home Supportive Services.
- \$4.3 million savings from general city responsibilities due to expenditure savings in fringe benefits, especially savings from retiree health subsidy.
- \$4.2 million in savings due to close-out of unspent General Fund reserves not used for supplemental appropriation or other contingencies during fiscal year 2012-13.
- \$3.8 million in salary and benefit savings mainly in Treasurer/Tax Collector, Elections, Board of Supervisors, Controller, and other departments in general administration and finance.
- The remaining lower than budgeted expenditures are savings from public protection and community health.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve balances was a budgetary fund balance available for subsequent year appropriation of \$240.4 million at the end of fiscal year 2012-13. The City's fiscal year 2013-14 Adopted Original Budget assumed an available balance of \$122.7 million, and \$117.7 million remains available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional fund balance details).

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**Capital Assets and Debt Administration**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2013, increased by \$1.32, billion, 8.5 percent, to \$16.89 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 \$358.1 million or 27.2 percent to this total while \$960.4 million or 72.8 percent was from business-type activities. Details are shown in the table below.

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land.....	\$ 257,089	\$ 281,858	\$ 214,992	\$ 201,334	\$ 472,081	\$ 483,192
Construction in progress.....	863,080	573,461	2,617,539	2,179,509	3,480,619	2,752,970
Facilities and improvements..	2,354,846	2,343,122	8,390,105	7,809,110	10,744,951	10,152,232
Machinery and equipment.....	54,532	49,061	796,341	845,937	850,873	894,998
Infrastructure.....	471,431	402,510	739,865	759,052	1,211,296	1,161,562
Property held under lease.....	-	-	-	5	-	5
Intangible assets.....	43,670	38,234	82,049	85,826	125,719	124,060
Total.....	<u>\$ 4,044,648</u>	<u>\$3,688,246</u>	<u>\$12,840,891</u>	<u>\$11,880,773</u>	<u>\$ 16,885,539</u>	<u>\$ 15,569,019</u>

Major capital asset events during fiscal year 2012-13 included the following:

- Under governmental activities, net capital assets increased by \$356.4 million mainly due to the increase in construction in progress and completed assets at various park and recreational sites, branch libraries, various street improvement and traffic signal upgrades. About \$186.8 million worth of construction-in-progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about \$11.9 million in public library improvements and approximately \$81.9 million is for various parks and recreation centers such as Chinese Recreation Center, West Harbor Renovation and various park improvement projects including the Golden Gate Park. Intangible assets of about \$35.6 million were capitalized. The remaining completed projects include public works and traffic signal projects.
- The Water Enterprise's net capital assets increased by \$624.8 million or 19.3 percent. Close to \$139.8 million, or 22.4 percent, of the change reflects the net increase in construction-in-progress on the enterprise's ten-year capital plan, including the Water System Improvement Program. Major additions to construction work included Bay Division Pipeline Reliability Upgrade, San Joaquin Pipeline, Irvington Tunnel, Calaveras Dam Replacement, and other Water System Improvement Program (WSIP). As of June 30, 2013, the Water Enterprise is 72 percent through construction of its multi-billion dollar, multi-year program to upgrade the Hetch Hetchy Regional and Local Water Systems, known as the Water System Improvement Program (WSIP). The program consists of 35 local projects within San Francisco and 47 regional projects spread over seven different counties from the Sierra foothills to San Francisco. Based on latest Public Utilities Commission approval dated on April 23, 2013, the program's revised target completion dates are June 2015 for local projects and April 2019 for regional projects. The WSIP delivers capital improvements that enhance the Water Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.

## CITY AND COUNTY OF SAN FRANCISCO

### Management's Discussion and Analysis (Unaudited) (Continued) Year Ended June 30, 2013

- MTA's net capital assets increased by \$77.0 million or 3.6 percent, compared to the previous year, which was attributed to an increase in construction work for new and existing projects with a corresponding increase in depreciation expense for existing assets. Construction in progress is made up of various transit pedestrian and bike projects. The four projects that have the highest balances on June 30, 2013, are the New Central Subway, rail replacement, Historic Street Car Renovation and the wayside fare collection. The Central Subway Project will link the existing 5.2 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro Market Street, Union Square and Chinatown to the north. Detailed design contracts for the Chinatown, Moscone and Union Square Market Street Stations are now completed; all advanced utility relocation construction and the Tunnel Boring Machine (TBM) Launch Box construction were also completed this year. The first of two TBMs was installed and began tunneling. The final construction contract for all stations, track and systems was awarded and issued a Notice to Proceed. The Federal Transportation Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of \$942.2 million in federal Section 5309 funds through project completion; this was followed by an FTA allocation of \$85.0 million to the project; the remaining funds will be awarded annually over the next five years. The California Transportation Commission awarded the full amount of \$61.3 million in Proposition 1A Connectivity funds grant for the project tunnel construction and \$117.0 million in Prop. 1B PTMISEA funds right-of-way, final design and construction.
- Laguna Honda Hospital's net capital assets increased by \$9.2 million or 1.7 percent due primarily to construction-in-progress on the remaining projects to rebuild the hospital. In December 2010, Laguna Honda Hospital and Rehabilitation Center occupied its newly constructed modern patient care facility that provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. As of June 30, 2013, LHH has entered into various purchase contracts totaling approximately \$8.7 million that are related to the old building remodel phase of the Replacement Project.
- General Hospital's net capital assets increased by \$8.0 million or 11.1 percent primarily due to the increase in construction-in-progress related to the hospital rebuild project. As of June 30, 2013, General Obligation Bonds, in the amount of \$677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.
- The Wastewater Enterprise net capital assets reported an increase of \$126.7 million or 8.0 percent mainly in construction activities. These include the Mission/Cesar Chavez Improvements, Sunnydale Sewer Improvements, Spot Sewer Repair, Sewer Repair and Replacement, and other capital projects throughout the system. The SFPUC is underway with the initial phase of the Sewer System Improvement Program (SSIP), a multi-year and multi-billion dollar Citywide investment to upgrade the aging sewer system to provide a reliable, sustainable, and seismically safe sewer system. The \$6.93 billion program includes three phases over the span of next 20 years: Phase I consists of \$2.71 billion in authorized funds for mission-critical repairs, Phase II consists of \$3.29 billion in critical grey and green infrastructure improvements, and Phase III consists of \$0.93 billion to complete seismic and reliability project upgrades to the system and ensures full implementation of green infrastructure projects. Phase I includes rebuilding of the aging solids processing and energy recovery facilities at the Southeast Treatment Plant, construction of the eight green infrastructure projects, as well as planning, design, and environmental review of improvements for the Central Bayside project. As of June 30, 2013, Phase I expenditures totaled \$66.8 million.



**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

- Hetch Hetchy net capital assets increased by \$13.5 million or 4.0 percent during the year, resulting from an increase of \$21.4 million in construction in progress offset by decreases of \$7.4 million in facilities, improvements, machinery and equipment, and \$0.5 million in intangible assets, net of depreciation and \$1.6 million in capital write-offs.
- The Airport's net capital assets decreased \$13.6 million or 0.4 percent primarily due to the disposition of capital assets.
- The Port's net capital assets increased by \$114.3 million or 38.8 percent mainly in construction activities that include James R. Herman Cruise Terminal at Pier 27, Pier 15 Substructure Improvements, and the Brannan Street Wharf.

At the end of the year, the City's business-type activities had approximately \$1.28 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$712.7 million, MTA had \$349.5 million, Wastewater had \$130.4 million, Airport had \$35.9 million, Hetch Hetchy had \$27.0 million, Port had \$11.0 million, Laguna Honda Hospital had \$8.7 million and the General Hospital had \$4.3 million. In addition, there was approximately \$244.6 million reserved for encumbrances in capital project funds for the general government projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the fiscal year 2012-13. Governmental fund financial statements record capital asset purchases as expenditures.

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

**Debt Administration**

At the end of fiscal year 2012-13, the City had total long-term and commercial paper debt outstanding of \$13.01 billion. Of this amount, \$1.89 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and \$11.12 billion is revenue bonds, loans, certificates of participation, capital leases, 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 \$649.9 million or 5.3 percent during the fiscal year. The net increase in debt obligations in the governmental activities was \$444.4 million primarily due to issuance of new debt. For the business-type activities, the net increase in debt obligations was \$205.5 million due primarily to the issuance of revenue bonds by the San Francisco Wastewater Enterprise and commercial paper by the Airport for various capital projects.

The business-type activities issued a combined total of \$697.5 million revenue bonds, of which \$525.0 million was issued by the San Francisco Wastewater Enterprise to refund a portion of its long-term debt for economic gain and for cash flow savings, finance its capital projects and pay off all outstanding commercial paper notes. The San Francisco Municipal Transportation Agency (MTA) issued a total of \$63.8 million of revenue bonds of which \$25.8 million was issued to finance MTA's various transit and parking projects and to refund, for economic gain, \$38.0 million outstanding revenue bonds issued by the Parking Authority. The San Francisco Water Enterprise issued \$24.0 million revenue refunding bonds for cash flow savings and economic gain. The Airport remarketed \$84.7 million of revenue refunding bonds and issued additional \$170.1 million commercial paper notes to finance capital improvement projects.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

The City issued a total of \$521.9 million in general obligation bonds to fund the City's earthquake safety and emergency response projects, clean and safe neighborhood projects, road repaving and street safety projects and San Francisco General Hospital rebuild projects. The City and County of San Francisco Finance Corporation issued \$11.1 million in lease revenue bonds to finance equipment purchases. The City issued \$35.6 million certificates of participation to retire outstanding commercial paper issued to finance the Moscone Convention Center improvement project and drew an additional loan for \$5.9 million for the renovation of the City's west harbor marina. An additional \$4.7 million of commercial paper notes was issued by the City for interim financing of its capital projects and capital project acquisitions.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the taxable assessed value of property in the City – estimated at \$167.67 billion in value as of the close of the fiscal year. As of June 30, 2013, the City had \$1.89 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.08 percent of gross (1.13 percent of net) taxable assessed value of property. As of June 30, 2013, there were an additional \$750.7 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.51 percent of gross (1.57 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2013 were:

Moody's Investors Service, Inc.	Aa1
Standard & Poor's	AA
Fitch Ratings	AA

During the fiscal year, Moody's Investors Service (Moody's) and Fitch Ratings upgraded the City's ratings to "Aa1" and "AA", respectively, with a stable outlook. Standard & Poor's affirmed its rating at "AA" and revised the outlook from negative to stable on all the City's outstanding bonds.

The City's enterprise activities maintained their underlying debt ratings for fiscal year 2012-13. Moody's, Standard and Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+" with stable rating outlooks, respectively. The San Francisco Water Enterprise and the San Francisco Wastewater Enterprise both carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard & Poor's, respectively. MTA carried underlying debt ratings of "Aa3" and "A" from Moody's and Standard & Poor's, respectively as of June 30, 2013.

In October 2013, Standard & Poor's (S&P) raised its long-term rating and underlying rating (SPUR) to "AA+" from "AA" on the City's general obligation bonds outstanding and raised its long-term rating and SPUR to "AA" from "AA-" on the City's lease revenue bonds and certificates of participation (COP). At the same time, S&P assigned its "AA" rating with a stable outlook to COP Series 2013B and 2013C issued by the Port Commission. On MTA's Series 2012 and Series 2013 revenue bonds, S&P revised its rating to "A" and Moody's reaffirmed its "Aa3" rating.

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**Economic factors and future budgets and rates**

San Francisco has continued to experience improvement in the economy. The following economic factors were considered in the preparation of the City's budget for fiscal years 2013-14 and 2014-15. 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, MTA, and the Port, which each have a fixed two-year budget.

- Average unemployment for fiscal year 2012-13 was 6.5 percent, a 1.5 percent decrease from fiscal year 2011-12.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show significant signs of recovery. The average median home price in fiscal year 2012-13 was \$765,583, up 18.4 percent from the previous fiscal year. Residential and commercial rents also grew by 6.6 percent and 14.8 percent, respectively, from the prior fiscal year.
- The hotel sector saw significant growth in fiscal year 2012-13 over the prior year. Hotel room average occupancy rose to 84.3 percent. Average daily room rates grew by 7.4 percent to \$212 per room-night.
- The City's taxable sales have also continued to grow, with fiscal year 2012-13 sales tax revenue up 4.9 percent over fiscal year 2011-12, when sales had already exceeded pre-recession revenue levels.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2013-14 and 2014-15 in July 2013, which assumes use of prior year fund balance from General Fund of \$122.7 million and \$111.6 million, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
**Year Ended June 30, 2013**

**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  
1155 Market Street, 11th Floor  
San Francisco, CA 94103

***Laguna Honda Hospital***

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

***Municipal Transportation Agency***

SFMTA Finance and Information Technology Services  
1 South Van Ness Avenue, 8<sup>th</sup> Floor  
San Francisco, CA 94103

***Health Service System***

Executive Director  
1145 Market Street, Suite 200  
San Francisco, CA 94103

***San Francisco General Hospital Medical Center***

Chief Financial Officer  
1001 Potrero Avenue, Suite 2A7  
San Francisco, CA 94110

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

Executive Director  
30 Van Ness Avenue, Suite 3000  
San Francisco, CA 94102

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

1 South Van Ness Avenue, 5<sup>th</sup> Floor  
San Francisco, CA 94103

**Blended Component Units Financial Statements**

***San Francisco County Transportation Authority***

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

***San Francisco Finance Corporation***

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

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## **Basic Financial Statements**

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Net Position**  
June 30, 2013  
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
<b>Assets and Deferred Outflows of Resources</b>				
Assets:				
Current assets:				
Deposits and investments with City Treasury.....	\$ 2,110,054	\$ 1,806,112	\$ 3,916,166	\$ 6,429
Deposits and investments outside City Treasury.....	72,417	9,808	82,225	-
Receivables (net of allowance for uncollectible amounts of \$193,814 for the primary government):				
Property taxes and penalties.....	56,771	-	56,771	-
Other local taxes.....	238,282	-	238,282	-
Federal and state grants and subventions.....	306,498	139,951	446,449	-
Charges for services.....	53,402	230,425	283,827	834
Interest and other.....	5,152	110,834	115,986	2
Due from component unit .....	2,636	200	2,836	-
Inventories.....	-	78,225	78,225	-
Deferred charges and other assets.....	18,183	6,087	24,270	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	160,179	160,179	-
Deposits and investments outside City Treasury.....	55,337	165,919	221,256	-
Grants and other receivables.....	-	13,772	13,772	-
Total current assets.....	<u>2,918,732</u>	<u>2,721,512</u>	<u>5,640,244</u>	<u>7,265</u>
Noncurrent assets:				
Loans receivable (net of allowance for uncollectible amounts of \$945,031).....	70,326	-	70,326	-
Advances to component units.....	30,403	3,427	33,830	-
Deferred charges and other assets.....	25,963	66,776	92,739	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	1,449,790	1,449,790	-
Deposits and investments outside City Treasury.....	4,777	596,558	601,335	-
Grants and other receivables.....	-	70,145	70,145	-
Capital assets:				
Land and other assets not being depreciated.....	1,127,701	2,837,693	3,965,394	-
Facilities, infrastructure, and equipment, net of depreciation.....	2,916,947	10,003,198	12,920,145	-
Total capital assets.....	<u>4,044,648</u>	<u>12,840,891</u>	<u>16,885,539</u>	<u>-</u>
Total noncurrent assets.....	<u>4,176,117</u>	<u>15,027,587</u>	<u>19,203,704</u>	<u>-</u>
Total assets.....	7,094,849	17,749,099	24,843,948	7,265
Deferred outflows of resources for accumulated decreases in fair value of hedging derivatives.....	-	64,743	64,743	-
Total assets and deferred outflows of resources.....	<u>\$ 7,094,849</u>	<u>\$ 17,813,842</u>	<u>\$ 24,908,691</u>	<u>\$ 7,265</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, 2013  
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
<b>Liabilities</b>				
Current liabilities:				
Accounts payable.....	\$ 307,421	\$ 212,498	\$ 519,919	\$ 443
Accrued payroll.....	133,289	103,099	236,388	-
Accrued vacation and sick leave pay.....	78,428	55,019	133,447	-
Accrued workers' compensation.....	39,759	24,002	63,761	-
Estimated claims payable.....	37,374	24,284	61,658	-
Bonds, loans, capital leases, and other payables.....	402,928	635,557	1,038,485	-
Capital lease payable to other governmental agency.....	870	-	870	-
Accrued interest payable.....	12,784	51,380	64,164	-
Unearned grant and subvention revenues.....	13,324	-	13,324	-
Due to primary government.....	-	-	-	420
Due to component unit.....	280	-	280	-
Internal balances.....	(10,524)	10,524	-	-
Deferred credits and other liabilities.....	317,382	436,740	754,122	1,016
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	207,708	207,708	-
Accrued interest payable.....	-	28,158	28,158	-
Other.....	-	224,549	224,549	-
Total current liabilities.....	1,333,315	2,013,518	3,346,833	1,879
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	73,739	44,415	118,154	-
Accrued workers' compensation.....	189,573	124,442	314,015	-
Other postemployment benefits obligation.....	899,970	658,008	1,557,978	-
Estimated claims payable.....	73,627	39,297	112,924	-
Bonds, loans, capital leases, and other payables.....	2,693,597	9,067,306	11,760,903	-
Advances from primary government.....	-	-	-	13,763
Capital lease payable to other governmental agency.....	8,507	-	8,507	-
Deferred credits and other liabilities.....	2,362	111,416	113,778	-
Derivative instruments liabilities.....	-	81,338	81,338	-
Total noncurrent liabilities.....	3,941,375	10,126,222	14,067,597	13,763
Total liabilities.....	5,274,690	12,139,740	17,414,430	15,642
<b>Net Position</b>				
Net investment in capital assets, Note 2(k).....	2,275,963	4,691,579	6,692,499	-
Restricted for:				
Reserve for rainy day.....	26,339	-	26,339	-
Debt service.....	98,754	58,970	157,724	-
Capital projects, Note 2(k).....	154,502	299,942	356,002	-
Community development.....	109,423	-	109,423	-
Transportation Authority activities.....	10,924	-	10,924	-
Building inspection programs.....	71,131	-	71,131	-
Children and families.....	56,170	-	56,170	-
Culture and recreation.....	66,065	-	66,065	-
Grants.....	71,202	-	71,202	-
Other purposes.....	21,706	13,046	34,752	-
Total restricted.....	686,216	371,958	959,732	-
Unrestricted (deficit), Note 2(k).....	(1,142,020)	610,565	(157,970)	(8,377)
Total net position (deficit).....	\$ 1,820,159	\$ 5,674,102	\$ 7,494,261	\$ (8,377)

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, 2013  
 (In Thousands)

Functions/Programs	Net (Expense) Revenue and Changes in Net Position							Component Unit
	Expenses	Program Revenues			Primary Government			Treasure Island Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,236,922	\$ 60,190	\$ 183,641	\$ -	\$ (993,091)	\$ -	\$ (993,091)	\$ -
Public works, transportation and commerce.....	189,124	105,981	42,450	24,024	(16,669)	-	(16,669)	-
Human welfare and neighborhood development.....	946,562	69,997	562,327	-	(314,238)	-	(314,238)	-
Community health.....	751,491	60,856	282,121	3,896	(404,618)	-	(404,618)	-
Culture and recreation.....	338,042	93,612	2,014	1,798	(240,618)	-	(240,618)	-
General administration and finance.....	249,271	76,903	8,998	-	(163,370)	-	(163,370)	-
General City responsibilities.....	83,895	50,121	4,603	-	(29,171)	-	(29,171)	-
Unallocated interest on long-term debt.....	107,790	-	-	-	(107,790)	-	(107,790)	-
Total governmental activities.....	<u>3,903,097</u>	<u>517,660</u>	<u>1,086,154</u>	<u>29,718</u>	<u>(2,269,565)</u>	<u>-</u>	<u>(2,269,565)</u>	<u>-</u>
Business-type activities:								
Airport.....	756,961	726,358	-	65,958	-	35,355	35,355	-
Transportation.....	1,026,726	494,805	144,450	178,218	-	(209,253)	(209,253)	-
Port.....	81,422	80,202	1,647	7,577	-	8,004	8,004	-
Water.....	445,804	721,470	4,593	-	-	280,259	280,259	-
Power.....	129,790	133,927	373	-	-	4,510	4,510	-
Hospitals.....	992,687	868,244	54,269	-	-	(70,174)	(70,174)	-
Sewer.....	223,727	252,554	19,050	-	-	47,877	47,877	-
Market.....	1,231	1,715	-	-	-	484	484	-
Total business-type activities.....	<u>3,658,348</u>	<u>3,279,275</u>	<u>224,382</u>	<u>251,753</u>	<u>-</u>	<u>97,062</u>	<u>97,062</u>	<u>-</u>
Total primary government.....	<u>\$ 7,561,445</u>	<u>\$ 3,796,935</u>	<u>\$ 1,310,536</u>	<u>\$ 281,471</u>	<u>(2,269,565)</u>	<u>97,062</u>	<u>(2,172,503)</u>	<u>-</u>
Component unit:								
Treasure Island Development Authority.....								
	\$ 7,437	\$ 8,454	\$ -	\$ -				\$ 1,017
General Revenues:								
Taxes:								
Property taxes.....					1,415,068	-	1,415,068	-
Business taxes.....					480,131	-	480,131	-
Sales and use tax.....					208,025	-	208,025	-
Hotel room tax.....					238,782	-	238,782	-
Utility users tax.....					91,871	-	91,871	-
Other local taxes.....					359,808	-	359,808	-
Interest and investment income.....					7,862	1,009	8,871	10
Other.....					52,865	61,737	114,602	-
Transfers - internal activities of primary government.....					(483,028)	483,028	-	-
Total general revenues and transfers.....					<u>2,371,384</u>	<u>545,774</u>	<u>2,917,158</u>	<u>10</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
					(201,670)	-	(201,670)	-
Change in net position.....					(99,851)	642,836	542,985	1,027
Net position - beginning.....					1,920,010	5,031,266	6,951,276	(9,404)
Net position - ending.....					<u>\$ 1,820,159</u>	<u>\$ 5,674,102</u>	<u>\$ 7,494,261</u>	<u>\$ (8,377)</u>

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, 2013

(with comparative financial information as of June 30, 2012)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
<b>Assets</b>						
Deposits and investments with City Treasury.....	\$ 720,132	\$ 530,443	\$ 1,357,554	\$ 1,323,276	\$ 2,077,686	\$ 1,853,719
Deposits and investments outside City Treasury.....	1,004	635	71,413	80,613	72,417	81,248
Receivables (net of allowance for uncollectible amounts of \$149,635 in 2013; \$128,739 in 2012):						
Property taxes and penalties.....	47,791	47,374	8,980	8,454	56,771	55,828
Other local taxes.....	223,091	211,788	15,191	16,246	238,282	228,034
Federal and state grants and subventions.....	197,190	186,838	109,308	139,676	306,498	326,514
Charges for services.....	41,864	43,435	11,538	16,326	53,402	59,761
Interest and other.....	2,318	808	2,071	6,288	4,389	7,096
Due from other funds .....	11,753	47,281	29,460	5,149	41,213	52,430
Due from component unit .....	2,179	1,786	457	879	2,636	2,665
Advances to component unit .....	20,067	16,551	10,336	9,725	30,403	26,276
Loans receivable (net of allowance for uncollectible ..... amounts of \$945,031 in 2013; \$559,893 in 2012)	157	157	70,169	66,973	70,326	67,130
Deferred charges and other assets.....	4,473	3,829	12,404	12,008	16,877	15,837
<b>Total assets.....</b>	<b>\$ 1,272,019</b>	<b>\$ 1,090,925</b>	<b>\$ 1,698,881</b>	<b>\$ 1,685,613</b>	<b>\$ 2,970,900</b>	<b>\$ 2,776,538</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts payable.....	\$ 152,649	\$ 108,407	\$ 149,246	\$ 145,675	\$ 301,895	\$ 254,082
Accrued payroll.....	107,889	99,721	23,009	22,637	130,898	122,358
Deferred tax, grant and subvention revenues.....	146,221	113,684	44,306	81,359	190,527	195,043
Due to other funds.....	870	1,212	27,856	49,664	28,726	50,876
Due to component unit.....	-	-	280	-	280	-
Deferred credits and other liabilities.....	323,519	312,176	124,948	108,088	448,467	420,264
Bonds, loans, capital leases, and other payables.....	-	-	201,546	196,834	201,546	196,834
<b>Total liabilities.....</b>	<b>731,148</b>	<b>635,200</b>	<b>571,191</b>	<b>604,257</b>	<b>1,302,339</b>	<b>1,239,457</b>
<b>Fund balances:</b>						
Nonspendable.....	23,854	19,598	274	1,104	24,128	20,702
Restricted.....	26,339	34,109	1,191,189	1,189,102	1,217,528	1,223,211
Committed.....	137,487	79,276	-	-	137,487	79,276
Assigned.....	353,191	305,413	30,759	28,006	383,950	333,419
Unassigned.....	-	17,329	(94,532)	(136,856)	(94,532)	(119,527)
<b>Total fund balances.....</b>	<b>540,871</b>	<b>455,725</b>	<b>1,127,690</b>	<b>1,081,356</b>	<b>1,668,561</b>	<b>1,537,081</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 1,272,019</b>	<b>\$ 1,090,925</b>	<b>\$ 1,698,881</b>	<b>\$ 1,685,613</b>	<b>\$ 2,970,900</b>	<b>\$ 2,776,538</b>

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, 2013  
(In Thousands)

Fund balances - total governmental funds	\$ 1,668,561
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.	4,038,728
Bond issue costs are not financial resources and, therefore, are not reported in the funds.	19,128
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,011,220)
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,134)
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets are offset by deferred revenue in the funds.	306,501
Internal service funds are used by management to charge the costs of capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	<u>(190,405)</u>
Net position of governmental activities	<u>\$ 1,820,159</u>

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances**  
**Governmental Funds**

Year Ended June 30, 2013

(with comparative total financial information for the year ended June 30, 2012)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2013	2012	2013	2012	2013	2012
<b>Revenues:</b>						
Property taxes.....	\$ 1,122,008	\$ 1,056,143	\$ 299,756	\$ 296,714	\$ 1,421,764	\$ 1,352,857
Business taxes.....	479,627	435,316	504	2,362	480,131	437,678
Sales and use tax.....	122,271	117,071	85,754	81,165	208,025	198,236
Hotel room tax.....	182,396	188,665	56,386	50,902	238,782	239,567
Utility users tax.....	91,871	91,676	-	-	91,871	91,676
Other local taxes.....	359,808	353,889	-	-	359,808	353,889
Licenses, permits and franchises.....	26,273	25,022	14,628	14,748	40,901	39,770
Fines, forfeitures and penalties.....	6,226	8,444	43,615	21,646	49,841	30,090
Interest and investment income.....	2,125	10,262	5,364	21,109	7,489	31,371
Rents and concessions.....	35,273	24,932	63,497	64,251	98,770	89,183
<b>Intergovernmental:</b>						
Federal.....	174,753	198,642	246,022	222,332	420,775	420,974
State.....	542,800	480,166	113,341	108,366	656,141	588,532
Other.....	3,072	-	38,717	33,181	41,789	33,181
Charges for services.....	164,391	145,797	131,668	119,059	296,059	264,856
Other.....	14,142	17,090	66,872	66,544	81,014	83,634
Total revenues.....	<u>3,327,036</u>	<u>3,153,115</u>	<u>1,166,124</u>	<u>1,102,379</u>	<u>4,493,160</u>	<u>4,255,494</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	1,057,451	991,275	88,433	87,928	1,145,884	1,079,203
Public works, transportation and commerce.....	68,014	52,815	155,204	198,064	223,218	250,879
Human welfare and neighborhood development.....	660,657	626,194	284,449	292,220	945,106	918,414
Community health.....	634,701	545,962	100,035	107,301	734,736	653,263
Culture and recreation.....	105,870	100,246	222,924	210,910	328,794	311,156
General administration and finance.....	186,342	182,898	24,796	20,259	211,138	203,157
General City responsibilities.....	81,657	96,132	118	18	81,775	96,150
<b>Debt service:</b>						
Principal retirement.....	-	-	154,542	167,465	154,542	167,465
Interest and fiscal charges.....	-	-	108,189	103,706	108,189	103,706
Bond issuance costs.....	-	-	2,913	5,386	2,913	5,386
Capital outlay.....	-	-	410,994	270,094	410,994	270,094
Total expenditures.....	<u>2,794,692</u>	<u>2,595,522</u>	<u>1,552,597</u>	<u>1,463,351</u>	<u>4,347,289</u>	<u>4,058,873</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>532,344</u>	<u>557,593</u>	<u>(386,473)</u>	<u>(360,972)</u>	<u>145,871</u>	<u>196,621</u>
<b>Other financing sources (uses):</b>						
Transfers in.....	195,272	120,449	252,462	215,151	447,734	335,600
Transfers out.....	(646,912)	(553,190)	(283,881)	(189,529)	(930,793)	(742,719)
<b>Issuance of bonds and loans:</b>						
Face value of bonds issued.....	-	-	557,490	804,090	557,490	804,090
Face value of loans issued.....	-	-	5,890	4,359	5,890	4,359
Premium on issuance of bonds.....	-	-	64,469	89,336	64,469	89,336
Payment to refunded bond escrow agent.....	-	-	-	(487,390)	-	(487,390)
Other financing sources-capital leases.....	4,442	3,682	9,028	8,622	13,470	12,304
Total other financing sources (uses).....	<u>(447,198)</u>	<u>(429,059)</u>	<u>605,458</u>	<u>444,639</u>	<u>158,260</u>	<u>15,580</u>
<b>Extraordinary gain/(loss) from dissolution of the</b>						
Redevelopment Agency.....	-	(815)	(172,651)	198,129	(172,651)	197,314
Net change in fund balances.....	<u>85,146</u>	<u>127,719</u>	<u>46,334</u>	<u>281,796</u>	<u>131,480</u>	<u>409,515</u>
Fund balances at beginning of year.....	<u>455,725</u>	<u>328,006</u>	<u>1,081,356</u>	<u>799,560</u>	<u>1,537,081</u>	<u>1,127,566</u>
Fund balances at end of year.....	<u>\$ 540,871</u>	<u>\$ 455,725</u>	<u>\$ 1,127,690</u>	<u>\$ 1,081,356</u>	<u>\$ 1,668,561</u>	<u>\$ 1,537,081</u>

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, 2013  
(In Thousands)

Net change in fund balances - total governmental funds	\$ 131,480
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 plus extraordinary loss on capital assets from dissolution of the Redevelopment Agency.	355,953
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(145,009)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(6,696)
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	(4,894)
Governmental funds report expenditures pertaining to the establishment of certain deferred credits related to long-term loans made. These deferred credits are not reported on the statement of net position and, therefore, the corresponding expense is not reported on the statement of activities.	15,217
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net position. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	14,560
Bond issue costs are expended in the governmental funds when paid and are capitalized and amortized in the statement of activities. This is the amount by which current year bond issue costs exceed amortization expense in the current period.	1,755
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(408,838)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(64,469)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses.	6,382
The net revenues of the activities of internal service funds are reported with governmental activities.	4,708
Change in net position of governmental activities	<u>\$ (99,851)</u>

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Budgetary Comparison Statement - General Fund**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Budgetary Fund Balance, July 1</b>	<u>\$ 120,654</u>	<u>\$ 557,097</u>	<u>\$ 557,097</u>	<u>\$ -</u>
<b>Resources (Inflows):</b>				
Property taxes.....	1,078,083	1,078,083	1,114,078	35,995
Business taxes.....	452,806	452,806	479,627	26,821
Other local taxes:				
Sales tax.....	121,736	121,736	122,271	535
Hotel room tax.....	193,966	193,966	182,396	(11,570)
Utility users tax.....	91,900	91,900	91,871	(29)
Parking tax.....	76,530	76,530	81,645	5,115
Real property transfer tax.....	249,163	249,163	278,163	29,000
Licenses, permits, and franchises:				
Licenses and permits.....	9,462	9,462	10,130	668
Franchise tax.....	15,870	15,870	16,143	273
Fines, forfeitures, and penalties.....	7,174	7,194	6,226	(968)
Interest and investment income.....	6,776	6,776	10,335	3,559
Rents and concessions:				
Garages - Recreation and Park.....	7,286	7,286	20,081	12,795
Rents and concessions - Recreation and Park.....	12,131	12,131	13,290	1,159
Other rents and concessions.....	2,007	2,007	3,014	1,007
Intergovernmental:				
Federal grants and subventions.....	198,844	200,761	197,145	(3,616)
State subventions:				
Social service subventions.....	61,415	61,416	86,186	24,770
Health / mental health subventions.....	135,285	137,858	112,355	(25,503)
Health and welfare realignment.....	210,937	210,937	235,402	24,465
Public safety sales tax.....	78,967	78,967	83,238	4,271
Motor vehicle in-lieu - county.....	805	805	805	-
Other grants and subventions.....	28,932	28,552	32,826	4,274
Allowance for state revenue reduction.....	(15,000)	-	-	-
Other.....	-	2,671	3,072	401
Charges for services:				
General government service charges.....	50,095	53,150	58,384	5,234
Public safety service charges.....	24,444	23,433	27,886	4,453
Recreation charges - Recreation and Park.....	13,907	13,913	17,101	3,188
MediCal, MediCare and health service charges.....	78,317	78,467	61,137	(17,330)
Other financing sources:				
Transfers from other funds.....	155,950	195,388	195,061	(327)
Repayment of loan from Component Unit.....	627	627	-	(627)
Other resources (inflows).....	17,640	24,844	14,645	(10,199)
Subtotal - Resources (Inflows)	<u>3,366,055</u>	<u>3,436,699</u>	<u>3,554,513</u>	<u>117,814</u>
Total amounts available for appropriation.....	<u>3,486,709</u>	<u>3,993,796</u>	<u>4,111,610</u>	<u>117,814</u>

(Continued)

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Budgetary Comparison Statement - General Fund (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
<b>Public Protection</b>				
Adult Probation.....	\$ 22,514	\$ 21,394	\$ 20,830	\$ 564
District Attorney.....	37,029	37,085	36,763	322
Emergency Communications.....	40,321	43,097	43,076	21
Fire Department.....	297,706	297,022	296,587	435
Juvenile Probation.....	34,482	30,617	29,273	1,344
Police Department.....	417,610	430,432	430,426	6
Public Defender.....	26,651	27,356	27,338	18
Sheriff.....	147,315	138,519	138,481	38
Superior Court.....	32,848	32,802	32,683	119
Subtotal - Public Protection	<u>1,056,476</u>	<u>1,058,324</u>	<u>1,055,457</u>	<u>2,867</u>
<b>Public Works, Transportation and Commerce</b>				
Board of Appeals.....	932	918	861	57
Business and Economic Development.....	28,898	17,046	17,046	-
General Services Agency - Public Works.....	37,699	49,632	49,062	570
Hetch Hetchy.....	-	398	385	13
Municipal Transportation Agency.....	-	357	357	-
Subtotal - Public Works, Transportation and Commerce	<u>67,529</u>	<u>68,351</u>	<u>67,711</u>	<u>640</u>
<b>Human Welfare and Neighborhood Development</b>				
Children, Youth and Their Families.....	27,760	26,686	25,567	1,119
Commission on the Status of Women.....	3,593	3,984	3,960	24
County Education Office.....	116	116	116	-
Environment.....	-	153	153	-
Human Rights Commission.....	1,216	1,210	992	218
Human Services.....	637,690	633,354	623,927	9,427
Mayor - Housing/Neighborhoods.....	3,461	5,455	5,011	444
Subtotal - Human Welfare and Neighborhood Development	<u>673,836</u>	<u>670,958</u>	<u>659,726</u>	<u>11,232</u>
<b>Community Health</b>				
Public Health.....	609,892	635,960	634,552	1,408
<b>Culture and Recreation</b>				
Academy of Sciences.....	4,027	4,027	3,975	52
Art Commission.....	9,700	8,732	8,731	1
Asian Art Museum.....	7,831	7,538	7,477	61
Fine Arts Museum.....	12,865	12,637	12,203	434
Law Library.....	738	736	648	88
Recreation and Park Commission.....	75,905	71,910	71,910	-
Subtotal - Culture and Recreation	<u>111,066</u>	<u>105,580</u>	<u>104,944</u>	<u>636</u>

(Continued)

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Budgetary Comparison Statement - General Fund (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>General Administration and Finance</b>				
Assessor/Recorder.....	\$ 17,774	\$ 17,446	\$ 17,419	\$ 27
Board of Supervisors.....	12,247	12,137	11,549	588
City Attorney.....	8,738	11,279	11,279	-
City Planning.....	25,534	23,984	23,984	-
Civil Service.....	549	548	536	12
Controller.....	11,816	12,607	12,092	515
Elections.....	11,607	11,470	10,754	716
Ethics Commission.....	4,156	3,420	3,415	5
General Services Agency - Administrative Services.....	62,793	55,421	55,082	339
General Services Agency - Telecomm and Info Services .....	1,588	2,212	2,027	185
Health Service System.....	167	423	412	11
Human Resources.....	9,379	11,969	11,941	28
Mayor.....	4,584	4,764	4,764	-
Retirement Services.....	893	643	643	-
Treasurer/Tax Collector.....	<u>22,709</u>	<u>21,828</u>	<u>20,445</u>	<u>1,383</u>
Subtotal - General Administration and Finance	<u>194,534</u>	<u>190,151</u>	<u>186,342</u>	<u>3,809</u>
<b>General City Responsibilities</b>				
General City Responsibilities.....	103,613	86,527	82,223	4,304
Other financing uses:				
Debt Service.....	2,214	-	-	-
Transfers to other funds.....	615,793	646,018	646,018	-
Budgetary reserves and designations.....	<u>51,756</u>	<u>4,191</u>	<u>-</u>	<u>4,191</u>
Total charges to appropriations.....	<u>3,486,709</u>	<u>3,466,060</u>	<u>3,436,973</u>	<u>29,087</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 527,736</u>	<u>\$ 674,637</u>	<u>\$ 146,901</u>

<b>Budgetary fund balance, June 30 before reserves and designations</b>	<b>\$ 674,637</b>
Reserves and designations made from budgetary fund balance, June 30	<u>434,197</u>
<b>Net Available Budgetary Fund Balance, June 30</b>	<b><u>\$ 240,440</u></b>

<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" .....	\$ 4,111,610
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.....	(557,097)
Property tax revenue - Teeter Plan net change from prior year.....	7,930
Change in unrealized gain/(loss) on investments.....	(7,978)
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....	(232)
Interest earnings from other funds assigned to General Fund as other revenues.....	950
Grants, subventions and other receivables received after 120-day recognition period .....	(31,670)
Pre-paid lease revenue, Civic Center Garage.....	(1,416)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.....	<u>(195,061)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balance - General Fund.....	<u>\$ 3,327,036</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" .....	\$ 3,436,973
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors.....	4,442
Recognition of expenditures for advances and imprest cash.....	(705)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....	<u>(646,018)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - General Fund.....	<u>\$ 2,794,692</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**  
June 30, 2013  
(with comparative financial information as of June 30, 2012)  
(In Thousands)

	Business-type Activities - Enterprise Funds										Total		Governmental Activities - Internal Service Funds	
	Major Funds								Other Fund					
	San Francisco 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	San Francisco Market Corporation	2013	2012	2013	2012	
<b>Assets and Deferred Outflows of Resources</b>														
<b>Assets:</b>														
<b>Current Assets:</b>														
Deposits and investments with City Treasury.....	\$ 364,687	\$ 322,090	\$ 196,283	\$ 665,860	\$ 62,135	\$ 91,400	\$ 80,366	\$ 23,291	\$ -	\$ 1,806,112	\$ 1,284,156	\$ 32,368	\$ 33,639	
Deposits and investments outside City Treasury.....	10	138	10	3,735	10	161	5	2	5,737	9,808	10,067	-	10	
Receivables (net of allowance for uncollectible amounts of \$44,179 and \$44,315 in 2013 and 2012, respectively):														
Federal and state grants and subventions.....	-	2,345	142	96,007	108	18,439	1,364	21,546	-	139,951	94,275	-	-	
Charges for services.....	32,485	49,717	11,622	16,262	62,806	34,426	2,655	20,422	30	230,425	237,630	-	119	
Interest and other.....	939	9,164	77	6,351	91,361	1,035	1,834	73	-	110,834	85,897	763	643	
Capital lease receivable.....	-	-	-	-	-	-	-	-	-	-	-	22,545	20,813	
Due from other funds.....	-	268	12,790	6,462	-	88	435	-	-	20,043	32,174	-	-	
Due from component unit.....	-	-	200	-	-	-	-	-	-	200	200	-	-	
Inventories.....	87	7,564	336	56,986	7,727	3,202	1,192	1,131	-	78,225	75,700	-	-	
Deferred charges and other assets.....	877	-	3,712	333	-	-	147	989	29	6,087	7,699	-	-	
<b>Restricted assets:</b>														
Deposits and investments with City Treasury.....	89,816	-	-	-	-	-	43,234	27,129	-	160,179	137,632	-	-	
Deposits and investments outside City Treasury.....	55,416	60,111	1,814	-	-	40,394	3,258	4,780	146	165,919	189,098	55,337	61,713	
Grants and other receivables.....	13,772	-	-	-	-	-	-	-	-	13,772	12,916	-	-	
<b>Total current assets.....</b>	<b>558,089</b>	<b>451,397</b>	<b>226,986</b>	<b>851,996</b>	<b>224,147</b>	<b>189,145</b>	<b>134,490</b>	<b>99,363</b>	<b>5,942</b>	<b>2,741,555</b>	<b>2,167,444</b>	<b>111,013</b>	<b>116,937</b>	
<b>Noncurrent assets:</b>														
Deferred charges and other assets.....	26,329	31,966	300	788	-	4,133	1,853	1,407	-	66,776	81,217	4,535	4,655	
Capital lease receivable.....	-	-	-	-	-	-	-	-	-	-	-	239,998	252,927	
Advances to component unit.....	-	-	3,427	-	-	-	-	-	-	3,427	3,627	-	-	
<b>Restricted assets:</b>														
Deposits and investments with City Treasury.....	84,561	1,090,566	14,908	8,316	-	251,439	-	-	-	1,449,790	1,746,544	-	-	
Deposits and investments outside City Treasury.....	300,318	270,709	708	5,530	5,162	-	-	13,971	160	596,558	688,881	4,777	4,816	
Grants and other receivables.....	38,116	5,963	101	3,138	-	7,813	-	15,014	-	70,145	25,653	-	-	
<b>Capital assets:</b>														
Land and other assets not being depreciated.....	230,352	1,550,675	93,737	585,622	43,170	215,494	115,354	-	3,289	2,837,693	2,386,005	-	-	
Facilities, infrastructure, and equipment, net of depreciation.....	3,490,439	2,308,253	255,173	1,607,060	37,175	1,445,349	293,678	562,989	3,082	10,003,198	9,494,768	5,920	5,471	
<b>Total capital assets.....</b>	<b>3,720,791</b>	<b>3,858,928</b>	<b>348,910</b>	<b>2,192,682</b>	<b>80,345</b>	<b>1,660,843</b>	<b>409,032</b>	<b>562,989</b>	<b>6,371</b>	<b>12,840,891</b>	<b>11,880,773</b>	<b>5,920</b>	<b>5,471</b>	
<b>Total noncurrent assets.....</b>	<b>4,170,115</b>	<b>5,258,132</b>	<b>368,354</b>	<b>2,210,454</b>	<b>85,507</b>	<b>1,924,228</b>	<b>410,885</b>	<b>593,381</b>	<b>6,531</b>	<b>15,027,587</b>	<b>14,426,695</b>	<b>255,230</b>	<b>267,869</b>	
<b>Total assets.....</b>	<b>4,728,204</b>	<b>5,709,529</b>	<b>595,340</b>	<b>3,062,450</b>	<b>309,654</b>	<b>2,113,373</b>	<b>545,375</b>	<b>692,744</b>	<b>12,473</b>	<b>17,769,142</b>	<b>16,594,139</b>	<b>366,243</b>	<b>384,806</b>	
<b>Deferred outflows of resources for accumulated decreases in fair value of hedging derivatives.....</b>														
	64,743	-	-	-	-	-	-	-	-	64,743	98,979	-	-	
<b>Total assets and deferred outflows of resources.....</b>	<b>4,792,947</b>	<b>5,709,529</b>	<b>595,340</b>	<b>3,062,450</b>	<b>309,654</b>	<b>2,113,373</b>	<b>545,375</b>	<b>692,744</b>	<b>12,473</b>	<b>17,833,885</b>	<b>16,693,118</b>	<b>366,243</b>	<b>384,806</b>	

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, 2013  
(with comparative financial information as of June 30, 2012)  
(In Thousands)

	Business-type Activities - Enterprise Funds										Total		Governmental Activities - Internal Service Funds	
	Major Funds							Other Fund						
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	2013	2012	2013	2012	
<b>Liabilities</b>														
Current liabilities:														
Accounts payable.....	\$ 33,222	\$ 6,214	\$ 10,791	\$ 99,631	\$ 36,163	\$ 6,479	\$ 12,740	\$ 6,694	\$ 564	\$ 212,498	\$ 211,620	\$ 5,526	\$ 7,544	
Accrued payroll.....	13,571	9,421	3,099	34,107	24,949	5,716	2,098	10,138	-	103,099	100,364	2,391	2,323	
Accrued vacation and sick leave pay.....	8,167	6,044	1,761	17,207	12,027	3,176	1,239	5,398	-	55,019	53,308	1,408	1,475	
Accrued workers' compensation.....	1,121	1,364	418	14,366	3,433	748	390	2,162	-	24,002	25,230	290	183	
Estimated claims payable.....	755	2,976	1,152	15,301	-	2,768	1,332	-	-	24,284	20,849	-	-	
Due to other funds.....	-	40	-	33	1,198	2,006	27,290	-	-	30,567	30,907	1,963	2,821	
Deferred credits and other liabilities.....	51,923	21,833	122	234,566	83,159	2,161	14,768	28,005	203	436,740	325,979	60,114	65,684	
Accrued interest payable.....	-	37,251	229	948	116	10,190	828	1,818	-	51,380	45,467	1,650	1,758	
Bonds, loans, capital leases, and other payables.....	391,752	196,860	1,585	3,315	2,419	33,343	840	5,443	-	635,557	582,010	21,144	19,390	
Liabilities payable from restricted assets:														
Bonds, loans, capital leases, and other payables.....	207,708	-	-	-	-	-	-	-	-	207,708	35,842	-	-	
Accrued interest payable.....	28,158	-	-	-	-	-	-	-	-	28,158	28,837	-	-	
Other.....	59,832	133,884	1,262	1,070	-	27,757	-	744	-	224,549	180,626	-	-	
Total current liabilities.....	<u>796,209</u>	<u>415,887</u>	<u>20,419</u>	<u>420,544</u>	<u>163,464</u>	<u>94,344</u>	<u>61,525</u>	<u>60,402</u>	<u>767</u>	<u>2,033,561</u>	<u>1,641,039</u>	<u>94,486</u>	<u>101,178</u>	
Noncurrent liabilities:														
Accrued vacation and sick leave pay.....	7,432	5,673	1,537	11,947	9,633	2,837	1,091	4,265	-	44,415	44,880	1,324	1,604	
Accrued workers' compensation.....	4,112	7,135	2,005	74,836	18,994	3,583	2,325	11,452	-	124,442	119,226	1,218	812	
Other postemployment benefits obligation.....	90,713	85,829	17,559	180,657	171,476	32,565	16,056	63,153	-	658,008	552,217	17,847	15,380	
Estimated claims payable.....	807	7,909	2,285	22,336	-	5,610	350	-	-	39,297	36,144	-	-	
Deferred credits and other liabilities.....	-	23,972	-	22,336	-	571	64,537	-	-	111,416	64,225	-	-	
Bonds, loans, capital leases, and other payables.....	3,517,917	4,430,166	33,058	63,357	21,937	818,951	36,325	145,595	-	9,067,306	9,087,262	242,718	255,896	
Derivative instruments liabilities.....	81,338	-	-	-	-	-	-	-	-	81,338	116,859	-	-	
Total noncurrent liabilities.....	<u>3,702,319</u>	<u>4,560,684</u>	<u>56,444</u>	<u>375,469</u>	<u>222,040</u>	<u>864,117</u>	<u>120,684</u>	<u>224,465</u>	<u>-</u>	<u>10,126,222</u>	<u>10,020,813</u>	<u>263,107</u>	<u>273,692</u>	
Total liabilities.....	<u>4,498,528</u>	<u>4,976,571</u>	<u>76,863</u>	<u>796,013</u>	<u>385,504</u>	<u>958,461</u>	<u>182,209</u>	<u>284,867</u>	<u>767</u>	<u>12,159,783</u>	<u>11,661,852</u>	<u>357,593</u>	<u>374,870</u>	
<b>Net Position</b>														
Net investment in capital assets.....	(52,581)	398,190	323,437	2,125,062	61,123	1,080,681	319,829	429,467	6,371	4,691,579	4,538,990	5,556	4,652	
Restricted:														
Debt service.....	19,757	32,723	-	5,530	-	960	-	-	-	58,970	53,951	-	-	
Capital projects.....	139,981	103,616	7,752	-	-	2,931	27,139	18,523	-	299,942	176,570	-	-	
Other purposes.....	-	-	-	10,384	-	-	-	2,357	305	13,046	18,913	-	-	
Unrestricted (deficit).....	187,262	198,429	187,288	125,461	(136,973)	70,340	16,198	(42,470)	5,030	610,565	242,842	3,094	5,284	
Total net position (deficit).....	<u>\$ 294,419</u>	<u>\$ 732,958</u>	<u>\$ 518,477</u>	<u>\$ 2,266,437</u>	<u>\$ (75,850)</u>	<u>\$ 1,154,912</u>	<u>\$ 363,166</u>	<u>\$ 407,877</u>	<u>\$ 11,706</u>	<u>\$ 5,674,102</u>	<u>\$ 5,031,266</u>	<u>\$ 8,650</u>	<u>\$ 9,936</u>	

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**Proprietary Funds**  
Year Ended June 30, 2013  
(with comparative total financial information for the year ended June 30, 2012)  
(In Thousands)

	Business-type Activities - Enterprise Funds										Total		Governmental Activities - Internal Service Funds	
	Major Funds								Other Fund					
	San Francisco 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	San Francisco Market Corporation	2013	2012	2013	2012	
Operating revenues:														
Aviation.....	\$ 413,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 413,918	\$ 374,767	\$ -	\$ -	
Water and power service.....	-	700,513	133,682	-	-	-	-	-	-	834,195	451,235	-	-	
Passenger fees.....	-	-	-	218,939	-	-	-	-	-	218,939	200,972	-	-	
Net patient service revenue.....	-	-	-	-	728,711	-	-	132,520	-	861,231	733,847	-	-	
Sewer service.....	-	-	-	-	-	235,479	-	-	-	235,479	233,628	-	-	
Rents and concessions.....	129,545	9,599	245	7,547	2,696	-	58,116	-	-	207,748	199,313	90	-	
Parking and transportation.....	113,551	-	-	212,732	-	-	17,774	-	-	344,057	230,719	-	-	
Other charges for services.....	-	-	-	17,877	-	-	-	-	1,715	19,592	3,905	106,682	97,266	
Other revenues.....	69,344	11,358	-	37,710	3,091	17,075	4,312	1,226	-	144,116	124,973	-	-	
Total operating revenues.....	726,358	721,470	133,927	494,805	734,498	252,554	80,202	133,746	1,715	3,279,275	2,553,359	106,772	97,266	
Operating expenses:														
Personal services.....	239,194	119,151	46,621	606,707	454,299	84,155	32,894	177,729	270	1,761,020	1,718,401	44,661	43,465	
Contractual services.....	62,939	12,819	5,845	109,755	184,777	13,418	6,630	7,843	665	404,691	358,903	34,854	29,727	
Light, heat and power.....	19,250	-	20,891	-	-	-	2,040	-	-	42,181	43,746	-	-	
Materials and supplies.....	14,038	13,074	3,002	86,750	73,061	10,481	1,548	16,826	6	218,786	210,373	19,098	15,041	
Depreciation and amortization.....	176,522	75,448	15,457	122,479	5,701	46,347	16,367	15,792	280	474,393	444,961	1,677	1,691	
General and administrative.....	2,807	25,563	29,636	37,088	1,218	19,718	3,618	-	9	119,657	134,564	509	385	
Services provided by other departments.....	14,576	57,684	6,708	57,038	39,081	34,141	17,221	8,181	-	234,630	216,987	6,403	5,331	
Other.....	32,132	-	-	4,068	-	-	(336)	-	1	35,865	28,456	987	704	
Total operating expenses.....	561,458	303,739	128,160	1,023,885	758,137	208,260	79,982	226,371	1,231	3,291,223	3,156,391	108,189	96,344	
Operating income (loss).....	164,900	417,731	5,767	(529,080)	(23,639)	44,294	220	(92,625)	484	(11,948)	(603,032)	(1,417)	922	
Nonoperating revenues (expenses):														
Operating grants:														
Federal.....	-	4,593	373	11,387	-	19,050	1,469	-	-	36,872	33,157	-	-	
State / other.....	-	-	-	133,063	54,269	-	-	-	-	187,332	167,161	-	-	
Interest and investment income (loss).....	1,686	(281)	(205)	(623)	-	524	24	(120)	4	1,009	82,533	6,260	6,475	
Interest expense.....	(195,503)	(142,065)	(1,630)	(2,841)	(711)	(15,467)	(1,440)	(7,468)	-	(367,125)	(353,868)	(5,983)	(6,005)	
Other, net.....	3,230	31,001	1,716	4,813	-	5,270	275	15,552	(120)	61,737	287,778	1	124	
Total nonoperating revenues (expenses).....	(190,587)	(106,752)	254	145,799	53,558	9,377	328	7,964	(116)	(80,175)	216,761	278	594	
Income (loss) before capital contributions and transfers.....	(25,687)	310,979	6,021	(383,281)	29,919	53,671	548	(84,661)	368	(92,123)	(386,271)	(1,139)	1,516	
Capital contributions.....	65,958	-	-	178,218	-	-	7,577	-	-	251,753	173,975	-	-	
Transfers in.....	-	66,375	-	379,831	138,356	919	19,565	89,306	-	694,352	552,441	177	29	
Transfers out.....	(36,464)	(2,891)	(196)	(3,811)	(153,476)	(31)	-	(14,277)	-	(211,146)	(301,353)	(324)	(1,216)	
Change in net position.....	3,807	374,463	5,825	170,957	14,799	54,559	27,690	(9,632)	368	642,836	38,792	(1,286)	329	
Net position (deficit) at beginning of year.....	290,612	358,495	512,652	2,095,480	(90,649)	1,100,353	335,476	417,509	11,338	5,031,266	4,992,474	9,936	9,607	
Net position (deficit) at end of year.....	\$ 294,419	\$ 732,958	\$ 518,477	\$ 2,266,437	\$ (75,850)	\$ 1,154,912	\$ 363,166	\$ 407,877	\$ 11,706	\$ 5,674,102	\$ 5,031,266	\$ 8,650	\$ 9,936	

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



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**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Cash Flows**  
**Proprietary Funds**

Year Ended June 30, 2013

(with comparative total financial information for the year ended June 30, 2012)

(In Thousands)

	Business-type Activities - Enterprise Funds												
	Major Funds							Other Fund					
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total		Governmental Activities - Internal Service Funds	
										2013	2012	2013	2012
Cash flows from operating activities:													
Cash received from customers, including cash deposits.....	\$ 744,328	\$ 753,474	\$ 136,786	\$ 511,133	\$ 679,040	\$ 247,632	\$ 15,199	\$ 152,683	\$ 1,695	\$ 3,241,970	\$ 2,649,449	\$ 133,734	\$ 118,566
Cash received from tenants for rent.....	-	9,153	249	5,176	2,696	877	62,576	-	-	80,727	74,941	-	-
Cash paid to employees for services.....	(224,141)	(104,394)	(42,234)	(570,351)	(423,137)	(75,353)	(30,471)	(166,790)	(270)	(1,637,141)	(1,588,200)	(41,960)	(40,480)
Cash paid to suppliers for goods and services.....	(152,825)	(104,869)	(72,918)	(289,505)	(292,779)	(84,913)	(32,799)	(31,878)	(575)	(1,063,061)	(1,025,677)	(79,920)	(69,035)
Cash paid for judgments and claims.....	-	(3,426)	(3,118)	(5,326)	-	(4,658)	-	-	-	(16,528)	(26,494)	-	-
Net cash provided by (used in) operating activities.....	367,362	549,938	18,765	(348,873)	(34,180)	83,585	14,505	(45,985)	850	605,967	84,019	11,854	9,051
Cash flows from noncapital financing activities:													
Operating grants.....	-	2,590	293	149,700	62,177	2,304	2,329	11	-	219,404	178,545	-	-
Transfers in.....	-	60,984	-	310,481	138,356	919	1,310	89,279	-	601,329	454,624	177	29
Transfers out.....	(36,464)	-	(196)	(3,901)	(153,476)	(31)	-	(9,312)	-	(203,380)	(185,240)	(324)	(1,216)
Other noncapital financing increases.....	-	-	-	6,130	-	-	4,296	-	-	10,426	10,822	-	-
Other noncapital financing decreases.....	(28,657)	-	-	-	(241)	-	-	(18,454)	-	(47,352)	(4,283)	-	-
Net cash provided by (used in) noncapital financing activities.....	(65,121)	63,574	97	462,410	46,816	3,192	7,935	61,524	-	580,427	454,468	(147)	(1,187)
Cash flows from capital and related financing activities:													
Capital grants and other taxes restricted for capital purposes.....	37,983	-	-	255,848	-	-	6,650	539	-	301,020	382,899	-	-
Transfers in.....	-	2,500	-	69,440	-	-	18,255	27	-	90,222	47,766	-	-
Transfers out.....	-	-	-	-	-	-	-	(4,965)	-	(4,965)	-	-	-
Bond sale proceeds and loans received.....	-	26,295	-	70,153	-	580,179	-	-	-	676,627	1,530,942	11,829	10,150
Proceeds from sale/transfer of capital assets.....	-	3,259	80	4	-	-	9	-	-	3,352	2,636	-	-
Proceeds from commercial paper borrowings.....	170,075	-	-	-	-	85,000	-	-	-	255,075	34,450	-	-
Proceeds from passenger facility charges.....	87,033	-	-	-	-	-	-	-	-	87,033	78,156	-	-
Acquisition of capital assets.....	(181,029)	(638,189)	(27,235)	(220,397)	(13,745)	(153,300)	(82,597)	(30,410)	(628)	(1,347,530)	(1,276,776)	(1,996)	(929)
Retirement of capital leases, bonds and loans.....	(152,555)	(168,271)	(1,277)	(45,765)	(2,349)	(329,619)	(805)	(5,213)	-	(705,854)	(373,212)	(22,970)	(17,545)
Bond issue costs paid.....	-	(667)	-	(643)	-	(1,791)	-	-	-	(3,101)	(12,033)	(143)	(532)
Interest paid on debt.....	(195,639)	(236,269)	(1,877)	(1,773)	(711)	(22,245)	(2,334)	(7,584)	-	(468,432)	(430,459)	(5,915)	(6,002)
Other capital financing increases.....	-	26,051	925	-	1,776	4,292	36,187	-	-	69,231	64,003	-	-
Other capital financing decreases.....	-	-	-	-	-	-	(8,230)	(989)	(120)	(9,339)	(5,428)	-	-
Net cash provided by (used in) capital and related financing activities.....	(234,132)	(985,291)	(29,384)	126,867	(15,029)	162,516	(32,865)	(48,595)	(748)	(1,056,661)	42,944	(19,195)	(14,858)
Cash flows from investing activities:													
Purchases of investments with trustees.....	(2,148,780)	(228,368)	(2,133)	-	-	(168,603)	-	(12,691)	-	(2,560,575)	(2,803,695)	(4,727)	-
Proceeds from sale of investments with trustees.....	2,147,700	321,321	2,362	-	-	178,589	-	151	-	2,650,123	2,824,462	5,042	14,489
Interest and investment income (loss).....	15,378	(23)	(156)	(562)	-	861	77	(251)	4	15,328	64,447	293	593
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	-	(501)	(8)
Net cash provided by (used in) investing activities.....	14,298	92,930	73	(562)	-	10,847	77	(12,791)	4	104,876	85,214	107	15,074
Net increase (decrease) in cash and cash equivalents.....	82,407	(278,849)	(10,449)	239,842	(2,393)	260,140	(10,348)	(45,847)	106	234,609	666,645	(7,381)	8,080
Cash and cash equivalents-beginning of year.....	457,240	1,851,538	223,210	443,599	69,700	114,165	136,798	101,049	5,631	3,402,930	2,736,285	90,286	82,206
Cash and cash equivalents-end of year.....	\$ 539,647	\$ 1,572,689	\$ 212,761	\$ 683,441	\$ 67,307	\$ 374,305	\$ 126,450	\$ 55,202	\$ 5,737	\$ 3,637,539	\$ 3,402,930	\$ 82,905	\$ 90,286

(Continued)

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**

Year Ended June 30, 2013

(with comparative total financial information for the year ended June 30, 2012)

(In Thousands)

	Business-type Activities - Enterprise Funds										Total		Governmental Activities - Internal Service Funds		
	Major Funds							Other Fund							
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation			2013	2012	2013	2012
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:															
Operating income (loss).....	\$ 164,900	\$ 417,731	\$ 5,767	\$ (529,080)	\$ (23,639)	\$ 44,294	\$ 220	\$ (92,625)	\$ 484	\$ (11,948)	\$ (603,032)	\$ (1,417)	\$ 922		
Adjustments for non-cash and other activities:															
Depreciation and amortization.....	176,522	75,448	15,457	122,479	5,701	46,347	16,367	15,792	280	474,393	444,961	1,677	1,691		
Provision for uncollectibles.....	(811)	483	-	52	-	140	(295)	-	-	(431)	(2,450)	-	-		
Write-off of capital assets.....	-	2,392	1,562	-	-	5,621	-	-	-	9,575	12,397	-	-		
Other.....	4,393	1,691	859	33,132	-	978	-	-	-	41,053	111,525	1	124		
Changes in assets/liabilities:															
Receivables, net.....	8,423	36,226	(1,731)	(18,000)	(49,061)	(1,594)	656	5,135	(19)	(19,965)	(13,574)	22,591	17,044		
Due from other funds.....	-	(34)	831	-	271	(60)	274	-	-	1,282	(8,500)	-	-		
Inventories.....	26	318	(40)	(2,205)	(553)	63	(160)	26	-	(2,525)	(130)	-	-		
Deferred charges and other assets.....	266	-	1,228	200	-	(759)	(128)	-	(1)	806	(4,320)	-	-		
Accounts payable.....	4,290	(2,276)	(8,837)	15,990	5,911	(15,011)	(80)	947	106	1,040	19,068	(1,627)	1,749		
Accrued payroll.....	36	66	306	978	688	393	(243)	404	-	2,628	19,157	68	358		
Accrued vacation and sick leave pay.....	(30)	(826)	214	875	765	315	16	(82)	-	1,247	7,626	(347)	35		
Accrued workers' compensation.....	158	535	102	1,363	432	404	(82)	1,076	-	3,988	(3,730)	513	121		
Other postemployment benefits obligation.....	14,889	12,820	3,257	27,288	29,278	6,052	2,666	9,541	-	105,791	103,251	2,467	2,474		
Estimated claims payable.....	-	1,790	766	3,906	-	(160)	56	-	-	6,358	(31,219)	-	-		
Due to other funds.....	-	-	-	(3,698)	-	(132)	-	-	-	(3,830)	3,605	190	(72)		
Deferred credits and other liabilities.....	(5,700)	3,574	(976)	(2,153)	(3,973)	(3,306)	(4,762)	13,801	-	(3,495)	29,384	(12,262)	(15,395)		
Total adjustments.....	202,462	132,207	12,998	180,207	(10,541)	39,291	14,285	46,640	366	617,915	687,051	13,271	8,129		
Net cash provided by (used in) operating activities.....	\$ 367,362	\$ 549,938	\$ 18,765	\$ (348,873)	\$ (34,180)	\$ 83,585	\$ 14,505	\$ (45,985)	\$ 850	\$ 605,967	\$ 84,019	\$ 11,854	\$ 9,051		
Reconciliation of cash and cash equivalents to the statement of net position:															
Deposits and investments with City Treasury:															
Unrestricted.....	\$ 364,687	\$ 322,090	\$ 196,283	\$ 665,860	\$ 62,135	\$ 91,400	\$ 80,366	\$ 23,291	\$ -	\$ 1,806,112	\$ 1,284,156	\$ 32,368	\$ 33,639		
Restricted.....	174,377	1,090,566	14,908	8,316	-	251,439	43,234	27,129	-	1,609,969	1,884,176	-	-		
Deposits and investments outside of City Treasury:															
Unrestricted.....	10	138	10	3,735	10	161	5	2	5,737	9,808	10,067	-	10		
Restricted.....	355,734	330,820	2,522	5,530	5,162	40,394	3,258	18,751	306	762,477	877,979	60,114	66,529		
Total deposits and investments.....	894,808	1,743,614	213,723	683,441	67,307	383,394	126,863	69,173	6,043	4,188,366	4,056,378	92,482	100,178		
Less: Investments outside of City Treasury not meeting the definition of cash equivalents.....	(355,161)	(170,925)	(962)	-	-	(9,089)	(413)	(13,971)	(306)	(550,827)	(653,448)	(9,577)	(9,892)		
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 539,647	\$ 1,572,689	\$ 212,761	\$ 683,441	\$ 67,307	\$ 374,305	\$ 126,450	\$ 55,202	\$ 5,737	\$ 3,637,539	\$ 3,402,930	\$ 82,905	\$ 90,286		
Non-cash capital and related financing activities:															
Acquisition of capital assets on accounts payable and capital lease.....	\$ 57,050	\$ 133,884	\$ 1,262	\$ -	\$ -	\$ 27,757	\$ 8,484	\$ 4,139	\$ 20	\$ 232,596	\$ 203,950	\$ 2,104	\$ 3,455		
In-kind contribution for pier demolition.....	-	-	-	-	-	-	22	-	-	22	4,100	-	-		
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	45,670	-	-	45,670	-	-	-		
Net capitalized interest.....	3,710	78,131	37	-	-	6,020	305	-	-	88,203	82,117	-	-		
Accrued fire insurance settlement.....	-	-	-	-	-	-	-	-	-	-	4,500	-	-		
Donated inventory.....	-	-	-	-	2,759	-	-	-	-	2,759	2,996	-	-		
Capital contributions and other noncash capital items.....	-	-	-	-	-	-	1,777	-	-	1,777	159,927	-	-		
Bond refunding.....	88,875	-	-	-	-	-	-	-	-	88,875	1,204,069	-	-		
Interfund loan.....	-	40	-	-	-	1,573	-	-	-	1,613	6,401	-	-		

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, 2013  
(In Thousands)

	<b>Pension, Other Employee and Other Post- Employment Benefit Trust Funds</b>	<b>Investment Trust Fund</b>	<b>Private- Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 173,164	\$ 329,891	\$ 190,781	\$ 155,244
Deposits and investments outside City Treasury:				
Cash and deposits.....	60,874	105	-	145
Short-term investments.....	572,556	-	170,160	-
Alternative investments.....	2,129,578	-	-	-
Debt securities.....	4,290,577	-	-	-
Equity securities.....	8,621,434	-	-	-
Real estate.....	1,430,711	-	-	-
Foreign currency contracts, net.....	(7,403)	-	-	-
Invested in securities lending collateral.....	1,004,266	-	-	-
Receivables:				
Employer and employee contributions.....	78,714	-	-	59,737
Brokers, general partners and others.....	315,076	-	-	-
Federal and state grants and subventions.....	-	-	3,541	-
Due from primary government.....	-	-	280	-
Interest and other.....	40,165	154	15,047	174,324
Deferred charges and other assets.....	-	-	13,432	34,538
Capital assets (net of accumulated depreciation).....	-	-	<u>201,682</u>	-
Total assets.....	<u>18,709,712</u>	<u>330,150</u>	<u>594,923</u>	<u>423,988</u>
<b>Liabilities</b>				
Accounts payable.....	34,331	2,174	11,740	\$ 23,796
Estimated claims payable.....	25,593	-	-	-
Due to primary government.....	-	-	2,416	-
Agency obligations.....	-	-	-	400,192
Bond interest payable.....	-	-	21,351	-
Payable to brokers.....	445,447	-	-	-
Deferred Retirement Option Program liabilities.....	20,502	-	-	-
Payable to borrowers of securities.....	1,005,161	-	-	-
Deferred credits and other liabilities.....	58,596	-	1,808	-
Advances from primary government.....	-	-	20,067	-
Long-term obligations.....	-	-	<u>994,532</u>	-
Total liabilities.....	<u>1,589,630</u>	<u>2,174</u>	<u>1,051,914</u>	<u>423,988</u>
<b>Net Position</b>				
Agency funds.....	-	-	-	-
Held in trust for:				
Pension and other employee benefits .....	17,120,082	-	-	-
External pool participants.....	-	327,976	-	-
Redevelopment dissolution.....	-	-	<u>(456,991)</u>	-
Total net position (deficit).....	<u>\$ 17,120,082</u>	<u>\$ 327,976</u>	<u>\$ (456,991)</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, 2013  
(In Thousands)

	<b>Pension, Other Employee and Other Post- Employment Benefit Trust Funds</b>	<b>Investment Trust Fund</b>	<b>Private- Purpose Trust Fund</b>
Additions:			
Redevelopment property tax revenue.....	\$ -	\$ -	\$ 113,988
Charges for services.....	-	-	16,046
Contributions:			
Employees' contributions.....	385,605	-	-
Employer contributions.....	1,077,409	-	-
Contributions to pooled investments.....	-	2,634,596	-
Total contributions.....	<u>1,463,014</u>	<u>2,634,596</u>	<u>130,034</u>
Investment income:			
Interest.....	182,934	836	2,275
Dividends.....	188,644	-	-
Net appreciation in fair value of investments.....	1,728,784	-	-
Securities lending income.....	5,096	-	-
Total investment income.....	<u>2,105,458</u>	<u>836</u>	<u>2,275</u>
Less investment expenses:			
Securities lending borrower rebates and expenses.....	523	-	-
Other investment expenses.....	(41,654)	-	-
Total investment expenses.....	<u>(41,131)</u>	<u>-</u>	<u>-</u>
Other additions.....	-	-	20,643
Total additions, net.....	<u>3,527,341</u>	<u>2,635,432</u>	<u>152,952</u>
Deductions:			
Neighborhood development.....	-	-	70,506
Depreciation.....	-	-	5,506
Interest on debt.....	-	-	59,889
Benefit payments.....	1,747,146	-	-
Refunds of contributions.....	9,453	-	-
Distribution from pooled investments.....	-	2,630,822	-
Administrative expenses.....	15,593	-	-
Total deductions.....	<u>1,772,192</u>	<u>2,630,822</u>	<u>135,901</u>
Extraordinary gain from dissolution of the			
Redevelopment Agency.....	-	-	190,131
Change in net position.....	1,755,149	4,610	207,182
Net position (deficit) at beginning of year.....	<u>15,364,933</u>	<u>323,366</u>	<u>(664,173)</u>
Net position (deficit) at end of year.....	<u>\$ 17,120,082</u>	<u>\$ 327,976</u>	<u>\$ (456,991)</u>

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, 2013

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

*San Francisco City and County Finance Corporation (The Finance Corporation)* – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*San Francisco Parking Authority (The Parking Authority)* – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (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 (MTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7<sup>th</sup> Floor, San Francisco, CA 94102.

### ***Discretely Presented Component Unit***

*Treasure Island Development Authority (The TIDA)* – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven commissioners who are appointed by the Mayor, subject to confirmation by the City's Board of Supervisors, govern the TIDA. The specific purpose of the TIDA is to promote the planning,



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

redevelopment, reconstruction, rehabilitation, reuse, and conversion of the property known as Naval Station Treasure Island for the public interest, convenience, welfare, and common benefit of the inhabitants of the City. The TIDA has adopted as its mission the creation of affordable housing and economic development opportunities on Treasure Island.

The TIDA's governing body is not substantively the same as that of the City and does not provide services entirely or almost entirely to the City. The TIDA is reported in a separate column to emphasize that it is legally separate from the City. The City is financially accountable for the TIDA through the appointment of the TIDA's Board and the ability of the City to approve the TIDA's budget. Disclosures related to the TIDA, where significant, are separately identified throughout these notes. Separate financial statements are not prepared for TIDA. Further information about TIDA can be obtained from their administrative offices at 410 Palm Avenue, Building 1, Room 223, Treasure Island, San Francisco, CA 94130.

### ***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 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 revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5<sup>th</sup> 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

# CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Housing Authority, San Francisco Unified School District and San Francisco Community College District. The City is represented in two regional agencies, the Bay Area Rapid Transit District and the Bay Area Air Quality Management District, both of which are also excluded from the City's reporting entity.

## **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Government-wide and fund financial statements**

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

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

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

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis.

### **(b) Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds, however, report only assets and liabilities and cannot be said to have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 120 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

Property taxes, other local taxes, grants and subventions, licenses, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

- The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The City reports the following major proprietary (enterprise) funds:

- The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The **San Francisco Water Enterprise Fund** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The **Hetch Hetchy Water and Power Enterprise Fund** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI), San Francisco Municipal Railway Improvement Corporation (SFMRIC), and the operations of the Sustainable Streets (previously named as Department of Parking and Traffic), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. SFMRIC is a nonprofit corporation established to provide capital financial assistance for the modernization of MUNI by acquiring, constructing, and financing improvements to the City's public transportation system. 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 MTA. 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 **San Francisco General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Additionally, the City reports the following fund types:

- The **Permanent Fund** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The **Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The **Pension, Other Employee and Other Postemployment Benefit Trust Funds** reflect the activities of the Employees' Retirement System, the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for employee contributions from active employees hired after January 9, 2009, related City contributions, and the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made before January 2015.
- The **Investment Trust Fund** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Act.
- The **Agency Funds** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health, and transportation programs.

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

In general, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges to other City departments from the General Fund, Water Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges for customer services including: water, sewer and power charges, public transportation fees, airline fees and charges, parking fees, hospital patient service fees, commercial and industrial rents, printing services, vehicle maintenance fees, and telecommunication and information system support charges. Operating expenses for enterprise funds and internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### **(c) 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 are summarized as follows:

#### ***Original Budget***

- (1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.
- (2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.
- (3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.
- (4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.
- (5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.
- (6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.
- (7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

#### ***Final Budget***

The final budgetary data presented in the basic financial statements reflects the following changes to the original budget:

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.

- (2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

The Annual Appropriation Ordinance adopts the budget at the character level of expenditure within departments. As described above, the Controller is authorized to make certain transfers of appropriations within departments. Accordingly, the legal level of budgetary control by the Board of Supervisors is the department level.

Budgetary data, as revised, is presented in the basic financial statements for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

### **(d) Deposits and Investments**

#### ***Investment in the Treasurer's Pool***

The Treasurer invests on behalf of most funds of the City and external participants in accordance with the City's investment policy and the California State Government Code. The City Treasurer who reports on a monthly basis to the Board of Supervisors manages the Treasurer's pool. In addition, the function of the County Treasury Oversight Committee is to review and monitor the City's investment policy and to monitor compliance with the investment policy and reporting provisions of the law through an annual audit.

The Treasurer's investment pool consists of two components: 1) pooled deposits and investments and 2) dedicated investment funds. The dedicated investment funds represent restricted funds and relate to Successor Agency separately managed funds, bond issues of the Enterprise Funds, and the General Fund's cash reserve requirement. In addition to the Treasurer's investment pool, the City has other funds that are held by trustees. These funds are related to the issuance of bonds and certain loan programs of the City. The investments of the Employees' Retirement System are held by trustees (Note 5).

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2013, involuntary participants accounted for approximately 98.8% of the pool. Voluntary participants accounted for 1.2% 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, 2013, \$328.0 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 5.0%. Internal participants accounted for 95.0% of the pool.

#### ***Investment Valuation***

Investments are carried at fair value, except for certain non-negotiable investments that are reported at cost because they are not transferable and have terms that are not affected by changes in market interest rates, such as collateralized certificates of deposits and public time deposits. The fair value of investments is determined monthly and is based on current market prices. The fair value of participants' position in the pool approximates the value of the pool shares. The method used to determine the value of participants' equity is based on the book value of the participants' percentage participation. In the event that a certain fund overdraws its share of pooled cash, the overdraft is covered by the General Fund and a payable to the General Fund is established in the City's basic financial statements.

*Employees' Retirement System (Retirement System)* – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

The fair values of the Retirement System's real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were \$1.51 billion including \$70.4 million in recourse debt at June 30, 2013. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third-parties in a purchase and sale transaction.

Alternative investments represent the Retirement System's interest in limited partnerships. The fair values of alternative investments are based on net asset values provided by the general partners. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and changes in fair value. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the investments can only be determined by negotiation between independent third-parties in a sales transaction.

The Charter and Retirement Board policies permit the Retirement System to use investments to enter into securities lending transactions – loans of securities to broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities in the future. The collateral may consist of cash or non-cash; non-cash collateral is generally U.S. Treasuries or other U.S. government obligations. The Retirement System's securities custodian is the agent in lending the domestic securities for collateral of 102% and international securities for collateral of 105%. Contracts with the lending agent require them to indemnify the Retirement System if the borrowers fail to return the securities (and if the collateral were inadequate to replace the securities lent) or fail to pay the Retirement System for income distributions by the securities' issuers while the securities are on loan. Non-cash collateral cannot be pledged or sold unless the borrower defaults.

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2013 was 70 days. For fiscal year 2013 all cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2013, the weighted average maturity of the reinvested cash collateral account was 26 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the related collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

Cash collateral invested in the separate account managed by the lending agent is reported at fair value. Payable to borrowers of securities in the statement of fiduciary net position represents the cash collateral received from borrowers. Additionally, the income and costs of securities lending transactions, such as borrower rebates and fees, are recorded respectively as revenues and expenses in the statement of changes in fiduciary net position.

*San Francisco International Airport* – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 53 and GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions*,

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Notes to Basic Financial Statements (continued)

June 30, 2013

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*an amendment of GASB Statement No. 53.* Under hedge accounting, the changes in the fair value of hedging derivative instruments are reported as either deferred outflows of resources or deferred inflows of resources in the statement of net position.

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

### **Investment Income**

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

It is the City's policy to charge interest at month-end to those funds that have a negative average daily cash balance. In certain instances, City management has determined that the interest expense related to the fund should be allocated to the General Fund. On a budget basis, the interest expense is recorded in the General Fund. On a GAAP basis, the interest expense is recorded in the fund and then a transfer from the General Fund for an amount equal to the interest expense is made to the fund. This is the case for certain other funds, MTA, LHH, SFGH, and the Internal Service Funds.

Income from non-pooled investments is recorded based on the specific investments held by the fund. The interest income is recorded in the fund that earned the interest.

### **(e) Loans Receivable**

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and 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, 2013, it was determined that \$945.0 million of the \$1,015.3 million loan portfolio is not expected to be ultimately collected.

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

### **(f) 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.



**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(g) Property Held for Resale**

Property held for resale includes both residential and commercial property and is recorded as other assets at the lower of estimated cost or estimated conveyance value. Estimated conveyance value is management's estimate of net realizable value of each property parcel based on its current intended use. Property held for sale may, during the period it is held by the City, generate rental income, which is recognized as it becomes due and is considered collectible.

**(h) 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 private-purpose trust fund. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 thousand 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 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
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.

**(i) Accrued Vacation and Sick Leave Pay**

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. 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.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### **(j) 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. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as other financing sources and uses, respectively, and bond issuance costs as debt service expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Interest accreted on capital appreciation bonds is reported as accrued interest payable in the government-wide, proprietary fund and fiduciary fund financial statements.

### **(k) Fund Equity**

#### ***Governmental Fund Balance***

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

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

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

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Fund balances for all the major and nonmajor governmental funds as of June 30, 2013, 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.....	\$ 23,854	\$ 82	\$ 23,936
Gift Fund Principal.....	-	192	192
Total Nonspendable.....	<u>23,854</u>	<u>274</u>	<u>24,128</u>
Restricted			
Rainy Day.....	26,339	-	26,339
Public Protection.....	-	22,626	22,626
Public Works, Transportation & Commerce.....	-	105,966	105,966
Human Welfare & Neighborhood Development.....	-	169,343	169,343
Community Health.....	-	29,932	29,932
Culture & Recreation.....	-	98,903	98,903
General Administration & Finance.....	-	16,739	16,739
General City Responsibilities.....	-	775	775
Capital Projects.....	-	613,179	613,179
Debt Service.....	-	133,726	133,726
Total Restricted.....	<u>26,339</u>	<u>1,191,189</u>	<u>1,217,528</u>
Committed			
Budget Stabilization.....	121,580	-	121,580
Recreation and Parks Expenditure Savings.....	15,907	-	15,907
Total Committed.....	<u>137,487</u>	<u>-</u>	<u>137,487</u>
Assigned			
Public Protection.....	12,632	1,609	14,241
Public Works, Transportation & Commerce.....	12,166	14,324	26,490
Human Welfare & Neighborhood Development.....	26,377	4,736	31,113
Community Health.....	30,762	-	30,762
Culture & Recreation.....	3,437	3,147	6,584
General Administration & Finance.....	29,438	6,943	36,381
General City Responsibilities.....	29,962	-	29,962
Capital Projects.....	42,368	-	42,368
Litigation and Contingencies.....	30,254	-	30,254
Subsequent Year's Budget.....	135,795	-	135,795
Total Assigned.....	<u>353,191</u>	<u>30,759</u>	<u>383,950</u>
Unassigned.....	<u>-</u>	<u>(94,532)</u>	<u>(94,532)</u>
Total.....	<u>\$ 540,871</u>	<u>\$ 1,127,690</u>	<u>\$ 1,668,561</u>

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### **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. In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues," in the Rainy Day Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total General Fund revenues. The City may spend money from the Rainy Day 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 Rainy Day 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 City may also spend up to 25 percent of the balance of the Rainy Day Reserve to help the San Francisco Unified School District in years when certain conditions are met. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

*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 Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

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

### **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. At June 30, 2013, encumbrances recorded in the General Fund and nonmajor governmental funds were \$74.8 million and \$368.6 million, respectively.

### **Restricted 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 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. At

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

June 30, 2013, the government-wide statement of net position reported restricted net position of \$686.2 million in governmental activities and \$372.0 million in business-type activities, of which \$10.6 million and \$10.4 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

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 MTA. 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 \$373.5 million of unrestricted net position of governmental activities, of which \$275.1 million reduced net investment in capital assets and \$98.4 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

### ***Deficit Net Position/Fund Balances***

The Senior Citizens' Program Fund had a deficit of \$28 as of June 30, 2013. The deficit relates to increases of deferred tax, grant and subvention revenues on various programs, which are expected to be collected beyond 120 days of the end of fiscal year 2013. In addition, the Court's Fund and the Culture and Recreation Fund had deficits of \$4.2 million and \$3.3 million, respectively, as of June 30, 2013, which are expected to be covered with future charges for services.

The San Francisco County Transportation Authority Fund had a \$67.9 million fund deficit as of June 30, 2013. This condition exists because the SFCTA uses short-term debt financing to accelerate the delivery of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized or when the SFCTA refinances the outstanding short-term debt to long-term debt.

The Moscone Convention Center Fund had a \$8.0 million deficit as of June 30, 2013. The deficit will be covered as hotel tax revenues are realized.

The Central Shops Internal Service Fund had a deficit in total net position of \$3.9 million as of June 30, 2013 mainly due to the other postemployment benefits liability accrued as per GASB Statement No. 45. The deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

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, 2013, the Successor Agency has a deficit of \$457.0 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.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### (l) Interfund Transfers

Interfund transfers are generally recorded as transfers in (out) except for certain types of transactions that are described below.

- Charges for services are recorded as revenues of the performing fund and expenditures of the requesting fund. Unbilled costs are recognized as an asset of the performing fund and a liability of the requesting fund at the end of the fiscal year.
- Reimbursements for expenditures, initially made by one fund, which are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the fund that is reimbursed.

### (m) Refunding of Debt

Gains or losses occurring from advance refundings, completed subsequent to June 30, 1993, are deferred and amortized into expense for both business-type activities and proprietary funds. For governmental activities and the private-purpose trust fund (former Agency), they are deferred and amortized into expense if they occurred subsequent to June 30, 2000.

### (n) Pollution Remediation Obligations

Pollution remediation obligations are measured at their current value using a cost-accumulation approach, based on the pollution remediation outlays expected to be incurred to settle those obligations. Each obligation or obligating event is measured as the sum of probability-weighted amounts in a range of possible estimated amounts. Some estimates of ranges of possible cash flows may be limited to a few discrete scenarios or a single scenario, such as the amount specified in a contract for pollution remediation services.

### (o) Cash Flows

Statements of cash flows are presented for proprietary fund types. Cash and cash equivalents include all unrestricted and restricted highly liquid investments with original purchase maturities of three months or less. Pooled cash and investments in the City's Treasury represent monies in a cash management pool and such accounts are similar in nature to demand deposits.

### (p) Extraordinary Items

Extraordinary items are both 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) and 2) infrequent in occurrence (not reasonably expected to recur in the foreseeable future, taking into account the environment in which the entity operates).

The dissolution of all redevelopment agencies in the State of California qualifies as an extraordinary item since this state-wide dissolution was both unusual and infrequent. Accordingly, the transfer of assets and liabilities in accordance with the Department of Finance's (DOF) guidance relating to the management of housing assets of the former Agency prior to DOF's Finding of Completion were recorded as an extraordinary item in the City's financial statements.

Accordingly, \$176.6 million of current assets, \$3.9 million of current liabilities, and \$29.0 million of capital assets related to the Retained Housing Obligations were returned to the Successor Agency effective July 1, 2012 and an extraordinary gain was recorded in the Successor Agency's financial statements and an extraordinary loss was recorded in the City's financial statements. Completed housing assets for which the Successor Agency has no remaining enforceable obligations remain with the City.

In addition, on May 17, 2013, the DOF determined that the results of the Successor Agency's "Low and Moderate Income Housing Fund" and "Other Funds and Accounts" Due Diligence Reviews show the Successor Agency has \$10.6 million and \$1.0 million, respectively, of funds including interest accumulated, available to the Trust Fund for distribution to the taxing entities. The Successor Agency included these distributions as offsets to the extraordinary gain above.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The components of the extraordinary loss recognized are as follows:

Governmental Funds/Governmental Activities:

Transfers out of the former Agency's housing noncapital assets:

Cash and investments \$ (175,957)

Other current assets (648)

Transfers out of the former Agency's housing related liabilities 3,954

Governmental Fund's extraordinary loss from  
dissolution of the Redevelopment Agency (172,651)

Transfers out of the former Agency's housing capital assets (29,019)

Governmental Activities' extraordinary loss from  
dissolution of the Redevelopment Agency \$ (201,670)

**(q) 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.

**(r) Reclassifications**

Certain amounts, presented as 2011-12 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2012-13 basic financial statements.

**(s) Effects of New Pronouncements**

During fiscal year 2013, the City implemented the following accounting standards:

In November 2010, GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses how to account for and report service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements between a transferor (a government) and an operator (governmental or nongovernmental entity) in which the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this statement is effective for the City's

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In December 2010, GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The objective of this statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Key changes include:

- Separating how the accounting and financial reporting is determined from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement 68 is effective for the City's fiscal year ending June 30, 2015.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. The statement establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The new standard is effective for periods beginning after December 15, 2013. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement establishes accounting and financial reporting standards for governments that offer or receive financial guarantees that are nonexchange transactions. The new standard is effective for periods beginning after June 15, 2013. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

### **(t) Restricted Assets**

Certain proceeds of the City's enterprise and internal service fund revenue 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.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(3) RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**(a) Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position**

Total fund balances of the City's governmental funds, \$1,668,561, differs from net position of governmental activities, \$1,820,159, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

	Total Governmental Funds	Long-term Assets, Liabilities(1)	Internal Service Funds(2)	Reclassi- fications and Eliminations	Statement of Net Position Totals
<b>Assets</b>					
Deposits and investments with City Treasury.....	\$ 2,077,686	\$ -	\$ 32,368	\$ -	\$2,110,054
Deposits and investments outside City Treasury....	72,417	-	60,114	-	132,531
Receivables, net:					
Property taxes and penalties.....	56,771	-	-	-	56,771
Other local taxes.....	238,282	-	-	-	238,282
Federal and state grants and subventions.....	306,498	-	-	-	306,498
Charges for services.....	53,402	-	-	-	53,402
Interest and other.....	4,389	-	763	-	5,152
Due from other funds.....	41,213	-	-	(41,213)	-
Due from component unit.....	2,636	-	-	-	2,636
Advances to component units.....	30,403	-	-	-	30,403
Loans receivable, net.....	70,326	-	-	-	70,326
Capital assets, net.....	-	4,038,728	5,920	-	4,044,648
Deferred charges and other assets.....	16,877	19,128	8,141	-	44,146
Total assets.....	<u>2,970,900</u>	<u>4,057,856</u>	<u>107,306</u>	<u>(41,213)</u>	<u>7,094,849</u>
<b>Liabilities</b>					
Accounts payable.....	301,895	-	5,526	-	307,421
Accrued payroll.....	130,898	-	2,391	-	133,289
Accrued vacation and sick leave pay.....	-	149,435	2,732	-	152,167
Accrued workers' compensation.....	-	227,824	1,508	-	229,332
Other postemployment benefits obligation.....	-	882,123	17,847	-	899,970
Estimated claims payable.....	-	111,001	-	-	111,001
Accrued interest payable.....	-	11,134	1,650	-	12,784
Deferred tax, grant and subvention revenues.....	190,527	(177,203)	-	-	13,324
Due to other funds/internal balances.....	28,726	-	1,963	(41,213)	(10,524)
Due to component units.....	280	-	-	-	280
Deferred credits and other liabilities.....	448,467	(128,955)	232	-	319,744
Bonds, loans, capital leases, and other payables...	201,546	2,640,494	263,862	-	3,105,902
Total liabilities.....	<u>1,302,339</u>	<u>3,715,853</u>	<u>297,711</u>	<u>(41,213)</u>	<u>5,274,690</u>
<b>Fund balances/net position</b>					
Total fund balances/net position.....	<u>1,668,561</u>	<u>342,003</u>	<u>(190,405)</u>	<u>-</u>	<u>1,820,159</u>
Total liabilities and fund balances/net position...	<u>\$ 2,970,900</u>	<u>\$4,057,856</u>	<u>\$ 107,306</u>	<u>\$ (41,213)</u>	<u>\$7,094,849</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

- (1) When capital assets (land, infrastructure, buildings, equipment, and intangible assets) that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the City as a whole.

Cost of capital assets .....	\$ 5,272,009
Accumulated depreciation .....	<u>(1,233,281)</u>
	<u>\$ 4,038,728</u>

Bond issuance costs are expended in governmental funds when paid and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of net position. .... \$ 19,128

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 .....	\$ (149,435)
Accrued workers' compensation.....	(227,824)
Other postemployment benefits obligation .....	(882,123)
Estimated claims payable.....	(111,001)
Bonds, loans, capital leases, and other payables .....	(2,640,494)
Deferred credits and other liabilities .....	<u>(343)</u>
	<u><u>\$(4,011,220)</u></u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when paid. .... \$ (11,134)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current period expenditures. Those assets (for example, receivables) are offset by deferred revenues in the governmental funds and thus are not included in fund balance.

Deferred tax, grant and subvention revenues .....	\$ 177,203
Deferred credits and other liabilities .....	<u>129,298</u>
	<u>\$ 306,501</u>

- (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 .....	\$ 8,650
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds .....	(262,543)
Deferred charges and other assets .....	3,606
Deferred credits and other liabilities .....	<u>59,882</u>
	<u><u>\$ (190,405)</u></u>

In addition, intrafund receivables and payables among various internal service funds of \$198 are eliminated.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(b) Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities**

The net change in fund balances for governmental funds, \$131,480, differs from the change in net position for governmental activities, \$(99,851), 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
<b>Revenues</b>						
Property taxes.....	\$ 1,421,764	\$ (6,696)	\$ -	\$ -	\$ -	\$ 1,415,068
Business taxes.....	480,131	-	-	-	-	480,131
Sales and use tax.....	208,025	-	-	-	-	208,025
Hotel room tax.....	238,782	-	-	-	-	238,782
Utility users tax.....	91,871	-	-	-	-	91,871
Other local taxes.....	359,808	-	-	-	-	359,808
Licenses, permits and franchises.....	40,901	(117)	-	-	-	40,784
Fines, forfeitures and penalties.....	49,841	130	-	-	-	49,971
Interest and investment income.....	7,489	-	-	373	-	7,862
Rents and concessions.....	98,770	3,212	-	-	-	101,982
Intergovernmental:						
Federal.....	420,775	10,493	-	-	-	431,268
State.....	656,141	7,468	-	-	-	663,609
Other.....	41,789	(23,415)	-	-	-	18,374
Charges for services.....	296,059	(2,133)	-	-	-	293,926
Other revenues.....	81,014	(532)	6,000	1	-	86,483
Total revenues.....	<u>4,493,160</u>	<u>(11,590)</u>	<u>6,000</u>	<u>374</u>	<u>-</u>	<u>4,487,944</u>
<b>Expenditures/Expenses</b>						
Expenditures:						
Public protection.....	1,145,884	79,059	18,095	(6,116)	-	1,236,922
Public works, transportation and commerce.....	223,218	5,447	(37,413)	(2,128)	-	189,124
Human welfare and neighborhood development.....	945,106	1,280	349	(173)	-	946,562
Community health.....	734,736	17,080	(325)	-	-	751,491
Culture and recreation.....	328,794	10,124	30,984	(17,300)	(14,560)	338,042
General administration and finance.....	211,138	16,997	20,510	626	-	249,271
General City responsibilities.....	81,775	(195)	-	1,157	1,158	83,895
Debt service:						
Principal retirement.....	154,542	-	-	-	(154,542)	-
Interest and fiscal charges.....	108,189	-	-	5,983	(6,382)	107,790
Bond issuance costs.....	2,913	-	-	-	(2,913)	-
Capital outlay.....	410,994	-	(410,994)	-	-	-
Total expenditures/expenses.....	<u>4,347,289</u>	<u>129,792</u>	<u>(378,794)</u>	<u>(17,951)</u>	<u>(177,239)</u>	<u>3,903,097</u>
<b>Other financing sources (uses)/changes in net position</b>						
Net transfers (to) from other funds.....	(483,059)	-	178	(147)	-	(483,028)
Issuance of bonds and loans:						
Face value of bonds issued.....	557,490	-	-	-	(557,490)	-
Face value of loans issued.....	5,890	-	-	-	(5,890)	-
Premium on issuance of bonds.....	64,469	-	-	-	(64,469)	-
Other financing sources-capital leases.....	13,470	-	-	(13,470)	-	-
Total other financing sources (uses)/changes in net position.....	<u>158,260</u>	<u>-</u>	<u>178</u>	<u>(13,617)</u>	<u>(627,849)</u>	<u>(483,028)</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....	(172,651)	-	(29,019)	-	-	(201,670)
<b>Net change for the year.....</b>	<u>\$ 131,480</u>	<u>\$ (141,382)</u>	<u>\$355,953</u>	<u>\$ 4,708</u>	<u>\$ (450,610)</u>	<u>\$ (99,851)</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

- (3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds. \$ (6,696)

Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities. (4,894)  
\$ (11,590)

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. \$ (145,009)

Some expenditures reported in the governmental funds pertain to the establishment of deferred credits on long-term loans since the loans are not considered "available" to pay current period expenditures. The deferred credits are not reported in the statement of net position and, therefore, the related expenditures are not reported in the statement of activities. 15,217  
\$ (129,792)

- (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 .....	\$ 480,870
Depreciation expense .....	(98,677)
Loss on disposal of capital assets .....	(32)
Transfer of asset from enterprise fund .....	178
Write off construction of progress .....	(3,367)
Capital assets acquired by donation or funded by other revenues .....	6,000
Extraordinary loss from dissolution of the Redevelopment Agency .....	(29,019)
Difference .....	<u>\$ 355,953</u>

- (5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year. \$ 4,708

- (6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net position and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.
- Total property rent payments.....\$ 14,560

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Bond issuance costs are expended in governmental funds when paid, and are capitalized and amortized over the life of the corresponding bonds for purposes of the statement of activities.

Bond issuance costs.....	\$ 2,913
Amortization of bond issuance costs.....	(1,158)
Difference.....	<u>\$ 1,755</u>

Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period.....\$ (64,469)

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 .....	<u>\$ 154,542</u>
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Bond and loan proceeds and capital leases are reported as other financing sources in governmental funds and thus contribute to the change in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and do not affect the statement of activities. Proceeds were received from:

General obligation bonds.....	\$ (521,915)
Certificates of participation .....	(35,575)
Loans.....	<u>(5,890)</u>
	<u>(563,380)</u>
	<u>\$ (408,838)</u>

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

Increase in accrued interest .....	\$ (1,222)
Interest payment on capital lease obligations on the Moscone Convention Center .....	(1,878)
Amortization of bond premiums, discounts and refunding losses .....	<u>9,482</u>
	<u>\$ 6,382</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(4) BUDGETARY RESULTS RECONCILED TO RESULTS IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES**

***Budgetary Results Reconciliation***

The budgetary process is based upon accounting for certain transactions on a basis other than generally accepted accounting principles (GAAP). The results of operations are presented in the budget-to-actual comparison statement in accordance with the budgetary process (Budget basis) to provide a meaningful comparison with the budget.

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 120-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2013 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 674,637
Unrealized Gains/ (Losses) on Investments.....	(1,140)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(38,210)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(93,910)
Deferred amounts on loan receivables.....	(20,067)
Pre-paid lease revenue.....	(4,293)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)....	<u>23,854</u>
Fund Balance - GAAP basis.....	<u><u>\$ 540,871</u></u>

General Fund budget basis fund balance as of June 30, 2013 is composed of the following:

Not available for appropriations:

Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 23,329
Rainy Day - One Time Spending Account.....	3,010

Committed Fund Balance:

Budget Stabilization Reserve.....	121,580
Recreation and Parks Expenditure Saving Reserve .....	15,907
Assigned for Encumbrances.....	74,815
Assigned for Appropriation Carryforward.....	112,327

Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	24,819
Salaries and benefits costs (MOU).....	<u>6,338</u>

Subtotal..... **\$ 382,125**

Available for appropriations:

Assigned for Litigation and Contingences.....	30,254
Assigned for General Reserve.....	21,818
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2013-14.....	122,689
Unassigned - Available for future appropriations.....	<u>117,751</u>

Subtotal..... 292,512

Fund Balance, June 30, 2013 - Budget basis..... \$ 674,637

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(5) DEPOSITS AND INVESTMENTS**

**(a) Cash, Deposits and Investments Presentation**

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

	Primary Government			Total	Component Unit
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 2,110,054	\$ 1,806,112	\$ 849,080	\$ 4,765,246	\$ 6,429
Deposits and investments outside					
City Treasury.....	72,417	9,808	17,268,737	17,350,962	-
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	1,609,969	-	1,609,969	-
Deposits and investments outside					
City Treasury.....	60,114	762,477	-	822,591	-
Invested securities lending collateral...	-	-	1,004,266	1,004,266	-
Total deposits & investments	<u>\$ 2,242,585</u>	<u>\$ 4,188,366</u>	<u>\$ 19,122,083</u>	<u>\$ 25,553,034</u>	<u>\$ 6,429</u>
Cash and deposits.....				\$ 323,727	\$ -
Investments.....				25,229,307	6,429
Total deposits and investments.....				<u>\$ 25,553,034</u>	<u>\$ 6,429</u>

***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% 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, 2013, \$0.3 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

**(b) Investment Policies**

***Treasurer’s Pool***

The City’s investment policy addresses the 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 investments. 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.



**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Although the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments, the City's investment policy requires that investments in federal agencies should not exceed 85 percent of the total portfolio at the time of purchase. The investment policy also 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 October 2012. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

<b>Authorized Investment Type</b>	<b>Maximum Maturity</b>	<b>Maximum Percentage of Portfolio</b>	<b>Maximum Investment in One Issuer</b>
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	85% *	100%
State and Local Government Agency Obligations	5 years	20%	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10% *
Medium Term Notes	24 months *	15% *	10%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market Funds	N/A	None	N/A
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.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### ***Employees' Retirement System***

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

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

The investment policy permits investments in domestic and international debt and equity securities; real estate; securities lending; foreign currency contracts, derivative instruments, and alternative investments, which include investments in a variety of commingled partnership vehicles.

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separate account is authorized to use repurchase arrangements. As of June 30, 2013, \$326 million (or 32.5% of cash collateral) consisted of such agreements.

### **(c) Investment Risks**

#### ***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 market interest rates. Information about the sensitivity to the fair values of the City's investments to market interest rate fluctuations is provided by the following tables, which shows the distribution of the City's investments by maturity. The Employees' Retirement System's interest rate risk information is discussed in section (e) of this note.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

	S & P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
<b>Primary Government:</b>				
Investments in City Treasury:				
Pooled investments:				
U.S. Treasury Notes	AA+	\$ 857,756	\$ 25,118	\$ 832,638
U.S. Agencies - Coupon	NR - AA+	4,009,344	436,193	3,573,151
State/Local Agencies	A - AA+	140,255	83,424	56,831
Negotiable certificates of deposit	A+ - AA-	375,059	375,059	
Public time deposits	NR	720	720	
Corporate notes	A - AAA	404,752	158,255	246,497
Money market mutual funds	AAAm	360,047	360,047	
Less: Treasure Island Development Authority				
Investments with City Treasury	n/a	(6,429)	(6,429)	-
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(7,769)		(7,769)
Subtotal pooled investments		6,133,735	1,432,387	4,701,348
Separately managed account:				
SFRDA South Beach Harbor Revenue Bond	NR	4,500		4,500
Subtotal investments in City Treasury		6,138,235	\$ 1,432,387	\$ 4,705,848
Investments Outside City Treasury:				
(Governmental and Business - Type)				
U.S. Treasury Bills	NR	223,291.00	\$ 223,291	\$ -
U.S. Treasury Notes	NR/AAA	81,346	46,240	35,106
U.S. Agencies - Coupon	AA+	141,776	53,150	88,626
U.S. Agencies - Discount	A-1+	124,074	124,074	-
Certificate of Deposit	NR	413	413	-
Money Market Mutual Funds	AAAm/AAA	465,518	465,518	-
Investment Derivative Instrument	NR	5,166	727	4,439
Subtotal investments outside City Treasury		1,041,584	\$ 913,413	\$ 128,171
Employees' Retirement System investments		18,049,488		
<b>Total Primary Government</b>		<b>25,229,307</b>		
<b>Component Unit:</b>				
Treasure Island Development Authority:				
Investments with City Treasury	n/a	6,429	\$ 6,429	\$ -
<b>Total Investments</b>		<b>\$ 25,235,736</b>		

As of June 30, 2013, the investments in the City Treasury had a weighted average maturity of 880 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. 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 a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

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, 2013, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal National Mortgage Association .....	19.4%
Federal Home Loan Bank .....	17.9%
Federal Farm Credit Bank.....	11.6%
Federal Home Loan Mortgage Corporation .....	10.0%
Federal Agriculture Mortgage Corporation .....	6.4%

In addition, the following major funds hold investments with trustees that represent 5% or more of the funds’ investments outside City Treasury as of June 30, 2013:

Airport:	
Federal National Mortgage Association .....	34.9%
Water Enterprise:	
Federal Home Loan Mortgage Corporation .....	23.2%
Federal Farm Credit Bank .....	8.6%
Hetch Hetchy:	
Federal Home Loan Bank.....	38.1 %
Wastewater Enterprise:	
Federal Home Loan Mortgage Corporation .....	17.6%

**Airport’s Forward Purchase and Sale Agreements**

*Objective and Terms* – The Airport’s Senior Trustee invests a portion of the Airport’s debt service fund deposits and debt service reserve funds in investments delivered in accordance with two Forward Purchase and Sale Agreements (FPSAs) that are intended to produce guaranteed earnings rates of 4.329% - 4.349%, depending on the agreement. The two FPSAs are 10-year agreements that expire between November 2013 and November 2014. The Airport had a third FPSA (with Citigroup Financial Products, Inc.) that expired on May 1, 2013. The reserve funds that were invested in the Citigroup FPSA have not been reinvested in a new FPSA.

Under each FPSA, the Senior Trustee purchases a predetermined amount and type of investment security from the provider at prices that will result in the guaranteed fixed rate of return. Under the FPSA with Morgan Stanley Capital Services, the Senior Trustee is required to purchase between \$10.9 million and \$23.5 million of investment securities every month for the debt service fund, depending on the amount of deposits into the fund. Of the \$257.2 million principal amount of investments purchased during the fiscal year ended June 30, 2013, \$235.4 million have matured and the proceeds thereof have been used to pay debt service on the Airport’s bonds, leaving \$21.8 million invested as of June 30, 2013. Under the FPSA with Merrill Lynch Capital Services, the Senior Trustee is required to purchase \$100.0 million of investment securities every six months, maturing on the following May 1 or November 1, as applicable, for the bond reserve fund. The amounts of unmatured

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

investment securities purchased under the two FPSAs and held by the Senior Trustee as of June 30, 2013, are shown in the following table:

<u>Provider</u>	<u>Purpose</u>	<u>Amount</u>	<u>Fixed Rate</u>	<u>Start Date</u>	<u>End Date</u>
Merrill Lynch Capital Services	Reserve Funds	\$100,000	4.329%	12/10/2004	11/1/2014
Morgan Stanley Capital Services	Debt Service	21,862	4.349%	1/29/2004	11/1/2013

*' The amount invested varies depending on principal and interest deposits on the outstanding bonds.*

All investments under the FPSAs are made with the intention that securities will be held to maturity, and all are invested only in specified eligible securities pursuant to the California Government Code and as defined by the Airport's 1991 Master Resolution. These investments are scheduled to mature on or before each debt service payment date on the associated bonds.

If necessary, the Airport may direct the Senior Trustee to sell the securities at any time prior to their maturity in the open market and use the proceeds of such sale for the permitted purposes of the applicable fund. The securities are recorded at their fair value as of June 30, 2013, and not at the guaranteed rate of return of the FPSA under which the investments were delivered. As of June 30, 2013, the accrued interest was recorded in the interest receivable account.

The Airport accounted for and disclosed the FPSAs as investment derivatives in accordance with GASB 53 as of and for the year ended June 30, 2013.

*Fair Value* – The fair value of each FPSA takes into consideration the prevailing interest rate environment and the specific terms and conditions of the FPSA. All fair values were estimated using the zero-coupon discounting method. This method calculates the future earnings under each FPSA, 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 and compared to the future earnings at the guaranteed rate, also discounted using the spot rates implied by the current yield curve.

As of June 30, 2013, the fair values of the FPSAs are as follows:

<u>Provider</u>	<u>June 30, 2013</u>
Merrill Lynch Capital Services	\$ 4,439
Morgan Stanley Capital Services	727
Total FPSAs	<u>\$ 5,166</u>

*Credit Risk* – The provider under each FPSA sells the specified investment securities to the Senior Trustee on a "delivery-versus-payment" basis. Therefore, at any given time, the Senior Trustee holds either cash or the delivered investments. The Airport has received bankruptcy opinions of counsel of the respective providers to the effect that, subject to customary qualifications, investment securities purchased by the Senior Trustee would not constitute part of the bankruptcy estate of the provider. Thus, the Airport believes that the principal amounts invested in accordance with the FPSAs are not at risk in the event of the bankruptcy or insolvency of the respective providers. In the event a provider fails to perform, the Airport can invest its funds in alternative investments available at that time, which would likely produce a different rate of return. If an FPSA is terminated, the Airport would receive or pay a termination amount approximately equivalent to the fair value of the FPSA at that time, depending on market conditions. As of June 30, 2013, the fair value of each FPSA was positive to the Airport as shown above.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The providers and guarantors of the FPSAs and their credit ratings are as follows:

<u>Provider</u>	<u>Guarantor</u>	<u>Guarantor Credit Ratings June 30, 2013 (Moody's/S&amp;P)</u>
Merrill Lynch Capital Services	Merrill Lynch & Company	Baa2/A-
Morgan Stanley Capital Services	Morgan Stanley	Baa1/A-

*Termination Risk* – Under the terms of the FPSAs, if an investment provider is downgraded below “A-” by Standard & Poor’s or “A3” by Moody’s, a “Downgrade Event” occurs, and the provider must take corrective action by either assigning the FPSA to a more highly rated investment provider, obtaining a guaranty from a more highly rated guarantor, or collateralizing its obligations under the FPSA. If the provider fails to cure the Downgrade Event within 10 business days, the Airport has a 45-day option to terminate the FPSA and make or receive a cash payment, depending on the then market value of the FPSA. The downgrade of any FPSA provider increases the risk to the Airport that the provider will not perform under the FPSA.

Merrill Lynch & Co. was downgraded by Moody’s on September 21, 2011 to “Baa1” (and subsequently to “Baa2”) resulting in a Downgrade Event. Consequently, Merrill Lynch Capital Services (MLCS) entered into a collateral agreement in January 2012 with the Senior Trustee for the benefit of the Airport to post collateral equal to 105% of the fair value (or “termination amount”) calculated on a weekly basis to secure MLCS’ obligations under the FPSA. The collateral delivered by MLCS is held by U.S. Bank National Association, as custodian (the Custodian). If an event of default by MLCS occurs under the FPSA and the FPSA is terminated, the Senior Trustee is entitled to instruct the Custodian to transfer the collateral to the Senior Trustee or to liquidate the collateral and transfer the proceeds to the Senior Trustee.

Morgan Stanley was downgraded by Moody’s to “Baa1” on June 21, 2012, resulting in a Downgrade Event. The Airport and Morgan Stanley continue to negotiate an appropriate cure to this Downgrade Event.

**(d) Treasurer’s Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer’s Pool as of June 30, 2013:

**Statement of Net Position**

Net position held in trust for all pool participants.....	\$ 6,381,644
Equity of internal pool participants.....	\$ 5,956,466
Equity of separately managed account participant.....	97,202
Equity of external pool participants.....	327,976
Total equity.....	<u>\$ 6,381,644</u>

**Statement of Changes in Net Position**

Net position at July 1, 2012.....	\$ 5,707,347
Net change in investments by pool participants.....	674,297
Net position at June 30, 2013.....	<u>\$ 6,381,644</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2013:

<u>Type of Investment</u>	<u>Rates</u>	<u>Maturities</u>	<u>Par Value</u>	<u>Carrying Value</u>
Pooled Investments:				
US government securities.....	0.48% - 2.00%	01/15/14 - 04/30/18	\$ 860,000	\$ 857,756
US Agencies - Coupon.....	0.10% - 2.31%	09/03/13 - 05/22/18	3,997,493	4,009,344
State and local agencies.....	0.32% - 1.04%	07/26/13 - 08/01/16	137,485	140,255
Negotiable certificates of deposits.....	0.12% - 0.38%	07/01/13 - 06/24/14	375,000	375,059
Public time deposits.....	0.47% - 0.49%	02/07/14 - 04/09/14	720	720
Corporate notes.....	0.27% - 0.66%	09/20/13 - 04/08/15	403,405	404,752
Money market mutual funds.....	0.01% - 0.05%	07/01/13 - 07/01/13	360,047	360,047
			<u>\$ 6,134,150</u>	<u>6,147,933</u>
Segregated account:				
Local agencies.....	3.50%	12/1/2016	<u>\$ 4,500</u>	4,500
Carrying amount of deposits with Treasurer.....				<u>229,211</u>
Total cash and investments with Treasurer.....				<u>\$ 6,381,644</u>

**(e) Retirement System Investments**

The Retirement System's investments as of June 30, 2013 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	\$ 572,556
Investments with City Treasury	7,769
Debt securities:	
U.S. Government and agencies	966,411
Other debt securities	<u>3,324,166</u>
Subtotal debt securities	<u>4,290,577</u>
Total fixed income investments	<u>4,870,902</u>
Equity securities:	
Domestic	4,576,833
International	<u>4,044,601</u>
Total equity securities	<u>8,621,434</u>
Real estate holdings	1,430,711
Alternative investments	2,129,578
Foreign currency contracts, net	(7,403)
Investment in lending agent's short-term investment pool	<u>1,004,266</u>
<b>Total Retirement System Investments</b>	<u><u>\$ 18,049,488</u></u>

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### 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, 2013:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	\$ 194,581	\$ 305	\$ 97,482	\$ 9,221	\$ 87,573
Bank Loans	22,143	6,320	15,311	512	-
City Investment Pool	7,769	-	7,769	-	-
Collateralized Bonds	17,250	-	379	-	16,871
Commercial Mortgage-Backed	594,746	2,271	81,163	23,140	488,172
Commercial Paper	3,765	3,765	-	-	-
Commingled and other fixed income funds	349,205	363,520	17	-	(14,332)
Corporate Bonds	1,587,605	577,150	357,728	475,067	177,660
Corporate Convertible Bonds	266,206	29,450	135,058	23,711	77,987
Government Agencies	301,281	276,122	17,776	6,682	701
Government Bonds	400,662	33,432	250,480	45,513	71,237
Government Mortgage-Backed Securities	352,028	103,855	3,982	8,797	235,394
Index Linked Government Bonds	3,071	-	-	-	3,071
Foreign Currencies and Cash Equivalents	248,745	248,745	-	-	-
Mortgages	49	-	49	-	-
Municipal/Provincial Bonds	56,315	4,772	8,559	5,654	37,330
Non-Government Backed Collateralized Mortgage Obligations	146,053	-	7,459	2,240	136,354
Options	(261)	(261)	-	-	-
Short-Term Investment Funds	320,046	320,046	-	-	-
Swaps	(357)	-	162	-	(519)
<b>Total</b>	<b>\$ 4,870,902</b>	<b>\$ 1,969,492</b>	<b>\$ 983,374</b>	<b>\$ 600,537</b>	<b>\$ 1,317,499</b>

### Credit Risk

Fixed income investment managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government 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.



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2013. Investments issued or explicitly guaranteed by the U.S. government of \$926.1 million as of June 30, 2013 are not considered to have credit risk and are excluded from the table below.

<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Total</u>
AAA	\$ 283,141	7.2%
AA	173,085	4.4%
A	298,781	7.6%
BBB	579,060	14.7%
BB	215,932	5.5%
B	312,311	7.9%
CCC	156,362	4.0%
CC	6,605	0.2%
C	5,064	0.1%
D	85	0.0%
Not Rated	1,914,364	48.4%
<b>Total</b>	<u><u>\$ 3,944,790</u></u>	<u><u>100.0%</u></u>

The securities listed as "Not Rated" include short-term investment funds, U.S. government agency securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these securities, the "Not Rated" component of credit would be approximately 13.0% for 2013.

### ***Concentration of Credit Risk***

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Guidelines for investment managers typically restrict a position to become no more than 5% (at fair value) of the investment manager's portfolio. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit.

As of June 30, 2013, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System net position.

### ***Custodial Credit Risk***

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2013, \$76.7 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name. Cash received as securities lending collateral is invested in a separately managed account using investment guidelines approved by the Retirement System and held with the System's custodial bank.

For fiscal year 2013, cash received as securities lending collateral is invested in a separately managed account using investment guidelines approved by the Retirement System and held by the custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Foreign Currency Risk**

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, alternative investments, real estate, and swap investments. The Retirement System's investment policy allows international managers to enter into foreign exchange contracts, which are limited to hedging currency exposure existing in the portfolio.

The Retirement System's net exposures to foreign currency risk as of June 30, 2013 are as follows:

<b>Currency</b>	<b>Cash</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Alternative Investments</b>	<b>Real Estate</b>	<b>Foreign Currency Contracts</b>	<b>Total</b>
Australian dollar	\$ 1,244	\$ 100,546	\$ 31,709	\$ 14,818	\$ -	\$ (45,951)	\$ 102,366
Brazilian real	43	28,104	31,851	-	-	12,853	72,851
British pound sterling	180	540,682	7,525	-	-	(36,085)	512,302
Canadian dollar	50	47,750	8,794	-	-	(54,989)	1,605
Chilean peso	-	-	-	-	-	12,170	12,170
Chinese yuan renminbi	-	-	-	-	-	27,628	27,628
Colombian peso	-	-	-	-	-	2,614	2,614
Czech koruna	-	1,121	-	-	-	(18,854)	(17,733)
Danish krone	1	22,772	-	-	-	(1,265)	21,508
Euro	41,831	692,954	34,375	255,304	-	3,790	1,028,254
Hong Kong dollar	668	199,136	-	-	-	974	200,778
Hungarian forint	-	742	-	-	-	(509)	233
Indian rupee	-	-	-	-	-	12,374	12,374
Indonesian rupiah	35	24,623	-	-	-	8,788	33,446
Japanese yen	2,859	542,967	-	-	51,523	(59,515)	537,834
Malaysian ringgit	-	4,756	-	-	-	(13,055)	(8,299)
Mexican peso	24	16,164	31,347	-	-	20,577	68,112
New Israeli shekel	33	6,187	-	-	-	6,650	12,870
New Romanian leu	-	-	-	-	-	8,829	8,829
New Russian ruble	-	-	-	-	-	3,194	3,194
New Taiwan dollar	360	23,669	-	-	-	(49,985)	(25,956)
New Zealand dollar	(32)	-	-	-	-	(36,930)	(36,962)
Norwegian krone	222	22,987	-	-	-	12,895	36,104
Peruvian nuevo sol	-	-	-	-	-	(14,342)	(14,342)
Philippine peso	-	816	-	-	-	(27,181)	(26,365)
Polish zloty	-	181	-	-	-	3,075	3,256
Singapore dollar	197	50,586	-	-	-	(63,942)	(13,159)
South African rand	-	12,974	-	-	-	(240)	12,734
South Korean won	1,235	82,837	-	-	-	(14,449)	69,623
Swedish krona	638	58,933	-	-	-	222	59,793
Swiss franc	69	213,106	-	-	-	(15,707)	197,468
Thai baht	-	25,430	-	-	-	(18,238)	7,192
Turkish lira	-	18,414	-	-	-	13,987	32,401
<b>Total</b>	<b>\$ 49,657</b>	<b>\$ 2,738,437</b>	<b>\$ 145,601</b>	<b>\$ 270,122</b>	<b>\$ 51,523</b>	<b>\$ (320,617)</b>	<b>\$ 2,934,723</b>

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### ***Derivative Instruments***

As of June 30, 2013, 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, 2013:

<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	(a)	\$ (7,411)	\$ (7,411)
Other Contracts	(a)	101	101
Options			
Foreign Exchange Contracts	2,837	(261)	(649)
Swaps			
Credit Contracts	2,837	(357)	521
Rights/Warrants			
Equity Contracts	890 shares	1,051	(30)
<b>Total</b>		<u>\$ (6,877)</u>	<u>\$ (7,468)</u>

- (a) The Retirement System's investment managers enter into a wide variety of forward foreign exchange and other contracts, which frequently do not involve the US dollar. As a result, a U.S. dollar-based notional value is not included.

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

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Counterparty Credit Risk**

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2013, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were \$5.6 million and \$13.3 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 97.5% of the positions while 2.5% were rated below A as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch).

**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, 2013, 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, 2013.

<u>Derivative Type / Contracts</u>	<u>Fair Value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>6-10 years</u>	<u>10+ years</u>
Forwards					
Other Contracts	\$ 101	\$ 101	\$ -	\$ -	\$ -
Swaps					
Credit Contracts	(357)	-	161	-	(518)
<b>Total</b>	<u>\$ (256)</u>	<u>\$ 101</u>	<u>\$ 161</u>	<u>\$ -</u>	<u>\$ (518)</u>

At June 30, 2013, there were no derivative instruments which were highly sensitive to interest rate changes.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Foreign Currency Risk**

At June 30, 2013, the Retirement System is exposed to foreign currency risk on its investments in forwards, options, rights, and warrants denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2013:

<u>Currency</u>	<u>Forwards</u>	<u>Options</u>	<u>Rights / Warrants</u>	<u>Total</u>
Australian dollar	\$ 1,139	\$ (270)	\$ 2	\$ 871
Brazilian real	(1,120)	-	151	(969)
British pound sterling	188	-	-	188
Canadian dollar	424	-	-	424
Chilean peso	(775)	-	-	(775)
Chinese yuan renminbi	200	-	-	200
Colombian peso	(28)	-	-	(28)
Czech koruna	36	-	-	36
Danish krone	15	-	-	15
Euro	(505)	-	-	(505)
Hong Kong dollar	1	-	-	1
Hungarian forint	(12)	-	-	(12)
Indian rupee	(920)	-	-	(920)
Indonesian rupiah	(264)	-	-	(264)
Japanese yen	848	-	-	848
Malaysian ringgit	(301)	-	-	(301)
Mexican peso	(294)	-	-	(294)
New Israeli shekel	(45)	-	-	(45)
New Romanian Leu	(96)	-	-	(96)
New Russian ruble	(203)	-	-	(203)
New Taiwan dollar	(59)	-	-	(59)
New Zealand dollar	(235)	(33)	-	(268)
Norwegian krone	(876)	-	-	(876)
Peruvian nuevo sol	310	-	-	310
Philippine peso	(78)	-	-	(78)
Polish zloty	(230)	-	-	(230)
Singapore dollar	625	-	-	625
South African rand	(469)	-	-	(469)
South Korean won	(107)	-	-	(107)
Swedish krona	(398)	-	-	(398)
Swiss franc	(195)	-	-	(195)
Thai baht	213	-	-	213
Turkish lira	(490)	-	-	(490)
<b>Total</b>	<b>\$ (3,701)</b>	<b>\$ (303)</b>	<b>\$ 153</b>	<b>\$ (3,851)</b>

**Contingent Features**

At June 30, 2013, the Retirement System held no positions in derivatives containing contingent features.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### ***Currency Management Program***

The Retirement System's currency management program is managed by two investment managers. The objective of the currency management program is to produce a risk-adjusted return of approximately 100 basis points.

The Retirement System's international equity managers do not actively manage the underlying currency risk. Currency risk can be reduced through an active currency management program.

Each currency manager manages currency risk through foreign exchange spot and forward contracts, and currency options. Only international equities are subject to the currency management program. The Retirement System's international fixed income currency exposure is actively managed by four developed market bond managers and two emerging market bond managers. All four developed bond managers have discretion to invest in U.S. or international developed markets.

As of June 30, 2013, the Retirement System's allocation to international equities (including cash and other assets) was primarily denominated in foreign currencies and totaled \$4.3 billion, which represented 25.2% of plan net position. For the year ended June 30, 2013, the currency overlay program lost \$11.2 million or 0.26% of the international equity portfolio (including cash and other assets) and 0.07% of the Retirement System's average total portfolio value.

### ***Securities Lending***

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% and 105% of the market value of domestic securities and international securities lent, respectively. There are no restrictions on the amount of securities that can be lent at one time. However, starting in the year ended June 30, 2009, the Retirement System engaged in a systematic reduction of the value of securities on loan with a target of no more than ten percent (10%) of total fund assets on loan at any time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the corresponding collateral.

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2013, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. In addition, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2013, the Retirement System lent \$1.3 billion in securities and received collateral of \$1.0 billion and \$0.3 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account by the lending agent using investment guidelines approved by the Retirement System. Due to the decline in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$1.0 billion. The net unrealized loss of \$895 is presented as part of the net depreciation in fair value of investments in the statement of changes in the fiduciary net position. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held by the account.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The Retirement System's securities lending transactions as of June 30, 2013, are summarized in the following table:

<u>Security Type</u>	<u>Fair Value of Loaned Securities</u>	<u>Cash Collateral</u>	<u>Fair Value of Securities Collateral</u>
<b>Securities Loaned for Cash Collateral:</b>			
International Corporate Fixed Income	\$ 8,400	\$ 8,873	\$ -
International Equities	77,863	82,809	-
International Government Fixed Income	3,846	3,970	-
U.S. Corporate Fixed Income	160,374	164,134	-
U.S. Equities	437,396	448,319	-
U.S. Government Fixed Income	291,450	297,056	-
<b>Securities Loaned with Non-Cash Collateral:</b>			
International Corporate Fixed Income	2,367	-	2,464
International Equities	295,696	-	314,030
International Government Fixed Income	10,047	-	10,534
U.S. Corporate Fixed Income	12	-	12
U.S. Equities	9,980	-	10,246
U.S. Government Fixed Income	1,125	-	1,146
<b>Total</b>	<b>\$ 1,298,556</b>	<b>\$ 1,005,161</b>	<b>\$ 338,432</b>

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2013.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities less than 1 year</u>
Commercial Paper	\$ 43,968	\$ 43,968
Government Agencies	35,013	35,013
Negotiable Certificates of Deposits	204,013	204,013
Repurchase Agreements	326,400	326,400
Short Term Investment Funds	394,872	394,872
<b>Total</b>	<b>\$ 1,004,266</b>	<b>\$ 1,004,266</b>

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2013 is as follows:

<u>Credit Rating</u>	<u>Fair Value</u>	<u>Fair Value as a Percentage of Total</u>
AAA	\$ 35,013	3.5%
AA	485,749	48.4%
A	483,421	48.1%
Not Rated	83	0.0%
<b>Total</b>	<b>\$ 1,004,266</b>	<b>100.0%</b>

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### ***Investments in Real Estate Holdings***

Real estate investments represent the Retirement System's interests in real estate limited partnerships. The changes in these investments during the year ended June 30, 2013 are summarized as follows:

Investments:	
Beginning of the year	\$ 1,403,412
Capital investments	145,023
Equity in net earnings	80,643
Net appreciation in fair value	62,011
Capital distributions	(260,378)
End of the year	<u>\$ 1,430,711</u>

### **(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% 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% 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% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$176.9 million for the year ended June 30, 2013.

Taxable valuation for the year ended June 30, 2013 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$153 billion, an increase of 1.4%. The secured tax rate was \$1.1691 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also \$0.1691 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 1.10% and 5.32%, respectively, of the current year tax levy, for an average delinquency rate of 1.35% of the current year tax levy.



**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2013 was \$18.3 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

**(7) CAPITAL ASSETS**

**Primary Government**

Capital asset activity of the primary government for the year ended June 30, 2013 was as follows:

**Governmental Activities:**

	<b>Balance July 1, 2012</b>	<b>Increases *</b>	<b>Decreases *</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land .....	\$ 281,858	\$ 4,250	\$ (29,019) **	\$ 257,089
Intangible assets.....	35,889	7,236	(35,593)	7,532
Construction in progress.....	<u>573,461</u>	<u>452,829</u>	<u>(163,210)</u>	<u>863,080</u>
Total capital assets, not being depreciated.....	<u>891,208</u>	<u>464,315</u>	<u>(227,822)</u>	<u>1,127,701</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,137,795	74,979	(240)	3,212,534
Machinery and equipment.....	359,342	23,291	(2,403)	380,230
Infrastructure.....	475,245	86,302	-	561,547
Intangible assets.....	<u>3,029</u>	<u>35,593</u>	<u>-</u>	<u>38,622</u>
Total capital assets, being depreciated.....	<u>3,975,411</u>	<u>220,165</u>	<u>(2,643)</u>	<u>4,192,933</u>
Less accumulated depreciation for:				
Facilities and improvements.....	794,673	63,255	(240)	857,688
Machinery and equipment.....	310,281	17,788	(2,371)	325,698
Infrastructure.....	72,735	17,381	-	90,116
Intangible assets.....	<u>684</u>	<u>1,800</u>	<u>-</u>	<u>2,484</u>
Total accumulated depreciation.....	<u>1,178,373</u>	<u>100,224</u>	<u>(2,611)</u>	<u>1,275,986</u>
Total capital assets, being depreciated, net.....	<u>2,797,038</u>	<u>119,941</u>	<u>(32)</u>	<u>2,916,947</u>
Governmental activities capital assets, net.....	<u>\$ 3,688,246</u>	<u>\$ 584,256</u>	<u>\$ (227,854)</u>	<u>\$ 4,044,648</u>

\* The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

\*\* Assets in the amount of \$29.0 million were transferred from the City as of July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Business-type Activities:**

Capital asset activity of the business enterprises for the year ended June 30, 2013, was as follows:

**San Francisco International Airport**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 3,074	\$ -	\$ -	\$ 3,074
Construction in progress.....	85,852	181,041	(39,615)	227,278
Total capital assets, not being depreciated.....	<u>88,926</u>	<u>181,041</u>	<u>(39,615)</u>	<u>230,352</u>
Capital assets, being depreciated:				
Facilities and improvements.....	5,633,273	60,464	(263,719)	5,430,018
Machinery and equipment.....	187,006	6,241	(6,147)	187,100
Intangible assets.....	141,348	6,881	-	148,229
Total capital assets, being depreciated.....	<u>5,961,627</u>	<u>73,586</u>	<u>(269,866)</u>	<u>5,765,347</u>
Less accumulated depreciation for:				
Facilities and improvements.....	2,140,483	152,136	(211,760)	2,080,859
Machinery and equipment.....	73,305	17,172	(5,981)	84,496
Intangible assets.....	102,339	7,214	-	109,553
Total accumulated depreciation.....	<u>2,316,127</u>	<u>176,522</u>	<u>(217,741)</u>	<u>2,274,908</u>
Total capital assets, being depreciated, net.....	<u>3,645,500</u>	<u>(102,936)</u>	<u>(52,125)</u>	<u>3,490,439</u>
Capital assets, net.....	<u>\$ 3,734,426</u>	<u>\$ 78,105</u>	<u>\$ (91,740)</u>	<u>\$ 3,720,791</u>

**San Francisco Water Enterprise**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 24,711	\$ 96	\$ (500)	\$ 24,307
Intangible assets.....	679	-	-	679
Construction in progress.....	1,385,860	697,544	(557,715)	1,525,689
Total capital assets, not being depreciated.....	<u>1,411,250</u>	<u>697,640</u>	<u>(558,215)</u>	<u>1,550,675</u>
Capital assets, being depreciated:				
Facilities and improvements.....	2,374,579	540,425	-	2,915,004
Machinery and equipment.....	243,561	19,839	(530)	262,870
Intangible assets.....	11,834	524	-	12,358
Total capital assets, being depreciated.....	<u>2,629,974</u>	<u>560,788</u>	<u>(530)</u>	<u>3,190,232</u>
Less accumulated depreciation for:				
Facilities and improvements.....	681,704	60,096	-	741,800
Machinery and equipment.....	122,673	13,026	(527)	135,172
Intangible assets.....	2,681	2,326	-	5,007
Total accumulated depreciation.....	<u>807,058</u>	<u>75,448</u>	<u>(527)</u>	<u>881,979</u>
Total capital assets, being depreciated, net.....	<u>1,822,916</u>	<u>485,340</u>	<u>(3)</u>	<u>2,308,253</u>
Capital assets, net.....	<u>\$ 3,234,166</u>	<u>\$ 1,182,980</u>	<u>\$ (558,218)</u>	<u>\$ 3,858,928</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Hetch Hetchy Water and Power**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 4,720	\$ -	\$ -	\$ 4,720
Intangible assets.....	1,437	-	-	1,437
Construction in progress.....	66,139	29,358	(7,917)	87,580
Total capital assets, not being depreciated.....	<u>72,296</u>	<u>29,358</u>	<u>(7,917)</u>	<u>93,737</u>
Capital assets, being depreciated:				
Facilities and improvements.....	493,462	4,629	-	498,091
Machinery and equipment.....	78,081	2,998	(237)	80,842
Intangible assets.....	45,715	-	-	45,715
Total capital assets, being depreciated.....	<u>617,258</u>	<u>7,627</u>	<u>(237)</u>	<u>624,648</u>
Less accumulated depreciation for:				
Facilities and improvements.....	294,403	10,597	-	305,000
Machinery and equipment.....	41,773	4,377	(141)	46,009
Intangible assets.....	17,983	483	-	18,466
Total accumulated depreciation.....	<u>354,159</u>	<u>15,457</u>	<u>(141)</u>	<u>369,475</u>
Total capital assets, being depreciated, net.....	263,099	(7,830)	(96)	255,173
Capital assets, net.....	<u>\$ 335,395</u>	<u>\$ 21,528</u>	<u>\$ (8,013)</u>	<u>\$ 348,910</u>

**Municipal Transportation Agency**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 41,495	\$ -	\$ (465)	\$ 41,030
Construction in progress.....	422,361	231,311	(109,080)	544,592
Total capital assets, not being depreciated.....	<u>463,856</u>	<u>231,311</u>	<u>(109,545)</u>	<u>585,622</u>
Capital assets, being depreciated:				
Facilities and improvements.....	633,377	34,418	-	667,795
Machinery and equipment.....	1,212,258	31,113	(14,072)	1,229,299
Infrastructure.....	1,175,203	14,866	(71)	1,189,998
Total capital assets, being depreciated.....	<u>3,020,838</u>	<u>80,397</u>	<u>(14,143)</u>	<u>3,087,092</u>
Less accumulated depreciation for:				
Facilities and improvements.....	227,733	15,790	-	243,523
Machinery and equipment.....	703,068	72,876	(11,364)	764,580
Infrastructure.....	438,187	33,813	(71)	471,929
Total accumulated depreciation.....	<u>1,368,988</u>	<u>122,479</u>	<u>(11,435)</u>	<u>1,480,032</u>
Total capital assets, being depreciated, net.....	1,651,850	(42,082)	(2,708)	1,607,060
Capital assets, net.....	<u>\$ 2,115,706</u>	<u>\$ 189,229</u>	<u>\$ (112,253)</u>	<u>\$ 2,192,682</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**San Francisco General Hospital Medical Center**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 542	\$ -	\$ -	\$ 542
Construction in progress.....	37,772	8,516	(3,660)	42,628
Total capital assets, not being depreciated.....	<u>38,314</u>	<u>8,516</u>	<u>(3,660)</u>	<u>43,170</u>
Capital assets, being depreciated:				
Facilities and improvements.....	139,402	4,711	-	144,113
Machinery and equipment.....	65,138	4,172	-	69,310
Total capital assets, being depreciated.....	<u>204,540</u>	<u>8,883</u>	<u>-</u>	<u>213,423</u>
Less accumulated depreciation for:				
Facilities and improvements.....	114,474	3,100	-	117,574
Machinery and equipment.....	56,073	2,601	-	58,674
Total accumulated depreciation.....	<u>170,547</u>	<u>5,701</u>	<u>-</u>	<u>176,248</u>
Total capital assets, being depreciated, net.....	<u>33,993</u>	<u>3,182</u>	<u>-</u>	<u>37,175</u>
Capital assets, net.....	<u>\$ 72,307</u>	<u>\$ 11,698</u>	<u>\$ (3,660)</u>	<u>\$ 80,345</u>

**San Francisco Wastewater Enterprise**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 21,210	\$ 14,527	\$ -	\$ 35,737
Intangible assets.....	3,046	-	-	3,046
Construction in progress.....	134,703	176,592	(134,584)	176,711
Total capital assets, not being depreciated.....	<u>158,959</u>	<u>191,119</u>	<u>(134,584)</u>	<u>215,494</u>
Capital assets, being depreciated:				
Facilities and improvements.....	2,294,336	110,862	-	2,405,198
Machinery and equipment.....	71,265	5,656	(224)	76,697
Intangible assets.....	3,931	-	-	3,931
Total capital assets, being depreciated.....	<u>2,369,532</u>	<u>116,518</u>	<u>(224)</u>	<u>2,485,826</u>
Less accumulated depreciation for:				
Facilities and improvements.....	957,872	40,989	-	998,861
Machinery and equipment.....	35,100	4,572	(224)	39,448
Intangible assets.....	1,382	786	-	2,168
Total accumulated depreciation.....	<u>994,354</u>	<u>46,347</u>	<u>(224)</u>	<u>1,040,477</u>
Total capital assets, being depreciated, net.....	<u>1,375,178</u>	<u>70,171</u>	<u>-</u>	<u>1,445,349</u>
Capital assets, net.....	<u>\$ 1,534,137</u>	<u>\$ 261,290</u>	<u>\$ (134,584)</u>	<u>\$ 1,660,843</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Port of San Francisco**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 105,582	\$ -	\$ -	\$ 105,582
Construction in progress.....	44,039	128,482	(162,749)	9,772
Total capital assets, not being depreciated.....	<u>149,621</u>	<u>128,482</u>	<u>(162,749)</u>	<u>115,354</u>
Capital assets, being depreciated:				
Facilities and improvements.....	356,730	162,632	(3,890)	515,472
Machinery and equipment.....	16,922	2,172	(1,019)	18,075
Infrastructure.....	27,937	1,119	-	29,056
Intangible assets.....	4,854	-	-	4,854
Total capital assets, being depreciated.....	<u>406,443</u>	<u>165,923</u>	<u>(4,909)</u>	<u>567,457</u>
Less accumulated depreciation for:				
Facilities and improvements.....	240,754	13,555	(2,915)	251,394
Machinery and equipment.....	11,864	993	(1,019)	11,838
Infrastructure.....	5,901	1,359	-	7,260
Intangible assets.....	2,827	460	-	3,287
Total accumulated depreciation.....	<u>261,346</u>	<u>16,367</u>	<u>(3,934)</u>	<u>273,779</u>
Total capital assets, being depreciated, net.....	145,097	149,556	(975)	293,678
Capital assets, net.....	<u>\$ 294,718</u>	<u>\$ 278,038</u>	<u>\$ (163,724)</u>	<u>\$ 409,032</u>

**Laguna Honda Hospital**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Construction in progress.....	\$ 11	\$ 23,790	\$ (23,801)	\$ -
Total capital assets, not being depreciated.....	<u>11</u>	<u>23,790</u>	<u>(23,801)</u>	<u>-</u>
Capital assets, being depreciated:				
Facilities and improvements.....	574,884	23,801	(914)	597,771
Machinery and equipment.....	31,583	1,045	(5,868)	26,760
Property Held Under Lease.....	771	-	(74)	697
Intangible assets.....	273	158	-	431
Total capital assets, being depreciated.....	<u>607,511</u>	<u>25,004</u>	<u>(6,856)</u>	<u>625,659</u>
Less accumulated depreciation for:				
Facilities and improvements.....	36,834	11,488	(914)	47,408
Machinery and equipment.....	16,055	4,228	(5,868)	14,415
Property Held Under Lease.....	766	5	(74)	697
Intangible assets.....	79	71	-	150
Total accumulated depreciation.....	<u>53,734</u>	<u>15,792</u>	<u>(6,856)</u>	<u>62,670</u>
Total capital assets, being depreciated, net.....	553,777	9,212	-	562,989
Capital assets, net.....	<u>\$ 553,788</u>	<u>\$ 33,002</u>	<u>\$ (23,801)</u>	<u>\$ 562,989</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Other Fund – San Francisco Market Corporation**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Construction in progress.....	\$ 2,772	\$ 517	\$ -	\$ 3,289
Total capital assets, not being depreciated.....	<u>2,772</u>	<u>517</u>	<u>-</u>	<u>3,289</u>
Capital assets, being depreciated:				
Facilities and improvements.....	9,742	3	(15)	9,730
Machinery and equipment.....	<u>71</u>	<u>1</u>	<u>(2)</u>	<u>70</u>
Total capital assets, being depreciated.....	<u>9,813</u>	<u>4</u>	<u>(17)</u>	<u>9,800</u>
Less accumulated depreciation for:				
Facilities and improvements.....	6,418	265	(15)	6,668
Machinery and equipment.....	<u>37</u>	<u>15</u>	<u>(2)</u>	<u>50</u>
Total accumulated depreciation.....	<u>6,455</u>	<u>280</u>	<u>(17)</u>	<u>6,718</u>
Total capital assets, being depreciated, net.....	<u>3,358</u>	<u>(276)</u>	<u>-</u>	<u>3,082</u>
Capital assets, net.....	\$ <u>6,130</u>	\$ <u>241</u>	\$ <u>-</u>	\$ <u>6,371</u>

**Total Business-type Activities**

	<b>Balance July 1, 2012</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance June 30, 2013</b>
Capital assets, not being depreciated:				
Land.....	\$ 201,334	\$ 14,623	\$ (965)	\$ 214,992
Intangible assets.....	5,162	-	-	5,162
Construction in progress.....	<u>2,179,509</u>	<u>1,477,151</u>	<u>(1,039,121)</u>	<u>2,617,539</u>
Total capital assets, not being depreciated.....	<u>2,386,005</u>	<u>1,491,774</u>	<u>(1,040,086)</u>	<u>2,837,693</u>
Capital assets, being depreciated:				
Facilities and improvements.....	12,509,785	941,945	(268,538)	13,183,192
Machinery and equipment.....	1,905,885	73,237	(28,099)	1,951,023
Infrastructure.....	1,203,140	15,985	(71)	1,219,054
Property Held Under Lease.....	771	-	(74)	697
Intangible assets.....	<u>207,955</u>	<u>7,563</u>	<u>-</u>	<u>215,518</u>
Total capital assets, being depreciated.....	<u>15,827,536</u>	<u>1,038,730</u>	<u>(296,782)</u>	<u>16,569,484</u>
Less accumulated depreciation for:				
Facilities and improvements.....	4,700,675	308,016	(215,604)	4,793,087
Machinery and equipment.....	1,059,948	119,860	(25,126)	1,154,682
Infrastructure.....	444,088	35,172	(71)	479,189
Property Held Under Lease.....	766	5	(74)	697
Intangible assets.....	<u>127,291</u>	<u>11,340</u>	<u>-</u>	<u>138,631</u>
Total accumulated depreciation.....	<u>6,332,768</u>	<u>474,393</u>	<u>(240,875)</u>	<u>6,566,286</u>
Total capital assets, being depreciated, net.....	<u>9,494,768</u>	<u>564,337</u>	<u>(55,907)</u>	<u>10,003,198</u>
Capital assets, net.....	\$ <u>11,880,773</u>	\$ <u>2,056,111</u>	\$ <u>(1,095,993)</u>	\$ <u>12,840,891</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

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

Governmental Activities:	
Public protection.....	\$ 14,240
Public works transportation and commerce.....	18,466
Human welfare and neighborhood development.....	496
Community Health.....	1,055
Culture and recreation.....	42,263
General administration and finance.....	22,157
Capital assets held by the City's internal service funds charged to the various functions on a prorated bases....	<u>1,547</u>
Total depreciation expense - governmental activities.....	<u>\$ 100,224</u>
Business-type activities:	
Airport.....	\$ 176,522
Water.....	75,448
Power.....	15,457
Transportation.....	122,479
Hospitals.....	21,493
Wastewater.....	46,347
Port.....	16,367
Market.....	<u>280</u>
Total depreciation expense - business-type activities.....	<u>\$ 474,393</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 MTA, 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 MTA, and pier substructures of the Port, which totaled \$2.60 billion as of June 30, 2013. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled \$45.7 million as of June 30, 2013. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2013.

In fiscal year 2012-13, the Airport had write-offs and loss on disposal in the amount of \$52.4 million primarily due to disposal and write-off of immaterial items that should have been expensed in prior years.

During fiscal year ended June 30, 2013, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$2.4 million, \$1.6 million, and \$5.6 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2013, the City's enterprise funds incurred total interest expense and interest income of approximately \$455.9 million and \$1.0 million, respectively. Of these amounts, interest expense of approximately \$88.8 million was capitalized.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

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

**Changes in Short-Term Obligations**

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2013, are as follows:

Type of Obligation	July 1, 2012	Additional Obligation	Current Maturities	June 30, 2013
Governmental activities:				
Commercial paper				
San Francisco County Transportation Authority.....	\$ 150,000	\$ 6	\$ -	\$ 150,006
Multiple Capital Projects.....	46,834	285,703	(280,997)	51,540
Governmental activities short-term obligations....	<u>\$ 196,834</u>	<u>\$ 285,709</u>	<u>\$ (280,997)</u>	<u>\$ 201,546</u>
Business-type activities:				
Commercial paper				
San Francisco International Airport.....	\$ 10,450	\$ 170,075	\$ -	\$ 180,525
San Francisco Water Enterprise.....	174,000	-	-	174,000
San Francisco Wastewater Enterprise.....	-	85,000	(85,000)	-
Business-type activities short-term obligations....	<u>\$ 184,450</u>	<u>\$ 255,075</u>	<u>\$ (85,000)</u>	<u>\$ 354,525</u>

San Francisco County Transportation Authority

In April 2004, the San Francisco County Transportation Authority (SFCTA) issued an initial tranche of \$50.0 million and in September 2004, the SFCTA issued the second tranche of \$100.0 million of a programmed \$200.0 million aggregate principal amount of commercial paper notes (Limited Tax Bonds), Series A and B. The commercial paper notes are issued to provide a source of financing for the SFCTA's voter-approved Proposition K Expenditure Plan. Under this program, the SFCTA is able to issue commercial paper notes at prevailing interest rates not to exceed 12% per annum. The maximum maturity of the notes is 270 days. The principal amount of the commercial paper notes plus interest thereon is backed as to credit and liquidity by an irrevocable line of credit (LOC) issued by Landesbank Baden-Württemberg, New York Branch (Landesbank) in the amount up to \$217.8 million at a fee of 90 basis points based on SFCTA's AA credit rating. In July 2012, SFCTA entered into a new three-year credit facility with Wells Fargo Bank, National Association, in an amount equal to \$217.8 million to replace the LOC issued by Landesbank. The credit facility will expire on July 10, 2015 and has a fee of 45 basis points of the annual maximum debt service amount. The commercial paper notes are secured by a first lien gross pledge of the SFCTA's Sales Tax. The principal and interest on the commercial paper notes is payable at each maturity.

As of June 30, 2013, \$150.0 million in commercial paper notes were outstanding and maturing 40 to 56 days after year-end with interest rates at 0.17%. For the year ended June 30, 2013, the SFCTA paid \$1.0 million to Wells Fargo Bank and \$44 to Landesbank in LOC fees.

City and County of San Francisco Lease Revenue Commercial Paper Certificates of Participation

In March 2009, the Board of Supervisors authorized the issuance of tax-exempt and taxable lease revenue commercial paper certificates of participation (CP) in an aggregate principal amount not to exceed \$150.0 million to provide short term financing to 1) pay for acquisition, construction and rehabilitation of certain capital improvements within the City and the financing of vehicles and equipment; 2) fund capitalized interest with respect to the CP; 3) fund capitalized fees and expenses as defined in the trust agreement; and 4) pay for costs incurred in connection with the sale and delivery of the CP. In June 2010, the City obtained irrevocable lines of credit (LOC) issued by JP Morgan Chase Bank, National Association with a maximum available amount of \$50.0 million and U.S. Bank, National Association with a maximum available amount of \$50.0 million. Both LOCs expire on June 10, 2016.



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The City issued commercial paper notes totaling \$285.7 million and retired commercial paper notes totaling \$281.0 million in fiscal year 2013 to provide interim financing for capital projects and capital equipment acquisitions, with each project receiving prior approval from the Board of Supervisors: Moscone Center Improvements, the Department of Public Works equipment purchase, the War Memorial Veterans Building project, the Port Facilities Improvement project and the HOPE SF, a project of rebuilding severely distressed housing sites, increasing affordable housing and improving the quality of life for existing residents and the surrounding communities.

As of June 30, 2013, the outstanding principal amount of taxable and non-taxable commercial paper notes was \$35.6 million and \$15.9 million, respectively. The taxable commercial paper notes with LOC issued by JP Morgan and U.S. Bank N.A. bear interest rate of 0.17% and 0.16%, respectively, and the tax-exempt commercial paper notes bear interest rates of 0.15%. The taxable and non-taxable commercial paper notes matured on July 2, 2013. In June 2013, commercial paper notes in the amount of \$37.6 million for Moscone Center improvement were refunded through the issuance of Certificates of Participation (Moscone Center Improvement) Series 2013A.

### San Francisco International Airport

In May 1997, the Airport authorized the issuance of subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of \$400.0 million or the stated amount of the letter of credit securing the CP. The Airport's CP are secured by two \$100.0 million direct-pay letters of credit from State Street Bank and Trust Company and from Barclays Bank that expire on May 2, 2014. The direct-pay letter of credit from Barclays was terminated on July 3, 2013. During fiscal year 2013, the Airport obtained two additional \$100.0 million direct pay letters of credit from Wells Fargo Bank, National Association, and Royal Bank of Canada that expire on June 17, 2016 and May 20, 2016, respectively. Each of these letters of credit supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of \$400.0 million. The amount was reduced to \$300.0 million following the termination of the Barclays letter of credit on July 3, 2013.

During the fiscal year 2013, the Airport issued \$170.1 million of new money CP to fund capital improvement projects. For fiscal year 2013, the interest rates on taxable CP ranged from 0.13% to 0.24%, on private activity CP (AMT) ranged from 0.13% to 0.25% and on tax-exempt governmental purpose CP (Non-AMT) ranged from 0.11% to 0.24%.

### San Francisco Water Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to \$250.0 million in CP pursuant to the voter-approved 2002 Proposition A and \$250.0 million in CP pursuant to the voter-approved 2002 Proposition E for a combined total authorization of \$500.0 million. As of June 30, 2013, \$174.0 million in CP was outstanding under Proposition E. The CP interest rate ranged from 0.16% to 0.24%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the next five years, at which time outstanding CP will be refunded with long-term 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.

### San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to \$300.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. During fiscal year 2013, the Wastewater Enterprise had up to \$85.0 million of CP outstanding, which was subsequently refunded with the Wastewater Enterprise 2013 Series B revenue bonds issuance in February 2013. The Wastewater Enterprise had no commercial paper outstanding as of June 30, 2013.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Long-Term Obligations**

The following is a summary of long-term obligations of the City as of June 30, 2013:

**GOVERNMENTAL ACTIVITIES**

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
<b>GENERAL OBLIGATION BONDS (a):</b>			
Earthquake safety and emergency response.....	2035	3.00% - 5.00%	\$ 292,765
Branch libraries.....	2028	4.00% - 4.50%	25,460
Parks and playgrounds .....	2033	2.00% - 6.26%	217,075
Road repaving and street safety .....	2033	2.00% - 5.00%	191,255
San Francisco General Hospital.....	2032	4.00% - 6.26%	556,960
Seismic safety loan program .....	2031	3.36% - 5.83%	26,323
Refunding .....	2030	3.50% - 5.00%	579,845
General Obligation Bonds - governmental activities .....			<u>1,889,683</u>
<b>LEASE REVENUE BONDS:</b>			
San Francisco Finance Corporation (b), (e) & (f).....	2034	0.06% - 5.75% *	262,070
Lease revenue bonds - governmental activities .....			<u>262,070</u>
<b>OTHER LONG-TERM OBLIGATIONS:</b>			
Certificates of participation (c) & (d) .....	2041	2.00% - 5.00%	551,555
Loans (c), (d) & (f) .....	2034	2.00% - 5.74%	19,184
Capital leases payable (c) & (f).....	2018	3.17% - 7.05%	9,741
Accrued vacation and sick leave (d) & (f).....			152,167
Accrued workers' compensation (d) & (f) .....			229,332
Estimated claims payable (d) & (f) .....			111,001
Other postemployment benefits obligation.....			899,970
Other long-term obligations - governmental activities .....			<u>1,972,950</u>
<b>DEFERRED AMOUNTS:</b>			
Bond issuance premiums.....			190,084
Bond issuance discounts.....			(1,726)
Bond refunding.....			<u>(16,235)</u>
Deferred amounts.....			<u>172,123</u>
Governmental activities total long-term obligations.....			<u>\$ 4,296,826</u>

Debt service payments are made from the following sources:

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

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

\* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008-1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2013 for Series 2008-1 & 2 was 0.07% and 0.06%, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**BUSINESS-TYPE ACTIVITIES**

<b>Entity and Type of Obligation</b>	<b>Final Maturity Date</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
San Francisco International Airport:			
Revenue bonds *.....	2040	0.95% - 6.00%*	\$ 3,906,395
San Francisco Water Enterprise:			
Revenue bonds .....	2050	1.80% - 6.90%	4,193,550
Certificates of participation .....	2042	2.00% - 6.49%	117,746
Accreted interest.....	2019	-	4,767
Hetch Hetchy Water and Power:			
Clean Renewable Energy bonds.....	2028	4.74%	18,519
Certificates of participation.....	2042	2.00% - 6.49%	16,030
Municipal Transportation Agency:			
Revenue bonds.....	2042	2.0% - 5.00%	60,720
San Francisco General Hospital Medical Center:			
Certificates of participation.....	2026	5.55%	20,874
Capital leases.....	2017	2.41% - 3.61%	3,482
San Francisco Wastewater Enterprise:			
Revenue bonds .....	2043	1.00% - 5.82%	764,550
Certificates of participation .....	2042	2.00% - 6.49%	31,134
Port of San Francisco:			
Revenue bonds .....	2040	4.60% - 7.41%	34,800
Notes, loans and other payables .....	2029	4.50%	2,603
Laguna Honda Hospital:			
Certificates of participation .....	2031	4.00 - 5.25%	148,545
Capital leases.....	2015	3.00% - 4.00%	124
Accrued vacation and sick leave .....			99,434
Accrued workers' compensation .....			148,444
Estimated claims payable .....			63,581
Other postemployment benefits obligation.....			658,008
Deferred Amounts:			
Bond issuance premiums.....			369,028
Bond issuance discounts.....			(662)
Bond refunding.....			<u>(136,159)</u>
Business-type activities total long-term obligations .....			<u>\$ 10,525,513</u>

\* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2013, the average interest rate on Issue 36A, 36B, 36C and 37C was 0.14%, 0.14%, 0.14% and 0.14%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.14%, 0.15% and 0.15%, 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.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

### Debt Compliance

There are a number of limitations and restrictions contained in the various bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

### Legal Debt Limit and Legal Debt Margin

As of June 30, 2013, the City's debt limit (3% of valuation subject to taxation) was \$5.03 billion. The total amount of debt applicable to the debt limit was \$1.89 billion. The resulting legal debt margin was \$3.14 billion.

### Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bond and certificates of participation issuance and no arbitrage liability was recognized as of June 30, 2013. The Finance Corporation has evaluated their lease revenue bonds and no liability was reported in the Internal Service Fund as of June 30, 2013. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

### San Francisco Sustainable Financing

The Improvement Area No.1 of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds was formed in accordance with Ordinance 16-10 to implement the "GreenFinanceSF" program to provide financing for renewable energy, energy efficiency and water efficiency improvements on private or public property in the City. Under the program, the Special District issued bonded indebtedness for the improvement area in an aggregate principal amount to exceed \$1.4 million and an appropriation limit for the Improvement Area of \$1.4 million. The bonded indebtedness shall be paid out of the special tax levied and collected on the leasehold interest on the property located in Pier 1, San Francisco, California. The Improvement Area is owned by the City and leased to AMB Pier One LLC through the Port. The bonds mature from September 2013 through September 2032. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the leasehold interest on the parcels within the Special Tax District No. 2009-1. Accordingly, the debt has not been included in the basic financial statements.

### Assessment District

During June 1996, the City issued \$1.0 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915. The proceeds were used to finance the construction of a new public right-of-way. The bonds began to mature during the fiscal year ended June 30, 1999 and continue through 2026 bearing interest from 6.0% to 6.85%. These bonds do not represent obligations of the City. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. Accordingly, the debt has not been included in the basic financial statements. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. As of June 30, 2013, the principal amount of bonds outstanding was \$0.7 million.

### Mortgage Revenue Bonds

In order to facilitate affordable housing, the City issues mortgage revenue bonds for the financing of multifamily rental housing and for below-market rate mortgage financing for first time homebuyers. These obligations are secured by the related mortgage indebtedness and are not obligations of the City. As of June 30, 2013, the aggregate outstanding obligation of such bonds was \$174.3 million.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Changes in Long-Term Obligations**

The changes in long-term obligations for governmental activities for the year ended June 30, 2013, are as follows:

	<b>July 1, 2012</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>June 30, 2013</b>	<b>Amounts Due Within One Year</b>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds .....	\$ 1,506,330	\$ 521,915	\$ (138,562)	\$ 1,889,683	\$ 150,279
Lease revenue bonds.....	273,460	11,125	(22,515)	262,070	20,780
Certificates of participation .....	531,376	35,575	(15,396)	551,555	28,235
Less deferred amounts:					
For issuance premiums .....	136,897	65,227	(12,040)	190,084	-
For issuance discounts .....	(1,792)	-	66	(1,726)	-
On refunding.....	(18,383)	-	2,148	(16,235)	-
Total bonds payable .....	<u>2,427,888</u>	<u>633,842</u>	<u>(186,299)</u>	<u>2,875,431</u>	<u>199,294</u>
Loans.....	13,878	5,890	(584)	19,184	1,724
Capital leases .....	22,878	1,878	(15,015)	9,741	1,234
Accrued vacation and sick leave pay.....	150,072	105,137	(103,042)	152,167	78,428
Accrued workers' compensation.....	226,428	39,503	(36,599)	229,332	39,759
Estimated claims payable.....	112,394	15,522	(16,915)	111,001	37,374
Other postemployment benefits obligation.....	754,501	231,913	(86,444)	899,970	-
Governmental activity long-term obligations.....	<u>\$ 3,708,039</u>	<u>\$ 1,033,685</u>	<u>\$ (444,898)</u>	<u>\$ 4,296,826</u>	<u>\$ 357,813</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 and compensated absences are generally liquidated by the General Fund.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013, are as follows:

	<b>July 1, 2012</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>June 30, 2013</b>	<b>Amounts Due Within One Year</b>
<b>San Francisco International Airport</b>					
Bonds payable:					
Revenue bonds .....	\$ 4,062,265	\$ 84,675	\$ (240,545)	\$ 3,906,395	\$ 418,935
Less deferred amounts:					
For issuance premiums .....	149,544	4,200	(14,412)	139,332	-
For issuance discounts .....	(301)	-	7	(294)	-
On refunding.....	(127,868)	-	19,287	(108,581)	-
Total bonds payable .....	4,083,640	88,875	(235,663)	3,936,852	418,935
Accrued vacation and sick leave pay.....	15,629	11,589	(11,619)	15,599	8,167
Accrued workers' compensation .....	5,075	2,244	(2,086)	5,233	1,121
Estimated claims payable .....	1,332	307	(77)	1,562	755
Other postemployment benefits obligation...	75,824	14,889	-	90,713	-
Long-term obligations.....	\$ 4,181,500	\$ 117,904	\$ (249,445)	\$ 4,049,959	\$ 428,978

**San Francisco Water Enterprise**

Bonds payable:					
Revenue bonds .....	\$ 4,335,810	\$ 24,040	\$ (166,300)	\$ 4,193,550	\$ 20,825
Certificates of participation.....	119,717	-	(1,971)	117,746	2,035
Less deferred amounts:					
For issuance premiums .....	171,495	3,036	(14,822)	159,709	-
On refunding.....	(16,237)	(856)	(5,653)	(22,746)	-
Total bonds payable .....	4,610,785	26,220	(188,746)	4,448,259	22,860
Accreted interest payable.....	4,450	317	-	4,767	-
Accrued vacation and sick leave pay.....	12,543	7,945	(8,771)	11,717	6,044
Accrued workers' compensation.....	7,964	3,232	(2,697)	8,499	1,364
Estimated claims payable.....	9,095	5,812	(4,022)	10,885	2,976
Other postemployment benefits obligation...	73,009	20,695	(7,875)	85,829	-
Long-term obligations.....	\$ 4,717,846	\$ 64,221	\$ (212,111)	\$ 4,569,956	\$ 33,244

**Hetch Hetchy Water and Power**

Bonds payable:					
Clean renewable energy bonds	\$ 19,528	\$ -	\$ (1,009)	\$ 18,519	\$ 1,308
Certificates of participation.....	16,298	-	(268)	16,030	277
Less deferred amounts:					
For issuance premiums .....	273	-	(49)	224	-
For issuance discounts .....	(144)	-	14	(130)	-
Total bonds payable .....	35,955	-	(1,312)	34,643	1,585
Accrued vacation and sick leave pay.....	3,084	1,709	(1,495)	3,298	1,761
Accrued workers' compensation.....	2,321	610	(508)	2,423	418
Estimated claims payable.....	2,671	2,698	(1,932)	3,437	1,152
Other postemployment benefits obligation...	14,302	4,796	(1,539)	17,559	-
Long-term obligations.....	\$ 58,333	\$ 9,813	\$ (6,786)	\$ 61,360	\$ 4,916

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013 are as follows (continued):

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
<b>Municipal Transportation Agency</b>					
Bonds payable:					
Revenue bonds .....	\$ 37,615	\$ 63,795	\$ (40,690)	\$ 60,720	\$ 3,315
Lease revenue bonds .....	5,075	-	(5,075)	-	-
Less deferred amounts:					
For issuance premiums .....	661	7,256	(1,230)	6,687	-
On refunding .....	-	(898)	163	(735)	-
Total bonds payable .....	43,351	70,153	(46,832)	66,672	3,315
Accrued vacation and sick leave pay.....	28,279	21,021	(20,146)	29,154	17,207
Accrued workers' compensation.....	87,839	18,216	(16,853)	89,202	14,366
Estimated claims payable.....	33,731	9,232	(5,326)	37,637	15,301
Other postemployment benefits obligation...	153,369	53,272	(25,984)	180,657	-
Long-term obligations.....	\$ 346,569	\$ 171,894	\$ (115,141)	\$ 403,322	\$ 50,189

**San Francisco General Hospital Medical Center**

Bonds payable:

Certificates of participation.....	\$ 22,006	\$ -	\$ (1,132)	\$ 20,874	\$ 1,196
Capital leases .....	2,923	1,776	(1,217)	3,482	1,223
Accrued vacation and sick leave pay.....	20,895	15,536	(14,771)	21,660	12,027
Accrued workers' compensation.....	21,995	5,125	(4,693)	22,427	3,433
Other postemployment benefits obligation...	142,198	45,480	(16,202)	171,476	-
Long-term obligations.....	\$ 210,017	\$ 67,917	\$ (38,015)	\$ 239,919	\$ 17,879

**San Francisco Wastewater Enterprise**

Bonds payable:

Revenue bonds .....	\$ 446,765	\$ 524,985	\$ (207,200)	\$ 764,550	\$ 32,805
Certificates of participation.....	31,655	-	(521)	31,134	538
Less deferred amounts:					
For issuance premiums .....	19,558	60,203	(19,054)	60,707	-
On refunding.....	(11,668)	(5,009)	12,580	(4,097)	-
Total bonds payable .....	486,310	580,179	(214,195)	852,294	33,343
State of California - revolving fund loans.....	36,898	-	(36,898)	-	-
Accrued vacation and sick leave pay.....	5,698	3,137	(2,822)	6,013	3,176
Accrued workers' compensation.....	3,927	2,042	(1,638)	4,331	748
Estimated claims payable.....	8,538	2,869	(3,029)	8,378	2,768
Other postemployment benefits obligation...	26,513	8,508	(2,456)	32,565	-
Long-term obligations.....	\$ 567,884	\$ 596,735	\$ (261,038)	\$ 903,581	\$ 40,035

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2013 are as follows (continued):

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
<b>Port of San Francisco</b>					
Bonds payable:					
Revenue bonds .....	\$ 35,495	\$ -	\$ (695)	\$ 34,800	\$ 725
Less deferred amounts:					
For issuance discounts .....	(246)	-	8	(238)	-
Total bonds payable .....	35,249	-	(687)	34,562	725
Notes, loans, and other payables.....	2,713	-	(110)	2,603	115
Accrued vacation and sick leave pay.....	2,314	620	(604)	2,330	1,239
Accrued workers' compensation.....	2,797	809	(891)	2,715	390
Estimated claims payable.....	1,626	411	(355)	1,682	1,332
Other postemployment benefits obligation...	13,390	4,002	(1,336)	16,056	-
Long-term obligations.....	\$ 58,089	\$ 5,842	\$ (3,983)	\$ 59,948	\$ 3,801
<b>Laguna Honda Hospital</b>					
Bonds payable:					
Certificates of participation .....	\$ 153,650	\$ -	\$ (5,105)	\$ 148,545	\$ 5,360
Less deferred amounts:					
For issuance premiums .....	2,502	-	(133)	2,369	-
Total bonds payable .....	156,152	-	(5,238)	150,914	5,360
Capital leases .....	232	-	(108)	124	83
Accrued vacation and sick leave pay.....	9,746	6,762	(6,845)	9,663	5,398
Accrued workers' compensation.....	12,538	4,527	(3,451)	13,614	2,162
Other postemployment benefits obligation...	53,612	9,541	-	63,153	-
Long-term obligations.....	\$ 232,280	\$ 20,830	\$ (15,642)	\$ 237,468	\$ 13,003
<b>Total Business-type Activities:</b>					
Bonds payable:					
Revenue bonds .....	\$ 8,917,950	\$ 697,495	\$ (655,430)	\$ 8,960,015	\$ 476,605
Clean renewable energy bonds.....	19,528	-	(1,009)	18,519	1,308
Certificates of Participation .....	343,326	-	(8,997)	334,329	9,406
Lease revenue bonds .....	5,075	-	(5,075)	-	-
Less deferred amounts:					
For issuance premiums .....	344,033	74,695	(49,700)	369,028	-
For issuance discounts .....	(691)	-	29	(662)	-
On refunding.....	(155,773)	(6,763)	26,377	(136,159)	-
Total bonds payable .....	9,473,448	765,427	(693,805)	9,545,070	487,319
Accreted interest payable.....	4,450	317	-	4,767	-
State of California - Revolving fund loans.....	36,898	-	(36,898)	-	-
Notes, loans, and other payables.....	2,713	-	(110)	2,603	115
Capital leases .....	3,155	1,776	(1,325)	3,606	1,306
Accrued vacation and sick leave pay.....	98,188	68,319	(67,073)	99,434	55,019
Accrued workers' compensation.....	144,456	36,805	(32,817)	148,444	24,002
Estimated claims payable.....	56,993	21,329	(14,741)	63,581	24,284
Other postemployment benefits obligation.....	552,217	161,183	(55,392)	658,008	-
Long-term obligations.....	\$10,372,518	\$ 1,055,156	\$ (902,161)	\$10,525,513	\$ 592,045



**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2013 for governmental activities are as follows:

<b>Governmental Activities <sup>(1)</sup></b>								
Fiscal Year Ending June 30	General Obligation		Lease Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
	Principal	Interest <sup>(3)</sup>	Principal	Interest <sup>(2)</sup>	Principal <sup>(4)</sup>	Interest	Principal	Interest
2014.....	\$ 150,279	\$ 88,438	\$ 20,780	\$ 6,525	\$ 31,193	\$ 24,976	\$ 202,252	\$ 119,939
2015.....	151,980	81,666	20,440	6,041	43,230	24,509	215,650	112,216
2016.....	105,753	74,344	18,795	5,486	39,294	22,949	163,842	102,779
2017.....	97,779	69,400	14,025	5,002	37,427	21,219	149,231	95,621
2018.....	98,593	64,698	10,880	4,629	38,499	19,432	147,972	88,759
2019-2023...	476,326	256,244	64,670	18,707	102,436	79,695	643,432	354,646
2024-2028...	486,769	141,334	73,905	10,367	96,021	58,045	656,695	209,746
2029-2033...	311,799	33,788	36,240	2,890	109,678	34,941	457,717	71,619
2034-2038...	10,405	787	2,335	134	58,102	11,379	70,842	12,300
2039-2043...	-	-	-	-	24,600	1,693	24,600	1,693
<b>Total.....</b>	<b>\$ 1,889,683</b>	<b>\$ 810,699</b>	<b>\$ 262,070</b>	<b>\$ 59,781</b>	<b>\$ 580,480</b>	<b>\$ 298,838</b>	<b>\$2,732,233</b>	<b>\$1,169,318</b>

- (1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
- (2) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.065%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.
- (3) The interest is before the federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately \$43.9 million and \$9.0 million, respectively, through the year ending 2030. The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013, was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.
- (4) Includes approximately \$9.4 million in lease payments to the Successor Agency for the Moscone Convention Center through fiscal year 2018.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2013 for each enterprise fund is as follows:

<b>San Francisco International Airport <sup>(1)</sup></b>		
Fiscal Year Ending June 30	Revenue	
	Bonds	
	Principal	Interest
2014.....	\$ 163,095	\$ 188,918
2015.....	181,670	182,738
2016.....	187,230	175,095
2017.....	181,140	166,652
2018.....	197,270	158,360
2019-2023....	1,207,605	628,046
2024-2028....	1,091,125	331,089
2029-2033....	421,000	126,459
2034-2038....	211,670	55,568
2039-2040....	64,590	4,325
<b>Total.....</b>	<b>\$ 3,906,395</b>	<b>\$ 2,017,250</b>

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

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The table below presents the Airport's revenue bond debt service requirements in the event the letters of credit securing the Airport's outstanding variable rate bonds had to be drawn upon to pay such bonds and the amount drawn had to be repaid by Airport pursuant to the terms of the related agreements with the banks providing such letters of credit:

**San Francisco International Airport <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue Bonds	
	Principal	Interest
	2014.....	\$ 418,535
2015.....	216,620	170,646
2016.....	275,875	158,562
2017.....	264,025	147,414
2018.....	173,415	138,174
2019-2023....	1,052,250	544,791
2024-2028....	881,015	287,756
2029-2033....	348,400	122,260
2034-2038....	211,670	55,568
2039-2040....	64,590	4,325
Total.....	<u>\$ 3,906,395</u>	<u>\$ 1,816,328</u>

**San Francisco Water Enterprise <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(2)</sup>	Principal	Interest
	2014.....	\$ 20,825	\$ 215,594	\$ 2,035	\$ 7,132	\$ 22,860
2015.....	25,850	214,508	2,106	7,060	27,956	221,568
2016.....	33,700	213,068	2,199	6,968	35,899	220,036
2017.....	53,625	210,954	2,313	6,856	55,938	217,810
2018.....	59,715	208,346	2,431	6,737	62,146	215,083
2019-2023....	495,215	982,162	14,163	31,681	509,378	1,013,843
2024-2028....	649,270	840,366	17,761	27,108	667,031	867,474
2029-2033....	817,995	653,798	21,834	20,808	839,829	674,606
2034-2038....	1,001,445	414,806	26,918	12,940	1,028,363	427,746
2039-2043	791,940	162,053	25,986	3,460	817,926	165,513
2044-2048....	169,080	46,415	-	-	169,080	46,415
2049-2051....	74,890	7,965	-	-	74,890	7,965
Total.....	<u>\$ 4,193,550</u>	<u>\$ 4,170,035</u>	<u>\$ 117,746</u>	<u>\$ 130,750</u>	<u>\$ 4,311,296</u>	<u>\$ 4,300,785</u>

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

(2) The interest is gross of federal interest subsidy. The subsidy on Revenue Bonds 2010 Series B, E and G represent 35% of the bonds interest, which is approximately \$541.6 million through the year ending 2051. The subsidy on the Certificates of Participation Series D (Taxable) is approximately \$43.4 million through the year ending 2042. The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Hetch Hetchy Water and Power <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue		Other Long-Term		Total	
	Bonds		Obligations			
	Principal	Interest <sup>(2) (4)</sup>	Principal	Interest <sup>(3) (4)</sup>	Principal	Interest
2014.....	\$ 1,308	\$ 667	\$ 277	\$ 970	\$ 1,585	\$ 1,637
2015.....	1,321	625	287	961	1,608	1,586
2016.....	1,332	582	299	948	1,631	1,530
2017.....	1,344	539	315	933	1,659	1,472
2018.....	1,356	496	331	917	1,687	1,413
2019-2023.....	6,964	1,801	1,928	4,314	8,892	6,115
2024-2028.....	4,894	612	2,418	3,691	7,312	4,303
2029-2033.....	-	-	2,972	2,833	2,972	2,833
2034-2038.....	-	-	3,665	1,762	3,665	1,762
2039-2042.....	-	-	3,538	471	3,538	471
Total.....	<u>\$ 18,519</u>	<u>\$ 5,322</u>	<u>\$ 16,030</u>	<u>\$ 17,800</u>	<u>\$ 34,549</u>	<u>\$ 23,122</u>

**Municipal Transportation Agency <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue	
	Bonds	
	Principal	Interest
2014.....	\$ 3,315	\$ 2,844
2015.....	3,415	2,744
2016.....	3,555	2,608
2017.....	3,715	2,430
2018.....	3,505	2,244
2019-2023.....	9,160	9,351
2024-2028.....	6,310	7,673
2029-2033.....	7,860	6,117
2034-2038.....	9,970	4,023
2039-2042.....	9,915	1,270
Total.....	<u>\$ 60,720</u>	<u>\$ 41,304</u>

**San Francisco General Hospital <sup>(1)</sup>**

Fiscal Year Ending June 30	Other Long-Term	
	Obligations	
	Principal	Interest
2014.....	\$ 2,419	\$ 1,383
2015.....	2,479	1,314
2016.....	2,159	1,164
2017.....	1,627	970
2018.....	1,488	849
2019-2023.....	8,796	2,893
2024-2026.....	5,388	457
Total.....	<u>\$ 24,356</u>	<u>\$ 9,030</u>

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

(2) Interest payments are not required on Clean Renewable Energy Bonds (CREBS) since the effective equivalent of interest on the bonds is paid in the form of Federal tax credits in lieu of interest paid by the issuer. Interest on Qualified Energy Conservation Bonds (QECBs) includes \$2.1 million of federal interest subsidy through fiscal year ending 2028 and New Clean Renewable Energy Bonds (NCREBs) includes \$1.7 million Federal interest subsidy through fiscal year ending 2028.

(3) The interest is before the federal interest subsidy for the Certificates of Participation 2009 Series D (Taxable), which amounts to approximately \$5.9 million through the year ending 2042.

(4) The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**San Francisco Wastewater Enterprise <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue		Other Long-Term		Total	
	Bonds		Obligations			
	Principal	Interest <sup>(2) (4)</sup>	Principal	Interest <sup>(3) (4)</sup>	Principal	Interest
2014.....	\$ 32,805	\$ 35,518	\$ 538	\$ 1,886	\$ 33,343	\$ 37,404
2015.....	30,895	33,473	557	1,867	31,452	35,340
2016.....	31,115	32,383	581	1,843	31,696	34,226
2017.....	20,870	31,384	612	1,813	21,482	33,197
2018.....	20,015	30,481	643	1,781	20,658	32,262
2019-2023.....	109,585	137,288	3,745	8,376	113,330	145,664
2024-2028.....	92,160	113,379	4,696	7,168	96,856	120,547
2029-2033.....	114,510	86,929	5,774	5,502	120,284	92,431
2034-2038.....	141,050	55,154	7,117	3,422	148,167	58,576
2039-2043.....	171,545	18,807	6,871	915	178,416	19,722
Total.....	\$ 764,550	\$ 574,796	\$ 31,134	\$ 34,573	\$ 795,684	\$ 609,369

**Port of San Francisco <sup>(1)</sup>**

Fiscal Year Ending June 30	Revenue		Other Long-Term		Total	
	Bonds		Obligations			
	Principal	Interest	Principal	Interest	Principal	Interest
2014.....	\$ 725	\$ 2,122	\$ 115	\$ 117	\$ 840	\$ 2,239
2015.....	755	2,088	120	112	875	2,200
2016.....	795	2,051	125	107	920	2,158
2017.....	835	2,008	131	101	966	2,109
2018.....	885	1,960	136	95	1,021	2,055
2019-2023.....	5,330	8,898	781	377	6,111	9,275
2024-2028.....	7,450	6,769	974	185	8,424	6,954
2029-2033.....	7,350	3,896	221	10	7,571	3,906
2034-2038.....	7,235	2,031	-	-	7,235	2,031
2039-2040.....	3,440	266	-	-	3,440	266
Total.....	\$ 34,800	\$ 32,089	\$ 2,603	\$ 1,104	\$ 37,403	\$ 33,193

- (1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
- (2) Interest before subsidy amounts include the interest for the 2010 Series A and B and 2013 Series A and B bonds. The Federal interest subsidy represents 35% of the interest for the 2010 Series B revenue bonds, which is approximately \$74.4 million through the year ending 2043.
- (3) The interest is before the Wastewater Enterprise's portion of the Federal interest subsidy for the Certificates of Participation Series 2009 D (Taxable), which amounts to approximately \$11.5 million through the year ending 2042.
- (4) The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013 was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Laguna Honda Hospital <sup>(1)</sup>**

Fiscal Year Ending June 30	Other Long-Term Obligations	
	Principal	Interest
	2014.....	\$ 5,443
2015.....	5,641	7,162
2016.....	5,875	6,875
2017.....	6,140	6,611
2018.....	6,440	6,309
2019-2023....	37,145	26,607
2024-2028....	47,400	16,348
2029-2031....	34,585	3,665
Total.....	<u>\$ 148,669</u>	<u>\$ 80,988</u>

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

**Total Business-type Activities**

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2014.....	\$ 222,073	\$ 445,663	\$ 10,827	\$ 18,899	\$ 232,900
2015.....	243,906	436,176	11,190	18,476	255,096	454,652
2016.....	257,727	425,787	11,238	17,905	268,965	443,692
2017.....	261,529	413,967	11,138	17,284	272,667	431,251
2018.....	282,746	401,887	11,469	16,688	294,215	418,575
2019-2023...	1,833,859	1,767,546	66,558	74,248	1,900,417	1,841,794
2024-2028...	1,851,209	1,299,888	78,637	54,957	1,929,846	1,354,845
2029-2033...	1,368,715	877,199	65,386	32,818	1,434,101	910,017
2034-2038...	1,371,370	531,582	37,700	18,124	1,409,070	549,706
2039-2043...	1,041,430	186,721	36,395	4,846	1,077,825	191,567
2044-2048...	169,080	46,415	-	-	169,080	46,415
2049-2051...	74,890	7,965	-	-	74,890	7,965
Total.....	<u>\$ 8,978,534</u>	<u>\$6,840,796</u>	<u>\$ 340,538</u>	<u>\$ 274,245</u>	<u>\$ 9,319,072</u>	<u>\$7,115,041</u>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

***Governmental Activities Long-term Liabilities***

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2013, are as follows:

**Governmental Activities - General Obligation Bonds**

Authorized and unissued as of June 30, 2012.....	\$ 1,077,590
Increases in authorization this fiscal year:	
Clean and Safe Neighborhood Parks.....	195,000
Bonds issued:	
San Francisco General Hospital Improvement Series 2012D.....	(251,100)
Earthquake Safety and Emergency Response Bonds Series 2012E.....	(38,265)
Clean and Safe Neighborhood Parks Bonds Series 2013A.....	(71,970)
Earthquake Safety and Emergency Response Bonds Series 2013B.....	(31,020)
Road Repaving and Street Safety Bonds Series 2013C.....	(129,560)
Net authorized and unissued as of June 30, 2013.....	<u>\$ 750,675</u>

The increase in authorized amount of \$195.0 million of 2012 Clean and Safe Neighborhood Parks General Obligation Bonds was approved by at least two-thirds votes of the City electorate voting on Proposition B at an election held on November 6, 2012. The bonds will be issued to provide funds to improve parks, playgrounds, public spaces along the waterfront and trail reconstruction.

In August 2012, the City issued General Obligation Bonds Series 2012D (San Francisco General Hospital Improvement) in the amount of \$251.1 million and Series 2012E (Earthquake Safety and Emergency Response) in the amount of \$38.3 million. Both series bear interest rates ranging from 4.0% to 5.0% and mature from June 2013 through June 2032. The Series 2012D bonds were issued to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center and to pay certain costs related to the issuance of the Series 2012D bonds. The Series 2012E bonds were issued to finance the improvements of fire, earthquake and emergency response and ensure firefighters a reliable water supply for fires and disasters, to improve neighborhood fire stations, to replace the seismically unsafe emergency command center and to pay certain costs related to the issuance of the Series 2012E bonds.

In June 2013, the City issued the following series of General Obligation Bonds: Series 2013A (Clean and Safe Neighborhood Parks) in the amount of \$72.0 million, Series 2013B (Earthquake Safety and Emergency Response) in the amount of \$31.0 million and Series 2013C (Road Repaving and Street Safety) in the amount of \$129.6 million. Series 2013A, 2013B and 2013C bonds bear interest rates ranging from 4.0% to 5.0% and mature from June 2014 through June 2033. The proceeds of the Series 2013A bonds will be used to finance improvements to park, open space and recreational facilities within the City. The proceeds of the Series 2013B bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructures. The proceeds of the Series 2013C bonds will be used for improvements to various streets, stairways, bridges, overpasses and other traffic infrastructure within the City. The proceeds of Series 2013A, 2013B and 2013C bonds will also be used to pay certain costs related to the issuance of the respective series.

The debt service payments are funded through ad valorem taxes on property.

Certificates of Participation

In May 2013, the City issued City and County of San Francisco Certificates of Participation Series 2013A (Moscone Center Improvements) for \$35.6 million to provide funds to retire certain commercial paper the proceeds of which financed the cost of acquisition, construction, renovation, reconstruction

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

and equipping of improvements to the existing site and facilities of Moscone Center, to fund the reserve fund established under the agreement and to pay costs of execution and delivery of the certificates. The Series 2013A certificates mature from September 2013 through September 2017 with interest rates ranging from 4.0% to 5.0%.

At June 30, 2013, the City has a total of \$551.6 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. Total debt service payments remaining on the certificates of participation are \$831.3 million payable through September 1, 2040. For the fiscal year ended June 30, 2013, principal and interest paid by the City totaled \$15.4 million and \$23.3 million, respectively.

Lease Revenue Bonds

The changes in governmental activities – lease revenue bonds related to the equipment program for the year ended June 30, 2013 were as follows:

**Governmental Activities - Lease Revenue Bonds**

Authorized and unissued as of June 30, 2012.....	\$ 136,404
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.	2,786
Current year maturities in Finance Corporation's equipment program.....	9,360
Bond Issued:	
Series 2013A, San Francisco Finance Corporation.....	(11,125)
Net authorized and unissued as of June 30, 2013.....	<u>\$ 137,425</u>

Finance Corporation

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

The Finance Corporation uses lease revenue bonds to finance the purchase or construction of property and equipment, which are in turn leased to the City under the terms of an Indenture and Equipment Lease Agreement. These assets are then recorded in the basic financial statements of the City. Since the sole purpose of the bond proceeds is to provide lease financing to the City, any amounts that are not applied towards the acquisition or construction of real and personal property such as unapplied acquisition funds, bond issue costs, amounts withheld pursuant to reserve fund requirements, and amounts designated for capitalized interest are recorded as deferred credits in the internal service fund until such time as they are used for their intended purposes. The deferred credits are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bond is \$321.9 million payable through June 2034. For the fiscal year ended June 30, 2013, principal and interest paid by the Corporation and the total lease payments made by the City totaled \$22.5 million and \$5.9 million, respectively.

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to \$20.0 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

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

outstanding plus 5% annual adjustment each July 1. As of June 30, 2013, the cumulative amount authorized was \$58.5 million, of which \$35.2 million remains outstanding.

In June 2013, the Finance Corporation issued its twentieth series of equipment lease revenue bonds, Series 2013A in the amount of \$11.1 million with interest rates ranging from 2.0% to 4.0%. The bonds mature from April 2014 through April 2019.

### San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Park Department entered into a loan agreement with the Department of Boating and Waterways of the State of California. Under the Small Craft Harbor Construction Loan agreement, the Department of Boating and Waterways will advance the City a total amount of \$16.5 million in four phases of its construction project. Repayment of principal and interest begins on August 1, immediately after the final loan draw and annually thereafter until August 2045. Interest shall be compounded continuously at the rate of 4.5% on the unpaid balance. The loan repayment shall be made from project area gross revenues. Primary collateral for the loan consists of a lease/leaseback of the marina between the City and the Department of Boating and Waterways with an assignment of rents and leases on marina revenues. In addition, the Department of Boating and Waterways will receive a first lien position on the City's marina account surplus revenues to cover any payment shortfall after construction completion. In January 2011, the Department of Boating and Waterways authorized to fund Phase V of the project for \$7 million by an amendment to the loan agreement. Under the amended agreement, the City will provide and maintain a reserve fund that will act as security of the loan. At a minimum, a reserve of two annual payments (\$2.9 million) will be accumulated during the first ten years of the loan repayment terms and thereafter be maintained at that level. During the year ended June 30, 2013, the City drew down \$5.9 million and as of June 30, 2013 the amount of loan outstanding is \$12.7 million.

### ***Business-Type Activities Long-Term Liabilities***

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

### San Francisco International Airport

#### **Second Series Revenue Bonds (Capital Plan Bonds)**

Pursuant to resolutions approved in fiscal years 2008 and 2012, the Airport has authorized the issuance of up to \$1.2 billion of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing 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 issued for capital projects, funding debt service reserves, and for paying costs of issuance.

No new capital plan bonds were issued during fiscal year 2013. As of June 30, 2013, \$605.9 million of the authorized capital plan bonds remained unissued.

#### **Second Series Revenue Refunding Bonds (Remarketing)**

In December 2012, the Airport remarketed its Second Series Revenue Refunding Bonds, Series 2009D (Non-AMT/Private Activity) in the principal amount of \$84.7 million as long-term bonds with fixed interest rates to their respective maturity dates. The Series 2009D bonds were originally issued in November 2009 with a May 2029 nominal final maturity date but were scheduled to become due in a single "balloon" payment in December 2012 via a mandatory tender by bondholders for purchase by the Airport.

The Series 2009D bonds were remarketed at premium with \$88.9 million in remarketing proceeds and \$0.2 million in the related interest account being used to pay the purchase price of the bonds on the December 4, 2012 mandatory tender date. \$0.2 million of Airport funds were used to refund a



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

portion of the Series 2009D bonds in connection with a voluntary closing agreement with the Internal Revenue Service. When originally issued, the Series 2009D bonds were secured by a separate reserve account. Following the remarketing, the Series 2009D bonds are secured by the Airport's parity reserve (the Issue 1 Reserve Account). The entire \$8.8 million released from the 2009D reserve account was deposited into the Issue 1 Reserve Account.

In April 2013, the Airport remarketed its long-term Second Series Variable Rate Revenue Refunding Bonds, Issue 36A (Non-AMT/Private Activity) with a new letter of credit from U.S. Bank National Association expiring in October 2016. The bonds were originally secured by a letter of credit from Wells Fargo Bank, National Association, that expired in May 2013. The Issue 36A bonds were remarketed with the original maturity date of May 1, 2026 and no changes to principal amortization.

### Variable Rate Demand Bonds

As of June 30, 2013, the Airport had outstanding aggregate principal amount of \$482.6 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C, and Issue 37C, and Series 2010A, (collectively the "Variable Rate Bonds") with final maturity dates of May 1, 2026 (Issue 36A/B/C), and May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal and purchase price of and interest on the Variable Rate Bonds is secured by separate irrevocable direct-pay letters of credit issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the tables below. Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master 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 0.57% and 1.05% per annum. As of June 30, 2013, there were no unreimbursed draws under these facilities.

If the Airport is unable to secure a replacement credit facility or remarket the bonds on or prior to the applicable letter of credit expiration date, the related bank is required to purchase the bonds under the expiring letter of credit, subject to reimbursement by the Airport in accordance to the terms of "Repayment Obligations" under the 1991 Master Resolution.

The primary terms of the letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2013, are as follows:

	<u>Issue 36A</u>	<u>Issue 36 C</u>	<u>Issue 37C</u>
Principal Amount	\$100,000	\$36,145	\$89,895
Expiration Date	October 26, 2016	July 11, 2014	July 13, 2015
Credit Provider	U.S. Bank National Association	U.S. Bank National Association	Union Bank, N.A.

# CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The primary terms of the letters of credit securing the Variable Rate Bonds included in current liabilities as of June 30, 2013, are as follows:

	<u>Issue 36B</u>	<u>Series 2010A</u>
Principal Amount	\$40,620	\$215,970
Expiration Date	May 2, 2014	January 31, 2014
Credit Provider	U.S. Bank National Association	JP Morgan Chase Bank, N.A.

## Interest Rate Swaps

**Objective and Terms** – In December, 2004, the Airport entered into seven forward starting interest rate swaps (the “2004 swaps”) with an aggregate notational amount of \$405.0 million, in connection with the anticipated issuance of Second Series Variable Rate Revenue Refunding Bonds, Issue 32A-E in February 2005, and Second Series Variable Rate Revenue Refunding Bonds, Issue 33 in February 2006. The swap structure was intended as a means to increase the Airport's debt service savings when compared with fixed rate refunding bonds at the time of issuance. The expiration date of the 2004 swaps is May 1, 2026.

In July 2007, the Airport entered into four additional forward starting interest rate swaps in connection with the anticipated issuance of its Second Series Variable Rate Revenue Refunding Bonds, Issue 37B/C, in May 2008 (the 2007 swaps), and Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, in February 2010 (the 2010 swaps). The expiration dates of the 2007 and 2010 swaps are May 1, 2029 and May 1, 2030, respectively.

In the spring of 2008, the Airport refunded several issues of auction rate and variable rate bonds, including Issue 32 and Issue 33. The 2004 swaps associated with these issues then became associated with the Second Series Variable Rate Revenue Refunding Bonds, Issues 36A-D and Issue 37A. Subsequently, in October and December 2008, the Airport refunded Issues 37A and Issue 37B, respectively. Concurrently with the refunding of Issue 37A, the three associated swaps, with an aggregate notational amount of \$205.1 million, were terminated. The swap associated with Issue 37B was not terminated upon the refunding of Issue 37B.

In December 2010, the Airport terminated the swap associated with the Series 2010A-3 bonds, with a notational amount of \$72.0 million. The Airport paid a termination amount of \$6.7 million to the counterparty, Depfa Bank plc. The payment was funded with taxable commercial paper, which was subsequently retired with Airport operating funds in March 2011. Following the termination of the Depfa swap, the Series 2010A-3 bonds, which are variable rate, were no longer hedged with an interest rate swap. The swap associated with the Issue 37B bonds, however, is now associated with the Series 2010A-3 bonds and the unhedged portions of Issue 36A/B/C.

In September 2011, the Airport refunded the Issue 36D bonds with proceeds of the Airport Second Series Revenue Bonds, Series 2011H and terminated the swap associated with Issue 36D, which had an initial notational amount of \$30.0 million and JP Morgan Chase Bank, N.A. as counterparty. The Airport paid a termination fee of \$4.6 million to the counterparty.

Under the 2004 swaps, the Airport receives a monthly variable rate payment from each counterparty equal to 63.5% of USD LIBOR BBA plus 0.29%. Under the 2007 and 2010 swaps, the Airport receives 61.85% of USD LIBOR BBA plus 0.34%. These payments are intended to approximate the variable interest rates on the bonds originally hedged by the swaps. The Airport makes a monthly fixed rate payment to the counterparties as set forth below which commenced on the date of issuance of the related bonds. The objective of the swaps is to achieve a synthetic fixed rate with respect to the hedged bonds. All of the outstanding interest rate swaps are terminable at their market value at any time solely at the option of the Airport.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

As of June 30, 2013, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2013.

#	Current Bonds	Notional Amount	Effective Date
1	36AB	\$ 70,000	2/10/2005
2	36AB	69,930	2/10/2005
3	36C	30,000	2/10/2005
4	2010A*	79,684	5/15/2008
5	37C	89,856	5/15/2008
6	2010A	143,947	2/1/2010
	Total	\$ 483,417	

\* The swap previously associated with Issue 37B is now indirectly hedging Series 2010A-3 and the unhedged portions of the Issue 36A-C.

**Fair Value** – The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All fair 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 bonds due on the date of each future net settlement payment on the swaps.

As of June 30, 2013, the fair value of the Airport's six outstanding swaps, counterparty credit ratings and fixed rate payable by the Airport are as follows:

#	Current Bonds	Counterparty/guarantor	Counterparty credit ratings (S&P/Moody's/Fitch)	Fixed rate payable by Airport	Fair value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	\$ (8,994)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.445%	(8,992)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	(3,854)
4	2010A	Merrill Lynch Capital Services, Inc./Merrill Lynch & Co.	A-/Baa2/A	3.898%	(13,919)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.898%	(16,856)
6	2010A	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc	A-/A3/A	3.925%	(28,376)
	Total				\$ (80,991)

The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2013 is as follows:

	Deferred outflows on derivative instruments	Derivative instruments
Balance, June 30, 2012.....	\$ 98,979	\$ 116,859
Change in fair value to year end...	(34,236)	(35,521)
Balance June 30, 2013.....	\$ 64,743	\$ 81,338

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The fair value of the interest rate swap portfolio is recorded as a liability (since the swaps are out of the money from the perspective of the Airport) 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 outflows of resources (if out of the money) or inflow of resources (if in the money). 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 inflows/outflows 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 of resources and derivative instruments above is the unamortized off-market portions of the swaps as of June 30, 2013.

**Basis Risk** – The Airport has chosen a variable rate index based on a percentage of LIBOR plus a spread, which historically has closely approximated the variable rates payable on the related bonds. However, the Airport is subject to the risk that a change in the relationship between the LIBOR-based swap rate and the variable bond rates would cause a material mismatch between the two rates. Changes that cause the payments received from the counterparty to be insufficient to make the payments due on the associated bonds result in an increase in the synthetic interest rate on the bonds, while changes that cause the counterparty payments to exceed the payments due on the associated bonds result in a decrease in the synthetic interest rate on the bonds. During the fiscal year ended June 30, 2013, the Airport received \$1.3 million in excess payments from its counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

**Credit Risk** – As of June 30, 2013, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

**Counterparty Risk** – The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at its fair value, which may result in a payment to the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30 2013, 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). Although the Airport was not exposed to the credit of any counterparty with respect to termination amounts, the maximum net termination exposure limits in the Airport's swap policy were exceeded with respect to several counterparties. Following the consultation required by the Airport's swap policy, the Airport Director determined not to terminate, transfer or substitute such swaps.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Termination Risk** – All of the interest rate swaps are terminable at their market value at any time at the option of the Airport. The Airport has limited termination risk with respect to the interest rate swaps. That risk would arise primarily from certain credit-related events or events of default on the part of the Airport, the municipal swap insurer, or the counterparty. The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps except the swaps associated with the Series 2010A Bonds, from the following insurers:

#	Swap	Swap Insurer	Insurer credit ratings June 30, 2013 (S&P/Moody's)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/Baa1
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	A/Baa1
3	Issue 36C	Assured Guaranty Municipal Corp.	AA-/A2
4	Series 2010A	None	N/A
5	Issue 37C	Assured Guaranty Municipal Corp.	AA-/A2
6	Series 2010A	None	N/A

If the Airport is rated between Baa1/BBB+/BBB+ and Baa3/BBB-/BBB- (Moody's/S&P/Fitch), and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any, unless the Airport chooses to provide suitable replacement credit enhancement, assign the Airport's interest in the swaps to a suitable replacement counterparty, or post collateral to secure the swap termination value. If the Airport is rated below Baa3/BBB-/BBB- (Moody's/S&P/Fitch) or its ratings are withdrawn or suspended, and the applicable bond insurer is rated below A3/A- (Moody's/S&P), the counterparties may terminate the swaps and require the Airport to pay the termination value, if any. With respect to the Series 2010A swaps with no swap insurance, the counterparty termination provisions and the Airport rating thresholds are the same as described above.

Additional Termination Events under the swap documents with respect to the Airport include an insurer payment default under the applicable swap insurance policy, and certain insurer rating downgrades or specified insurer non-payment defaults combined with a termination event or event of default on the part of the Airport or a ratings downgrade of the Airport below investment grade. Additional Termination Events under the swap documents with respect to a counterparty include a rating downgrade below A3/A1/A1 (Moody's/S&P/Fitch), followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

Each of the Airport's three bank counterparties, Goldman Sachs Group Inc., JPMorgan Chase Bank N.A. and Merrill Lynch & Co. was downgraded by one or more of the rating agencies during the year ending June 30, 2012. During the fiscal year 2013, the rating agencies did not take a rating action on any of the banks acting as swap counter party or guarantor.

Merrill Lynch & Co. was downgraded by Moody's on September 21, 2011 to "Baa1" (and subsequently to "Baa2" in June 2012). This downgrade constituted an Additional Termination Event (ATE) under the interest rate swap agreement. On December 14, 2012, the Merrill Lynch swap was amended to cure the ATE by lowering the fixed rate from 3.898% to 3.773% effective as of October 1, 2012, and adding a new guarantee from Merrill Lynch Derivative Products AG effective as of December 18, 2012. Merrill Lynch also reimbursed the Airport \$0.02 million for excess payments from October 1 through November 30, 2012.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

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The downgrades to Goldman Sachs and JPMorgan did not constitute an Additional Termination Events under the swap agreement with either counterparty. The downgrade of any swap counterparty increases the risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment approximately equal to the fair value of such swap, depending on market conditions at the time. As of June 30, 2013, the fair value of each swap was negative to the Airport as shown above.

### San Francisco Water Enterprise

In August 2012, the San Francisco Water Enterprise issued tax-exempt revenue bonds, 2012 Series D in the amount of \$24.0 million for the purpose of refunding the remaining portion of the outstanding 2002 Series B bonds maturing on and after November 1, 2013. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2012 Series D refunding bonds include serial bonds with interest rates varying from 1.8% to 5.0% with principal amortizing from November 2018 through November 2019. The Series D bonds have a true interest cost of 1.34%. The refunding resulted in the recognition of a deferred accounting loss of \$0.9 million, a \$0.1 million gross debt service savings over the next seven-year terms and an economic gain of \$1.4 million or 5.8% of the refunded principal.

In February 2013, the Wholesale Water Customers through Bay Area Water Supply and Conservation Agency (BAWSCA) made an early repayment to the Water Enterprise towards the capital cost recovery payments in the amount of \$356.1 million. Of this repayment amount, \$247.1 million was deposited with the City Treasury for Retail Fund Balance accounts and regional and local capital projects to be spent in fiscal years 2013, 2014 and 2015; \$109.0 million was deposited to the Escrow Account (U.S. Bank National Association) for advance refunding/defeasance of a portion of water revenue bonds 2006 Series A, 2009 Series A and B, 2010 Series A, D, and F, and 2011 Series B and C. The Escrow Agent shall apply interest payments on the refunded bonds when they become due and to the principal amounts of the refunded bonds on their respective maturity dates, based on the Escrow Agreement. The defeasance of the refunded bonds and the deposit of monies with the escrow agent pursuant to the escrow agreement are authorized by and comply with the conditions and terms of the Enterprise Prepayment and Collection Agreement entered into between BAWSCA and the Enterprise, as well as the Water Enterprise Indenture. Accordingly, liability for the refunded bonds has been removed from the statement of net position. As of June 30, 2013, the balance of the defeased debt was \$96.4 million.

### Municipal Transportation Agency

#### **Revenue Bonds Series 2012A and 2012B**

In July 2012, the San Francisco Municipal Transportation Agency (MTA) issued Revenue Refunding Bonds, Series 2012A in the total amount of \$38.0 million to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation. The Series 2012A bonds bear interest ranging from 2.0% to 5.0% and mature through March 2032.

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Notes to Basic Financial Statements (continued)

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The net proceeds of \$46.0 (consisting of the \$38.0 million par amount of the Series 2012A bonds plus original issue premium of \$5.1 million, plus \$2.9 million accumulated in the debt service and reserve fund related to the refunded bonds) were used to pay \$0.5 million in costs of issuance, make a \$2.7 million deposit into Reserve Account, and deposit \$42.7 million into irrevocable escrow funds with the Trustee to defease and refund \$42.3 million in revenue bonds described below.

	<u>Refunded</u>	<u>Rate</u>	<u>Price</u>
Series Revenue Bond:			
1999 Parking Meters Refunding	\$ 13,080	4.70% - 5.00%	100%
2000A North Beach	5,075	5.00% - 5.50%	100%
2001 Uptown Parking	15,465	5.50% - 6.00%	101%
2002 Ellis Parking	2,535	4.20% - 4.70%	100%
2002 Downtown Parking	6,095	4.50% - 5.38%	100%
Total	<u>\$ 42,250</u>		

The refunded bonds were defeased and redeemed on July 27, 2012. Accordingly, the liability for these bonds has been removed from the statements of net position. Although the refunding resulted in the recognition of a deferred accounting loss of \$0.9 million, the MTA obtained an economic gain (the difference between the present value of the old debt and the new debt) of \$6.7 million or 15.8% of the refunded bonds.

In July 2012, the MTA issued its Revenue Bonds, Series 2012B in the amount of \$25.8 million to finance the various transit and parking capital projects of the MTA and to pay certain costs related to the issuance of the Series 2012B bonds. Series 2012B included serial and term bonds with interest rates ranging from 3.0% to 5.0% and maturity of March 2023 through March 2042.

San Francisco Wastewater Enterprise

**Wastewater Revenue Bonds 2013 Series A**

In January 2013, the San Francisco Wastewater Enterprise issued tax-exempt revenue bonds 2013 Series A in the amount of \$193.4 million for the purpose of refunding the remaining portion of the outstanding 2003 Series A bonds maturing on and after October 1, 2013. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2013 Series A refunding bonds include serial bonds with interest rates varying from 1.0% to 5.0% and have a final maturity in October 2025. The Series A bonds have a true interest cost of 1.2%. The 2013 Series A bonds also refunded the remaining portion of the outstanding State revolving fund loans. The refunding resulted in the recognition of a deferred accounting loss of \$5.0 million. The refunding resulted in \$35.1 million gross debt service savings over the next 13 years, and an economic gain of \$32.8 million or 15.4% of the refunded principal. All of the outstanding 2003 Series A bonds were refunded on April 1, 2013, at a redemption price equal to their outstanding principal amount, plus accrued interest to the redemption rate, without premium.

**Wastewater Revenue Bonds 2013 Series B**

In February 2013, the Enterprise issued revenue bonds 2013 Series B in the amount of \$331.6 million with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used for Wastewater capital projects, to pay off all outstanding Wastewater commercial paper notes, and to pay the costs of issuing the bonds. The bonds were rated "Aa3" and "AA-" by Moody's and S&P, respectively. Bonds mature through October 1, 2042. The true interest cost is 3.6%.

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Notes to Basic Financial Statements (continued)

June 30, 2013

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### (9) EMPLOYEE BENEFIT PROGRAMS

#### (a) Retirement Plan

The City maintains a cost-sharing multiple-employer defined benefit pension plan (the Plan), which covers substantially all of its employees, and certain classified and certified employees of the San Francisco Community College District and Unified School District, and San Francisco Trial Court employees other than judges. Due to the relative insignificance of the other employers in the Plan, the City presents disclosure information for the Plan as if it were a single-employer plan. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees' Retirement System (PERS), agent or cost-sharing multiple-employer, public employee pension plans, which cover certain employees in public safety functions, the Port, the Airport, the San Francisco County Transportation Authority and the former Redevelopment Agency and the Successor Agency.

#### *Employees' Retirement System*

Plan Description – Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2013 was approximately \$2.4 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, CA 94102 or by calling (415) 487-7020.

Legislative Changes to the Plan – In June 2010, the voters of the City approved a Charter amendment to create new benefit plans for miscellaneous employees and firefighter and police employees who are hired on or after July 1, 2010. The new benefit plan covering miscellaneous employees hired on or after July 1, 2010 provides for a service retirement benefit, which 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. The two new benefit plans covering firefighter and police employees hired on or after July 1, 2010 provide for: a) an increase in required employee contributions from 7.5% of covered compensation in the previous safety plans to 9% of covered compensation, and b) a service retirement benefit, which 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.

Plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Deferred Retirement Option Program – In February 2008, the voters of the City and County approved a Charter amendment to provide a Deferred Retirement Option Program (DROP) for certain Police members of the Plan to be effective July 1, 2008. An eligible police officer could elect to participate in DROP for a specified period of time up to a maximum of three years depending on the rank of the police officer. While participating in DROP, the police officer continues to work and receive pay as a police officer and accrues monthly DROP distributions posted to a nominal account maintained by the Retirement System. The monthly DROP distribution is equal to the participant's monthly service retirement allowance calculated as of the participant's entry into DROP. Interest at an annual effective rate of 4% and applicable COLAs are posted to the participant's DROP account during participation in DROP. Upon exiting from DROP, the participant receives a lump sum distribution from his or her DROP account and begins to receive a monthly service retirement allowance calculated using age,



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Notes to Basic Financial Statements (continued)

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covered compensation and service frozen as of the date of his or her entry into DROP. DROP was closed to new applicants on June 30, 2011.

Changes in DROP liabilities during the year ended June 30, 2013 are as follows:

DROP liability, beginning of year	\$ 27,257
Additions	21,265
Distributions	<u>(28,020)</u>
DROP liability, end of year	<u>\$ 20,502</u>

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2012-13 varied from 7% to 9% as a percentage of gross salary. For fiscal year ended June 30, 2013, 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, 2011 actuarial report, the required employer contribution rate for fiscal year 2012-13 ranges from 17.71% to 20.71%.

Employer contributions and employee contributions made by the employer to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions.

Annual Pension Cost – The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2011. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.66%; (2) cost of living adjustments of 2% to 5%; and (3) projected wage increases of 3.91% with additional for merit and promotion of 0.85% to 15.00% based on a participant’s years of service and membership group. The actuarial value of Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and losses assumptions and supplemental COLAs are amortized as a level percentage of pay over an open 15-year period. Plan amendments and changes in interest crediting rate are amortized over a closed 20-year period.

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 308,823	100%	\$ -
6/30/2012	410,797	100%	-
6/30/2013	442,870	100%	-

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial value of assets was \$16.0 billion; the actuarial accrued liability was \$19.4 billion; the total unfunded actuarial accrued liability was \$3.4 billion; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 82.6%; the annual covered payroll was \$2.4 billion; and the ratio of the unfunded actuarial liability to annual covered payroll was 140.6%. The actuarial assumptions used were the same as described in the Annual Pension Cost section above except the assumptions for the investment rate of return of 7.58% and projected wage increases of 3.83%. The Retirement System’s unfunded actuarial accrued liability from its July 1, 2011 actuarial valuation increased \$1.1 billion from a deficit of \$2.3 billion to a deficit of \$3.4 billion primarily due to investment experience during the year ended June 30, 2009. The actuarial value of assets is “smoothed” in order to mitigate the impact of investment performance volatility on employer contribution rates. Under the 5 years smoothing policy adopted by the Retirement Board, the investment losses from fiscal year 2008-09 will not be fully recognized until the July 1, 2013 actuarial valuation, which determines

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Notes to Basic Financial Statements (continued)

June 30, 2013

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contribution rates for fiscal year 2014-15. As a result, the City's contribution rate is expected to continue to increase over the next three fiscal years even if the fund achieves its investment return assumptions. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

### **California Public Employees' Retirement System**

Various City public safety, Port, and all Successor Agency and San Francisco County Transportation Authority employees are eligible to participate in PERS. Disclosures for the San Francisco County Transportation Authority and Successor Agency are included in the separately issued financial statements.

Plan Description – The City contributes to PERS, an agent multiple-employer public employee defined benefit pension plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. Effective with the PERS June 30, 2003 actuarial valuation, PERS mandated that the City's miscellaneous members plan be included in a cost-sharing multiple-employer plan consisting of various government entities with plan memberships of less than 100 active members. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814. A separate report for the City's plan within PERS is not available.

### **Miscellaneous Plan**

Funding Policy – Miscellaneous plan – Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2012-13 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

Annual Pension Cost – Miscellaneous plan – Cost for PERS for fiscal year 2012-13 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ -	N/A	\$ -
6/30/2012	-	N/A	-
6/30/2013	-	N/A	-

### **Safety Plan**

Funding Policy – Safety plan – Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 21.58%. The contribution requirements of plan members and the City are established and may be amended by PERS.

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(Dollars in Thousands)

Annual Pension Cost – Safety Plan – The cost for PERS for fiscal year 2012-13 was equal to the City’s required and actual contributions, which was determined as part of the June 30, 2010 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2010 actuarial valuation were: (a) 7.75% investment rate of return (net of administrative expenses), (b) 3.55% to 13.15% projected annual salary increases that vary by age, service and type of employment, and (c) 3.25% payroll growth. The inflation rate is 3.00%. For the June 30, 2010 actuarial valuation, the average remaining period is 29 years. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period.

Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/2011	\$ 16,664	100%	\$ -
6/30/2012	23,888	100%	-
6/30/2013	23,811	100%	-

Funded Status and Funding Progress – As of June 30, 2011, the most recent actuarial valuation date, the actuarial value of assets was \$788.6 million; the actuarial accrued liability was \$836.2 million; the total unfunded actuarial accrued liability was \$47.6 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 94.3%; the annual covered payroll was \$105.6 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 45.1%. The assumptions included in the June 30, 2011 actuarial valuation were: (a) 7.50% investment rate of return (net of administrative expenses), (b) 3.30% to 14.20% projected annual salary increases that vary by age, service and type of employment, and (c) 3.00% payroll growth. The inflation rate is 2.75%. For the June 30, 2011 actuarial valuation, the average remaining period is 32 years. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

**(b) Deferred Compensation Plan**

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

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

**(c) Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers’ contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$630.1 million in fiscal year 2012-13. The employers’ contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is \$193.9 million to provide postemployment health care benefits for 25,141 retired participants, of which \$155.9 million related to City employees. The City’s liability for postemployment health care benefits is enumerated below. The City’s contribution is

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Notes to Basic Financial Statements (continued)

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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 200, San Francisco, CA 94103 or by calling (800) 541-2266.

**(d) Postemployment Health Care Benefits**

***City (excluding the San Francisco County Transportation Authority and the San Francisco Redevelopment Agency)***

Plan Description – The City maintains a single-employer, defined benefit other postemployment benefits plan, which provides health care benefits to employees, retired employees, and surviving spouses, through the City’s Health Service System outlined above. Health care benefits are provided to members of the Health Service System through three plan choices: City Health Plan, Kaiser, and Blue Shield. The City does not issue a separate report on its other postemployment benefit plan.

The City established the Retiree Health Care Trust Fund to receive contributions for the purpose of providing a funding source for certain postemployment benefits other than pension. The Retiree Health Care Trust Fund is administered by a Retiree Health Care Board of Administration governed by five trustees, one selected by the City Controller, one by the City Treasurer, one by the Executive Director of the San Francisco Employees’ Retirement System, and two elected by the active and retired members of the City’s Health Service System.

Funding Policy– The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For fiscal year ended June 30, 2013, the City paid approximately \$160.3 million on behalf of its retirees.

Annual OPEB Cost and Net OPEB Obligation – The City’s annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation.

The net OPEB obligations are reflected in the statements of net position of the governmental activities, business-type activities, and fiduciary funds. The following table shows the components of the City’s annual OPEB cost for the year, the amount contributed to the plan, and changes in the City’s net OPEB obligation:

Annual required contribution	\$ 408,735
Interest on Net OPEB obligation	57,328
Adjustment to annual required contribution	<u>(47,524)</u>
Annual OPEB cost	418,539
Contribution made	<u>(160,292)</u>
Increase in net OPEB obligation	258,247
Net OPEB obligation - beginning of year	<u>1,348,883</u>
Net OPEB obligation - end of year	<u><u>\$ 1,607,130</u></u>

The table below shows how the total net OPEB obligation as of June 30, 2013, is distributed.

Governmental activities	\$ 899,970
Business-type activities	658,008
Fiduciary funds	<u>49,152</u>
Net OPEB obligation - end of year	<u><u>\$ 1,607,130</u></u>

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Eligible fiduciary funds' employees are City employees and thereby eligible for postemployment health benefits. These obligations are reported as other liabilities in the City's fiduciary funds financial statements.

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011	\$ 392,151	37.2%	\$ 1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130

Funded Status and Funding Progress – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty year period. As of July 1, 2010, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.1%. The actuarial accrued liability for benefits was \$4.42 billion, and the actuarial value of assets was \$3.2 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$4.42 billion. As of July 1, 2010, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.39 billion and the ratio of the UAAL to the covered payroll was 184.6%.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements for the City, SFCTA, and the Successor Agency present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the actuarial valuation as of July 1, 2010, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). Unfunded liabilities are amortized using the level percentage of expected payroll over an open 30-year period. The actuarial assumptions included a 4.25% investment rate of return on investment; 4.0% payroll growth; and an ultimate medical inflation rate of 4.75% over 18 years.

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City and County of San Francisco. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute

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an equal amount. The RHCTF is currently invested in short-term fixed income securities. The RHCTF may not pay benefits from the Trust before January 1, 2020.

Proposition A was passed by voters on November 5, 2013, and will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board to make payments toward City retiree health care cost from the City's account in the fund only when Trust Fund is fully funded or only under certain circumstances. The City and its employees make contributions to the Fund. The Trust Board may not use these contributions to pay for retiree health care costs until January 1, 2020.

The Charter amendment will prohibit withdrawals from the Trust Fund until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the Trust Fund balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the Retiree Health Care Trust Fund Board, two-thirds of the Board of Supervisors, and the Mayor.

### ***San Francisco County Transportation Authority***

The San Francisco County Transportation Authority (SFCTA) maintains a separate single-employer defined benefit OPEB plan for retiree health care benefits and reported a net OPEB obligation of \$0 as of June 30, 2013. As of June 30, 2011, the most recent actuarial valuation date, the plan's actuarial accrued liability (AAL) was \$0.7 million, actuarial value of plan assets was \$0.4 million, and unfunded actuarial accrued liability (UAAL) was \$0.3 million, resulting in a funded ratio of 60.4%. The SFCTA's covered payroll was \$3.3 million, and its UAAL as a percentage of covered payroll was 8.2%. Details of SFCTA's OPEB plan may be found in its financial statements for the year ended June 30, 2013. Financial statements for SFCTA can be obtained from their finance and administrative offices at 1455 Market Street, 22<sup>nd</sup> Floor, San Francisco, CA 94103.

As of June 30, 2013, the SFCTA's annual OPEB expense of \$163 was equal to the ARC. Three-year trend information is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2011	\$ 113	100%	\$ -
6/30/2012	158	100%	-
6/30/2013	163	100%	-

### ***Successor Agency***

Effective February 1, 2012, upon the operation of law to dissolve the former Agency, the Successor Agency assumed the former Agency's postemployment healthcare plan. The Successor Agency sponsors a single-employer defined benefit plan providing other postemployment benefits (OPEB) to employees who retire directly from the former Agency and/or the Successor Agency. The Successor Agency is a contracting agency under the Public Employees' Medical and Hospital Care Act (PEMHCA), which is administered by PERS and provides monthly retiree medical benefit contributions. Premiums in excess of the above Successor Agency contributions are paid by the retirees. Benefits provisions are established and may be amended by the Successor Agency.

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by PERS and is an agent multiple-employer trust. Copies of PERS' financial report may be obtained from PERS website at [www.calpers.ca.gov](http://www.calpers.ca.gov) or from PERS at 400 "Q" Street, Sacramento, California 95811.

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Funding Policy – The contribution requirements of the plan members and the Successor Agency are established by and may be amended by the Successor Agency. The Successor Agency intends to fund plan benefits through the CERBT by contributing at least 100% of the annual required contribution.

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2013, the Successor Agency contributed \$1.0 million to the plan for current benefit payments.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency’s annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan’s ARC, adjusted for historical differences between the ARC and amounts actually contributed. The Successor Agency’s annual required contribution for the year ended June 30, 2013 is the sum of (a) normal cost and (b) a 25-year level percentage amortization of the June 30, 2012 unfunded liability.

The following table shows the components of the Successor Agency’s annual OPEB cost for the year ended June 30, 2013, and the changes in the net OPEB obligation:

Annual required contribution	\$ 1,320
Interest on Net OPEB obligation	67
Adjustment to annual required contribution	<u>(81)</u>
Annual OPEB cost	1,306
Contribution made	<u>(1,006)</u>
Increase in net OPEB obligation	300
Net OPEB obligation - beginning of year	<u>921</u>
Net OPEB obligation - end of year	<u><u>\$ 1,221</u></u>

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2011 *	\$ 1,346	113%	\$ 470
1/31/2012 **	747	65%	733
6/30/2012 ***	533	65%	921
6/30/2013	1,306	77%	1,221

\* Represents trend information for the former Agency for the fiscal year.

\*\* Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.

\*\*\* Represents trend information for the Successor Agency for the period February 1, 2012 through June 30, 2012.

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Funded Status and Funding Progress – The funded status of the plan of the former Agency as of June 30, 2011, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 14,390
Actuarial value of plan assets	1,856
Unfunded actuarial accrued liability (UAAL)	<u>\$ 12,534</u>
Funded ratio (actuarial value of plan assets/AAL)	12.9%
Covered payroll (active plan members)	\$ 4,185
UAAL as a percentage of covered payroll	299.5%

As of June 30, 2013, no actuarial valuation was performed for the Successor Agency's postemployment healthcare plan.

Actuarial Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefits costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The annual required contribution of the plan was determined based on the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) a discount rate of 7.25%, (b) PERS 1997–2007 Experience Study for Males and Females, (c) actual PEMCHA premiums, (d) pre-Medicare healthcare cost increases: 8.5% for 2014 graded down to 5.0% over 7 years, (e) post-Medicare healthcare cost increases: 8.9% graded down to 5.0% over 7 years, (e) 3.25% for projected payroll growth. The Successor Agency's unfunded actuarial accrued liability is being amortized as a level dollar amount over 26 years remaining on June 30, 2011.

### (10) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The San Francisco County Transportation Authority (SFCTA) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax are set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The SFCTA 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. 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 MTA Metro Network; B) construction of the MTA 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-



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envisioned as the Presidio Parkway). After 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the SFCTA may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the SFCTA Board may adopt an updated Expenditure Plan anytime after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the SFCTA 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. In addition to the sales tax program, the SFCTA also administers the following programs:

**Congestion Management Agency Programs.** On November 6, 1990, the SFCTA 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 SFCTA is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

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

**Prop AA Program.** On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the SFCTA 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. Prop 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 following the category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the SFCTA Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). The Prop AA program is a pay-as-you-go program. The SFCTA could use up to 5% of the funds for administrative costs.

### (11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

#### (a) San Francisco International Airport

San Francisco International Airport (Airport), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to final data for calendar year 2012 from the Airports Council International (ACI), the Airport is one of the largest airports in the United States both in terms of passengers (seventh) and air cargo (eighteenth). The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

***Pledged Revenues under the 1991 Master Resolution*** – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting

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those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified 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:

- (a) Net revenues (as defined in the bond resolutions) 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 all payments required to be made to the City and
- (b) 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 the U.S. generally accepted accounting principles used to determine amounts reported in the Airport's financial statements.

**Passenger Facility Charges** – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of \$609.1 million was approved by the FAA in September 2006. The current authority to impose PFCs is estimated to end January 1, 2017. For the year ended June 30, 2013, the Airport reported approximately \$84.3 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

**Commitments and Contingencies** – In addition to the long-term obligations discussed in Note 8, there were \$87.0 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2013, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2013 are as follows:

Construction .....	\$	35,909
Operating .....		<u>7,724</u>
Total .....	\$	<u>43,633</u>

**Transactions with Other Funds and Business Concentrations** – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment, to the City's General Fund, equal to 15% of concession revenue, but not less than \$5 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2013 was \$36.5 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City

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Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2013 was \$118.3 million.

In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. During the year ended June 30, 2013, revenues realized from the following Airport tenants exceeded five percent of the Airport's total operating revenues:

United Airlines ..... 22.2%

### (b) Port of San Francisco

A five-member Port Commission is responsible for the operation, development, and maintenance activities of the Port of San Francisco (Port). In February 1969, the Port was transferred in trust to the City under the terms and conditions of State legislation ("Burton Act") ratified by the electorate of the City. Prior to 1969, the Port was operated by the State of California. The State retains the right to amend, modify or revoke the transfer of lands in trust provided that it assumes all lawful obligations related to such lands.

**Pledged Revenues** – The Port's revenues, derived primarily from property rentals to commercial and industrial enterprises and from maritime operations, which include cargo, ship repair, fishing, harbor services, cruise and other maritime activities, are held in a separate enterprise fund and appropriated for expenditure pursuant to the budget and fiscal provisions of the City Charter, consistent with trust requirements. Under public trust doctrine, the Burton Act, and the transfer agreement between the City and the State, Port revenues may be spent only for uses and purposes of the public trust.

The Port pledged future net revenues to repay \$36.7 million in Revenue Bonds issued in 2010. Annual principal and interest payments through 2040 are expected to require less than 16% 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 \$66.9 million. The principal and interest payments made in 2013 were \$2.8 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2013 were \$18.6 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$3.7 million. Annual principal and interest payments were \$0.2 million in 2013 and pledged harbor revenues were \$0.1 million for the year ended June 30, 2013.

**The Exploratorium** – The Port's lease with the Exploratorium for Piers 15-17 commenced on November 3, 2010. Project construction, including substructure repair and seismic work valued in excess of \$65 million, has been completed. In consideration for performing certain substructure repair and other work, the Port has granted to the tenant rent credits equivalent to 100% of Pier 15 minimum rent due under the lease for the first fifty years. The Exploratorium opened to the public in April 2013.

**Pier 29 Fire** – On June 20, 2012, a fire caused damage to the Pier 29 bulkhead and shed building. Required repair, replacement and certain improvement work, including code upgrades, is covered by insurance, after a deductible of \$500,000. The total value of the insured loss has not yet been determined and the Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled. Insurance proceeds totaling \$11.4 million have been received pursuant to preliminary claims filed by the Port through June 30, 2013.

**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, 2013, the Port had purchase commitments for construction-related services, materials and supplies, and other services were \$11.0 million for capital projects and \$3.1 million for general operations.

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The San Francisco Clean and Safe Neighborhood Parks Bond general obligation bond issued in 2012 included \$34.5 million and in 2008 \$33.5 million for funding allocated for parks and open space projects currently in progress on Port property. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2013, \$46.6 million of Port funds have been appropriated and \$27.1 million has been expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

**Related Party Transactions** – The Port receives from, and provides services to, various City departments. In 2013, the \$17.2 million in services provided by other City departments included \$1.8 million of insurance premiums and \$0.8 million in workers' compensation expense. In 2012 the \$16.4 million in services provided by other City departments included \$1.7 million of insurance premiums and \$0.5 million in workers' compensation expense.

**South Beach Harbor Project Obligations** – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. The Port and the Successor Agency are in discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and associated obligations, if any.

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service, but berthing rate increases are required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Certain public access and other improvements required under BCDC Permit Amendment No. 17 for the South Beach Harbor Project have not been completed by the Successor Agency to the Redevelopment Agency. The required improvements, last estimated in 2004 to cost \$6.2 million, must be completed by December 31, 2017.

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

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

The Port undertook a public planning process to produce a preferred master plan for an underutilized 65-acre area commonly known as "Pier 70". A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. The 65-acre site has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and

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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.

The environmental investigation work includes preparation of a feasibility study to evaluate potential remedial action; a remedial action plan, which will establish 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 impacts to the environment. Future development will likely cover existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The contractor prepared an earlier report in 2009 describing potential remediation scenarios for Pier 70 site and probability of certain contamination being encountered in soil, soil vapor or groundwater, and various degrees of remediation that would be required. The model calculation estimated that soil, groundwater, and soil vapor remediation and/or management (excluding hazardous building materials such as asbestos or lead-based paint) would cost between \$15.0 million and \$50.0 million, with a most likely probability-weighted estimated cost of \$27.5 million. The 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.

After stakeholder and regulatory reviews, the final report, "Feasibility Study and Remedial Action Plan, Pier 70 Master Plan Area", was issued on May 31, 2012. In August 2012, the Port received the Regional Water Quality Control Board's official approval of the final report and its direction to proceed with preparing a risk management plan to implement the remedial action alternative that consisted of durable covers and institutional controls as described in the report. Using the two most likely discrete remediation scenarios (that entail the use of durable covers), Port management was able to reduce the probability-weighted remediation cost estimated as of June 30, 2012 to \$13.5 million. The public comment period for the draft Risk Management Plan concluded on March 29, 2013. The final draft plan contemplates the selection of one specific remedial action alternative. Final approval by the RWQCB is pending. At June 30, 2013, the accrued cost for pollution remediation is reduced to \$10.7 million based on likely acceptance and implementation of that alternative.

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. Certain Port facility projects in 2013 included costs for remediation or mitigation work, including \$0.6 million for the removal of various transformers at Pier 70 in connection with shoreside power project, over \$0.7 million in connection with the insurance-funded Pier 29 fire repair building stabilization work, and \$0.2 million in connection with Pier 36 demolition and removal. Before releasing facilities for use under AC34 venue leases, the Port completed approximately \$0.2 million of lead abatement work.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2013, is as follows (in thousands):

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2012	\$ 13,503	\$ 93	\$ 13,596
Current year claims and changes in estimates	(2,811)	83	(2,728)
Vendor payments	(22)	(13)	(35)
Environmental liabilities at June 30, 2013	\$ 10,670	\$ 163	\$ 10,833

### (c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Enterprise sold water, approximately 78,500 million gallons

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annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (the Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. 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 2013 and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	\$ 4,457,970
Principal and interest remaining due at the end of the year	8,363,585
Principal and interest paid during the year	248,530
Net revenue for the year ended June 30	548,224
Funds available for revenue bond debt service	574,968

During fiscal year 2013, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$174.7 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, 2013, the City owed the Wholesale Customers \$23.5 million or \$19.4 million net of receivable under the Water Supply Agreement.

**Commitments and Contingencies** – As of June 30, 2013, the Water Enterprise had outstanding commitments with third parties of \$712.7 million for various capital projects and for materials and supplies.

**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 \$35.1 million and \$8.4 million, respectively, for the year ended June 30, 2013, 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 \$14.2 million for the year ended June 30, 2013 and have been included in services provided by other departments.

### (d) Hetch Hetchy Water and Power Enterprise

San Francisco Hetch Hetchy Water and Power was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City and County of San Francisco (the City). Hetch Hetchy is a stand-alone enterprise comprised of two funds, Hetch Hetchy Power (aka the Power Enterprise) and Hetch Hetchy Water, a portion of the Water Enterprise's operations, specifically the up-country water supply and transmission service for the latter. Hetch Hetchy accounts for the activities of Hetch Hetchy Water and Power and is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity from that resource.

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(Dollars in Thousands)

Approximately 73% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City’s municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 27% balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City’s Municipal Load is sold first to the Districts to cover their pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or deposited into an energy bank account under the City’s agreement with Pacific Gas and Electric Company (PG&E). Hetch Hetchy consists of a 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 California Independent System Operator (CAISO), and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City’s representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

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

**Condensed Statements of Net Position**

	Hetch Hetchy Water	Hetch Hetchy Power	Total
<b>Assets:</b>			
Current assets.....	\$ 50,756	\$ 163,240	\$ 213,996
Receivables from other funds and component units.....	-	16,417	16,417
Noncurrent restricted cash and investments.....	8,420	7,196	15,616
Other noncurrent assets.....	4	397	401
Capital assets.....	91,228	257,682	348,910
<b>Total assets.....</b>	<b>150,408</b>	<b>444,932</b>	<b>595,340</b>
<b>Liabilities:</b>			
Current liabilities.....	3,432	16,987	20,419
Noncurrent liabilities.....	8,083	48,361	56,444
<b>Total liabilities.....</b>	<b>11,515</b>	<b>65,348</b>	<b>76,863</b>
<b>Net position:</b>			
Net investment in capital assets.....	91,228	232,209	323,437
Restricted for capital projects.....	7,752	-	7,752
Unrestricted.....	39,913	147,375	187,288
<b>Total net position.....</b>	<b>\$ 138,893</b>	<b>\$ 379,584</b>	<b>\$ 518,477</b>

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Condensed Statements of Revenues, Expenses,  
and Changes in Net Position**

	Hetch Hetchy Water	Hetch Hetchy Power	Total
Operating revenues.....	\$ 37,394	\$ 96,533	\$ 133,927
Depreciation expense.....	(4,378)	(11,079)	(15,457)
Other operating expenses.....	(30,523)	(82,180)	(112,703)
Net operating income .....	2,493	3,274	5,767
Nonoperating revenues (expenses):			
Federal grants.....	-	373	373
Interest and investment income (loss).....	(344)	139	(205)
Interest expense.....	-	(1,630)	(1,630)
Other nonoperating revenues (expenses) .....	222	1,494	1,716
Transfers in (out), net.....	-	(196)	(196)
Change in net position.....	2,371	3,454	5,825
Net position at beginning of year.....	136,522	376,130	512,652
Net position at end of year.....	\$ 138,893	\$ 379,584	\$ 518,477

**Condensed Statements of Cash Flows**

	Hetch Hetchy Water	Hetch Hetchy Power	Total
Net cash provided by (used in):			
Operating activities.....	\$ 8,080	\$ 10,685	\$ 18,765
Noncapital financing activities.....	-	97	97
Capital and related financing activities.....	(8,133)	(21,251)	(29,384)
Investing activities.....	(322)	395	73
Change in net position.....	(375)	(10,074)	(10,449)
Cash and cash equivalents at beginning of year.....	58,769	164,441	223,210
Cash and cash equivalents at end of year.....	\$ 58,394	\$ 154,367	\$ 212,761

**Pledged Revenues** – Hetch Hetchy Power has pledged future power revenues to repay bonds, issued since fiscal year 2009. Proceeds from the bonds provided financing for various capital construction projects. These bonds are payable solely from net power revenues of Hetch Hetchy Power and are payable through the year ending 2028.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2013, and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	\$ 21,216
Principal and interest remaining due at the end of the year	23,841
Principal and interest paid during the year	1,907
Funds available for revenue bond debt service	14,697



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(Dollars in Thousands)

**Commitments and Contingencies** – As of June 30, 2013, Hetch Hetchy Water and Power had outstanding commitments with third parties of \$27.0 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 and Turlock Irrigation Districts (the Districts) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were \$4.4 million in fiscal year 2013. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

### **Hetch Hetchy Power**

In April 1988, Hetch Hetchy entered into a long-term power sales agreement (the Agreement) with the Districts. In June 2003, Hetch Hetchy amended the terms of the Agreement with the Modesto Irrigation District (MID). Under the terms of the amended and restated long-term power sales agreement, which became effective on January 1, 2003, the expiration date was shortened to December 31, 2007. The renegotiated agreement with MID became effective January 1, 2008, removed Hetch Hetchy's obligation to provide firm power, and eliminated MID's rights to excess energy from the project. This agreement expires June 30, 2015. In April 2005, Hetch Hetchy Power amended the terms of the agreement with Turlock Irrigation District (TID). The settlement agreement, between the City and TID, restates and amends the power sales agreement and terminates Hetch Hetchy's obligation to provide firm power at below market costs to TID to the end of the agreement's term on June 30, 2015. Hetch Hetchy will continue to comply with the Raker Act by making water system generated hydropower available at cost to MID and TID for its agricultural pumping and municipal loads as energy is available. For fiscal year 2012-13, energy sales to the Districts totaled 227,544 megawatt hours (MWh) or \$8.3 million.

Effective September 2007, the City renegotiated the Interconnection Agreement (agreement) with PG&E to provide transmission and distribution services on PG&E's system where needed to deliver the Hetch Hetchy's power to its customers. In addition, the PG&E agreement provides supplemental power and energy banking and other support services to Hetch Hetchy Power. The PG&E agreement provides audit rights to allow PG&E to review past billings paid by Hetch Hetchy Power and to retroactively (up to two years) adjust these payments as determined necessary. During fiscal year 2012-13, Hetch Hetchy purchased \$13.9 million of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The PG&E agreement contains a contractual provision allowing Hetch Hetchy Power to bank excess power produced, with a maximum of 110,000 of MWh. During fiscal year 2012-13, Hetch Hetchy Power generated 1,304,498 MWh of power, banked (deposited) in Deferred Delivery Account (DDA) 98,364 MWh and used (withdrew) 105,071 MWh. At June 30, 2013, the balance in the bank was 95,598 MWh or \$3.0 million.

Hetch Hetchy is exposed to risks that could negatively impact its ability to generate net revenues to fund operating and capital investment activities. Hydroelectric generation facilities in the Sierra Nevada are the primary source of electricity for Hetch Hetchy. For this reason, the financial results of Hetch Hetchy are sensitive to variability in watershed hydrology and market prices for energy.

**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 \$35.1 million and purchased electricity for \$8.4 million for the year ended June 30, 2013. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$8.4 million for the year ended June 30, 2013.

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Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately \$6.7 million for the year ended June 30, 2013 and have been included in services provided by other departments.

## (e) Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (MTA) is governed by the MTA Board of Directors. The MTA includes the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (MUNI), traffic and parking, regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated. All significant inter-entity transactions have been eliminated.

Proposition E passed by the San Francisco voters in November 1999 amended the City Charter, calling for the creation of the MTA by consolidating MUNI and Department of Parking and Traffic (now named as Sustainable Streets) by July 1, 2002. The incorporation is intended to support the City's Transit First Policy. The MTA's Sustainable Streets manages 40 City-owned garages and metered parking lots. It also manages all traffic engineering functions within San Francisco, including the placement of signs, signals, traffic striping, curb markings, and parking meters. In March 2009, the former Taxi Commission was merged with the MTA, which then has assumed responsibility for taxi regulation to advance industry reforms. Two non-profit garage corporations (Ellis O'Farrell Parking Corporation and Downtown Parking Corporation) did not enter into a new lease executed by MTA in June, 2012, and opted to dissolve. In January 2013, all operations and financial reporting of these two garages have been transferred to Sustainable Streets. Three remaining non-profit parking garage corporations operate to provide operational oversight of four garages.

**Pledged Revenue** – In 2007, San Francisco voters approved Proposition A, which authorized the MTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the MTA Board of Directors and concurrence by the Board of Supervisors. The MTA 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 MTA revenues except for City General Fund allocations and restricted sources.

In fiscal year 2013, the MTA issued its first revenue bonds, Serial 2012A and 2012B. Series 2012A Bonds were issued to refund prior bonds issued by the Parking Authority, the City of San Francisco Ellis-O'Farrell Parking Corporation, the City of San Francisco Downtown Parking Corporation and the City of San Francisco Uptown Parking Corporation. Series 2012B Bonds is new money to finance a portion of the costs of various capital projects for the MTA.

Annual principal and interest payments for fiscal year 2013 were less than 4% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2013 and applicable revenues for 2013 are as follows:

Bonds issued with revenue pledge	\$ 63,795
Principal and interest remaining due at the end of the year	102,024
Principal and interest paid during the year	4,848
Net revenue for the year	128,090
Fund available for revenue bond debt service	133,021

**Operating and Capital Grants and Subsidies** – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of MTA and Sustainable Streets as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the MTA was \$287.9 million in fiscal year 2012-13. The General Fund subsidy includes a total revenue baseline transfer of \$222.6 million, as required by the City Charter and \$65.3 million from an allocation of the City's parking tax.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The MTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2013, MTA had approved capital grants with unused balances amounting to \$878.0 million. Capital grants receivable as of June 30, 2013 totaled \$82.9 million.

The MTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds and sales tax allocations. As of June 30, 2013, the MTA had various operating grants receivable of \$19.6 million. In fiscal year 2013, the MTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.1 million and other federal, state and local grants of \$9.1 million to fund project expenses that are operating in nature.

Proposition 1B is a ten-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The MTA received cash totaling \$136.5 million in fiscal year 2013 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, 2016 for funds awarded between fiscal years 2008 and 2010. 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 2013, \$41.4 million drawdowns were made from the funds for various eligible projects costs.

The State Public Utilities Code requires that fare revenues must equal or exceed 33% of operating costs, in order to qualify for an allocation of certain sales tax revenues available for public transit. Transit operators may add local support to fare revenues in order to calculate the fare recovery ratio. The City provides significant local support to MTA from parking revenues and the General Fund.

**Commitments and Contingencies** – The MTA has outstanding contract commitments of approximately \$349.5 million, with third parties, for various capital projects. Grant funding is available for a majority of this amount. The MTA also has outstanding commitments of approximately \$63.5 million, with third parties, for non-capital expenditures. Various local funding sources are used to finance these expenditures. The MTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

### **Leveraged Lease-Leaseback of BRED A Vehicles – Tranches 1 and 2**

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, MTA Board of Directors, and the City's Board of Supervisors, MTA 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 the respective sublease, MTA may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, MTA maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

MTA 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. MTA 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. MTA 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 MTA's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that MTA will need to access

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Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the MTA as of June 30, 2013. The terms of the SILO documents require MTA to replace AGM, as successor to FSA, if its ratings are downgraded below "BBB+" by S&P or "Baa1" by Moody's. AGM's current ratings of "AA-" from S&P and "A2" from Moody's satisfy this requirement.

In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction was terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require MTA to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. On January 17, 2013, Moody's downgraded AGM's rating to A2. Failure of MTA to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an investor could allow such investor, in effect, to issue a default notice to MTA. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, MTA could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2013 after giving effect to the market value of the securities in the escrow accounts, would approximate \$87.56 million. The scheduled termination costs increase over the next several years. As of June 30, 2013, no investor has demanded the replacement of AGM as the surety provider.

MTA recorded deferred revenue of \$35.5 million and \$4.4 million in fiscal year 2002 and 2003 respectively, for the difference between the amounts received of \$388.2 million and \$72.6 million, respectively, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million. The deferred revenue will be amortized over the life of the sublease. The deferred revenue amortized amounts were \$1.3 million and \$0.2 million in fiscal year 2012-13.

### (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, 2013, the subsidy for LHH was \$84.2 million.

**Net Patient Services Revenue** – Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractually and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group 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

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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, 2013, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 46,777	\$ 3,203	\$ 1,328	\$ 51,308
Less:				-
Contractual Allowances.....	(28,135)	(1,927)	(824)	(30,886)
Total, net.....	<u>\$ 18,642</u>	<u>\$ 1,276</u>	<u>\$ 504</u>	<u>\$ 20,422</u>

Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross revenue.....	\$ 264,502	\$ 16,623	\$ 7,111	\$ 288,236
Less:				
Contractual allowances.....	(135,043)	(12,355)	(8,318)	(155,716)
Total, net.....	<u>\$ 129,459</u>	<u>\$ 4,268</u>	<u>\$ (1,207)</u>	<u>\$ 132,520</u>

Because Medi-Cal reimbursement rates are less than LHH's established rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2013, LHH accrued and recognized \$36.6 million of revenue as a result of matching federal funds to local funds.

**Deferred Credits and Other Liabilities** – As of June 30, 2013, LHH recorded approximately \$28.0 million in other liabilities for third-party payor settlements payable.

As of June 30, 2013, LHH has entered into various purchase contracts totaling approximately \$8.7 million that are related to the old building remodel phase of the Replacement Project.

**(g) San Francisco General Hospital Medical Center**

**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, 2013, the subsidy for SFGH was \$129.1 million.

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

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractals, 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.

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(Dollars in Thousands)

**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 Medi-Cal Hospital/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 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, 2013, SFGH’s patient receivables and charges for services were as follows:

<b>Patient Receivables, net</b>				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Accounts Receivable.....	\$ 223,338	\$ 94,445	\$ 121,064	\$ 438,847
Less:				
Contractual Allowances.....	(196,902)	(80,533)	(60,320)	(337,755)
Bad Debt.....	-	-	(38,286)	(38,286)
Total, Net Accounts Receivable.....	<u>\$ 26,436</u>	<u>\$ 13,912</u>	<u>\$ 22,458</u>	<u>\$ 62,806</u>

<b>Net Patient Service Revenue</b>				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Patient Service Revenue.....	\$ 791,801	\$ 440,369	\$ 1,443,096	\$ 2,675,266
Less:				
Contractual Allowances.....	(666,347)	(346,850)	(825,056)	(1,838,253)
Bad Debt.....	-	-	(108,302)	(108,302)
Total, Net Patient Service Revenue.....	<u>\$ 125,454</u>	<u>\$ 93,519</u>	<u>\$ 509,738</u>	<u>\$ 728,711</u>

California’s Section 1115 Medicaid Waiver (Waiver), titled the “Bridge to Health Care Reform” began in November 2010. The Waiver is intended to help sustain the state’s Medicaid program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program. 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 \$233.0 million for the year ended June 30, 2013.

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 Low Income Health Program (LIHP) is a coverage program for low-income uninsured adults that was included as part of California’s Section 1115 Medicaid Waiver. The program builds off and expands the previous Health Care Coverage Initiative (HCCI). Revenues recognized under the LIHP approximated \$27.5 million for the year ended June 30, 2013. The LIHP covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco

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Program section below. In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2013, reimbursement under the Short-Doyle Program amounted to approximately \$5.4 million and is included in net patient service revenue.

**Deferred Credits and Other Liabilities** – As of June 30, 2013, SFGH recorded approximately \$83.2 million in deferred credits and other liabilities, which was comprised of \$54.9 million in deferred credits related to receipts under Safety Net Care Pool and AB915 programs, and \$28.3 million in third-party payor 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 \$414.6 million and estimated costs and expenses to provide charity care were \$135.0 million in fiscal year 2013.

**Other Nonoperating Revenues** – The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. For the year ended June 30, 2013, SFGH recognized \$48.7 million as other nonoperating revenue for realignment funding.

**Contract with the University of California San Francisco** – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2013, was approximately \$ 141.6 million.

**SFGH Rebuild** – In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in fiscal year 2007. Schematic design of the new building is complete and the project cost is estimated at \$887.4 million.

The majority of the funding for the Rebuild will be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2013, General Obligation Bonds, in the amount of \$677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

**Healthy San Francisco Program** – In July 2007, the City's Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Uninsured San Francisco residents between the ages of 18-64 with incomes at or below 500% of the federal poverty level (FPL) are eligible for the HSF. Participants with household income above 100% FPL pay a quarterly fee based on their income.

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH is a new federally-supported health access program that provides affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. On December 31, 2013, all enrolled participants will transition automatically to Medi-Cal or have the opportunity to purchase health insurance through California's health benefit exchange (Covered California). The Department estimates that over 12,000 individuals will transition seamlessly into Medi-Cal effective January 1, 2014. SF PATH will continue to enroll participants through the end of the year, but will close on December 31, 2013. Healthy San Francisco will still be needed for those San Francisco residents who do not qualify for new health insurance options under the Affordable Care Act (ACA) and will continue to enroll eligible participants.

As of June 30, 2013, over 51,161 uninsured adult residents were enrolled in HSF. Combined with the nearly 10,000 participants in SF PATH, both programs provided care to approximately 73% of the estimated 84,000 uninsured adult residents. In addition to increasing access by serving more uninsured adults, the program also expanded access by increasing the number of primary care medical homes that participate in the program. HSF ended fiscal year 2013 with 37 primary care medical homes – a 37% increase from fiscal year 2007-08 (the program's first year).

**Commitments and Contingencies** – At the end of the fiscal year, SFGH has approximately \$4.3 million in commitments for various capital projects.

### (h) San Francisco Wastewater Enterprise

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

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,308 residential accounts, which discharge about 18.0 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,137 non-residential accounts, which discharge about 8.5 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 power revenues of Wastewater Enterprise and are payable through fiscal year ending 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2013, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$	764,550
Principal and interest remaining due at the end of the year		1,339,346
Principal and interest paid during the year		38,750
Net revenues for the year		74,047
Funds available for bond debt service		154,141



## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**Commitments and Contingencies** – As of June 30, 2013, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$130.4 million.

**Pollution Remediation Obligations** – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs. The liability balance remained at \$571 as of June 30, 2013.

(i) **San Francisco Market Corporation**

The City of San Francisco Market Corporation (Corporation) is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

On February 1, 2013, the Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing SFWPM stakeholders separate from the City. The SFWPM constituted the primary activities of the Corporation. It is expected that the Corporation will wind down and dissolve in December 2013 or early 2014.

**(12) 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 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.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan ("LRPMP") to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six month of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and will submit it to DOF prior to the deadline of November 29, 2013.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

**(a) Capital Assets Held by the Successor Agency**

For the year ended June 30, 2013, a summary of changes in capital assets was as follows:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:			
Land held for lease	\$ 30,363	\$ 29,019 *	\$ 59,382
Construction in progress	-	1,291	1,291
Total capital assets not being depreciated	<u>30,363</u>	<u>30,310</u>	<u>60,673</u>
Capital assets being depreciated:			
Furniture and equipment	8,144	-	8,144
Building and improvements	223,474	1,547	225,021
Total capital assets being depreciated	<u>231,618</u>	<u>1,547</u>	<u>233,165</u>
Less accumulated depreciation for:			
Furniture and equipment	(8,028)	(27)	(8,055)
Building and improvements	(78,622)	(5,479)	(84,101)
Total accumulated depreciation	<u>(86,650)</u>	<u>(5,506)</u>	<u>(92,156)</u>
Total capital assets being depreciated, net	<u>144,968</u>	<u>(3,959)</u>	<u>141,009</u>
Total capital assets, net	<u>\$ 175,331</u>	<u>\$ 26,351</u>	<u>\$ 201,682</u>

\* Amount represents assets transferred from the City on July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

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

<u>Entity and Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rate</u>	<u>Amount</u>
Lease Revenue Bonds:			
Moscone Convention Center <sup>(a)</sup> .....	2015	7.05%	\$ 4,347
Hotel tax revenue bonds <sup>(b)</sup> .....	2025	2.00% - 5.00%	41,750
Financing Authority Bonds:			
Tax allocation revenue bonds <sup>(c)</sup> .....	2042	2.92% - 9.00%	889,979
South Beach Harbor Variable Rate Refunding bonds <sup>(d)</sup> .....	2017	3.50%	4,500
California Department of Boating and Waterways Loan <sup>(e)</sup> .....	2037	4.50%	<u>7,482</u>
Total long-term bonds and loans .....			<u>\$ 948,058</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
- (b) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
- (c) Redevelopment property tax revenues and existing debt service/escrow trust funds.
- (d) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
- (e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

**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. former tax increment). These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.66 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2013 was \$114.0 million as against the total debt service payment of \$94.8 million.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately \$19.5 million. The lease payments received during the year ended through June 30, 2013 was \$12.8 million, which equaled the total debt service payment.

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 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$56.3 million. The hotel tax revenue recognized during the year ended June 30, 2013 was \$3.2 million as against the total debt service payment of \$3.2 million.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2013, are as follows:

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013
Bonds payable:				
Tax revenue bonds .....	\$ 979,896	\$ -	\$ (43,667)	\$ 936,229
Lease revenue bonds .....	7,478	-	(3,131)	4,347
Less deferred amounts:				
For issuance premiums .....	7,165	-	(842)	6,323
For issuance discounts .....	(5,461)	-	255	(5,206)
On refunding.....	(3,851)	-	463	(3,388)
Total bonds payable .....	985,227	-	(46,922)	938,305
Accreted interest payable.....	52,121	6,042	(11,881)	46,282
Notes, loans, and other payables.....	7,673	-	(191)	7,482
Accrued vacation and sick leave pay.....	988	812	(558)	1,242
Other postemployment benefits obligation.....	921	1,306	(1,006)	1,221
Successor Agency - long-term obligations...	\$ 1,046,930	\$ 8,160	\$ (60,558)	\$ 994,532

As of June 30, 2013, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows (in thousands):

Fiscal Year Ending June 30	Tax Revenue Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014.....	\$ 45,966	\$ 53,704	\$ 2,921	\$ 9,899	\$ 199	\$ 337	\$ 49,086	\$ 63,940
2015.....	51,875	50,484	1,426	5,279	208	328	53,509	56,091
2016.....	53,375	46,583	-	-	218	318	53,593	46,901
2017.....	54,380	43,879	-	-	227	309	54,607	44,188
2018.....	56,750	41,093	-	-	238	298	56,988	41,391
2019-2023.....	208,562	192,389	-	-	1,358	1,321	209,920	193,710
2024-2028.....	126,233	168,163	-	-	1,693	987	127,926	169,150
2029-2033.....	128,093	112,023	-	-	2,110	570	130,203	112,593
2034-2038.....	134,175	67,781	-	-	1,231	100	135,406	67,881
2039-2042.....	76,820	11,019	-	-	-	-	76,820	11,019
Total.....	\$ 936,229	\$ 787,118	\$ 4,347	\$ 15,178	\$ 7,482	\$ 4,568	\$ 948,058	\$ 806,864

**Mortgage Revenue Bonds and Other Conduit Debt** – In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately \$358 million as of June 30, 2013 have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

**Due to/Advances from the Primary Government** – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. As of June 30, 2013, the long-term balance due to the City’s General Fund was \$20.1 million. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. During the year ended June 30, 2013, the City advanced \$5.7 million in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of \$0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2.2 million to the City.

The short-term balance of \$2.4 million consists of \$0.9 million in Jessie Square reimbursement payments due to the City’s General Fund and \$1.5 million in payments for services provided by the City, of which \$1.3 million is due to the General Fund and \$0.2 million is due to other nonmajor governmental funds.

The amounts due to the City are offset by \$0.3 million due from the City’s Low and Moderate Income Housing Asset nonmajor governmental fund to the Successor Agency.

**(c) Commitments and Contingencies Related to the Successor Agency**

At June 30, 2013, the Successor Agency had outstanding encumbrances totaling approximately \$2.8 million.

During the fiscal year ended June 30, 2013, the Successor Agency carried property insurance with a \$0.3 million deductible (reduced to \$0.05 million beginning July 1, 2013) and workers’ compensation insurance through the State Compensation Insurance Fund up to statutorily determined limits. Prior to dissolution in 2012, the Successor Agency obtained liability insurance through membership in the Bay Cities Joint Powers Insurance Authority. During the fiscal year ended June 30, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, 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.

The Successor Agency has noncancelable operating leases for its office sites, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

<u>Fiscal Years</u>			<u>Fiscal Years</u>		
2014.....	\$	1,311	2024-2028.....	\$	4,351
2015.....		870	2029-2033.....		4,351
2016.....		870	2034-2038.....		4,351
2017.....		870	2039-2043.....		4,351
2018.....		870	2044-2048.....		4,350
2019-2023.....		4,351	2049-2051.....		1,958
			Total.....	\$	<u>32,854</u>

Rent payments totaling \$0.9 million are included in the Successor Agency’s financial statements for the year ended June 30, 2013.

**CITY AND COUNTY OF SAN FRANCISCO**

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

The Successor Agency assumed noncancelable operating leases from the former Agency on various facilities within the Yerba Buena Center, Western Addition and Hunters Point, South of Market, Mission Bay North, and South Beach Harbor project areas. The minimum future rental income are as follows (in thousands):

<u>Fiscal Years</u>			<u>Fiscal Years</u>		
2014.....	\$	4,222	2024-2028.....	\$	22,508
2015.....		4,280	2029-2033.....		22,626
2016.....		4,240	2034-2038.....		21,582
2017.....		3,985	2039-2043.....		19,904
2018.....		3,866	2044-2048.....		14,444
2019-2023.....		19,682	2049-2050.....		988
			Total.....	\$	<u>142,327</u>

For the year ended June 30, 2013, operating lease rental income for noncancelable operating leases was \$9.7 million. Within the operating lease rental income, \$5.4 million represents contingent rental income received. At June 30, 2013, the leased assets had a net book value of \$41.2 million.

The former Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Successor Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is \$47.7 million. As of June 30, 2013, management has assigned approximately \$4.8 million for the standby payment agreements. It is management’s intent to assign 10% of the estimated maximum obligation.

**(13) 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 negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy’s toxic remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City’s history. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. 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

## CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

Treasure Island Homeless Development Initiative (TIHDI). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones in the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a major milestone in moving the project closer towards implementation.

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 regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, jobs and equal opportunity programs, community facilities and project financing, and provide a holistic picture of the future development. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report as well as approved project entitlements. These project approvals were a key milestone in realizing a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring. Pending property transfer from the Navy, the first phase of infrastructure construction should begin in the fourth quarter of 2014 with vertical construction beginning in 2015. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, amended in November 2011 and later in July 2013, the SFCTA entered into a loan agreement with TIDA in the amount of \$11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the SFCTA for all project costs incurred by the SFCTA and accrued interest, less federal government reimbursements to the SFCTA. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the SFCTA's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the SFCTA for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed \$18.8 million. The repayment to the SFCTA may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2013. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the SFCTA for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the SFCTA's borrowing rate, whichever is applicable, beginning on the date of the SFCTA's reimbursement claim to Caltrans until the SFCTA costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy.

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Notes to Basic Financial Statements (continued)

June 30, 2013

(Dollars in Thousands)

As of June 30, 2013, TIDA has drawn down \$9.9 million on the loan with the SFCTA and accrued \$0.4 million in interest. At June 30, 2013, TIDA has the following payables to other City departments:

<u>Payable to</u>	<u>Purpose</u>	<u>Current</u>	<u>Noncurrent</u>	<u>Total</u>
SFCTA	YBI Loan Agreement	\$ -	\$ 10,336	\$ 10,336
SFCTA	YBI expenses	220	-	220
Hetch Hetchy	Utility operations under MOU	200	828	1,028
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 420</u>	<u>\$ 13,763</u>	<u>\$ 14,183</u>

**(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2013 is as follows (in thousands):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 11,681
	Internal Service Funds	32
	San Francisco Water Enterprise	40
		<u>11,753</u>
Nonmajor Governmental Funds	General Fund	395
	Nonmajor Governmental Funds	316
	Internal Service Funds	1,931
	Municipal Transportation Agency	33
	Port of San Francisco	26,785
	<u>29,460</u>	
San Francisco Water Enterprise	Nonmajor Governmental Funds	268
Hetch Hetchy Water and Power Enterprise	General Fund	475
	Nonmajor Governmental Funds	8,606
	Port of San Francisco	505
	General Hospital Medical Center	1,198
	San Francisco Wastewater Enterprise	2,006
	<u>12,790</u>	
Municipal Transportation Agency	Nonmajor Governmental Funds	6,462
Port of San Francisco	Nonmajor Governmental Funds	435
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	88
Total		<u>\$ 61,256</u>

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Notes to Basic Financial Statements (continued)

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(Dollars in Thousands)

In addition to the 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. At June 30, 2013, Hetch Hetchy loaned \$11.2 million to other City funds. Hetch Hetchy is also due \$1.6 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for living machine equipment.

The Port also has an obligation to General Fund of \$26.8 million, which represents the total amount of commercial paper draws used to fund the expenditures incurred to date on authorized Port projects and related costs. The due from nonmajor governmental fund of \$0.4 million is for a capital project reimbursement due from the SFCTA. The Port also received an advance of \$0.5 million from Hetch Hetchy Water and Power Enterprise for an energy efficiency project.

The MTA has a receivable from nonmajor governmental fund of \$6.5 million for capital and operating grants.

**Due from component units:**

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise <sup>(1)</sup>	Component unit - Treasure Island Development Authority	\$ 200
Primary government - Nonmajor Governmental Fund <sup>(1)</sup>	Component unit - Treasure Island Development Authority	220
Primary government - General fund <sup>(2)</sup>	Successor Agency	2,179
Primary government - Nonmajor Governmental Fund <sup>(2)</sup>	Successor Agency	237
Successor Agency <sup>(2)</sup>	Primary government - Nonmajor Governmental Fund	280

**Advance to component units:**

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise <sup>(1)</sup>	Component unit - Treasure Island Development Authority	\$ 3,427
Primary government - Nonmajor Governmental Fund <sup>(1)</sup>	Component unit - Treasure Island Development Authority	10,336
Primary government - General fund <sup>(2)</sup>	Successor Agency	20,067

<sup>(1)</sup> See discussion at Note 13.

<sup>(2)</sup> See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In:									
	Funds									
	General	Nonmajor	Internal	Water	Municipal	San	Port of	Laguna		
Funds	Fund	Funds	Funds	Enterprise	Agency	Hospital	Enterprise	Francisco	Hospital	Total
General fund.....	\$ -	\$ 138,545	\$ 177	\$ 800	\$ 287,860	\$ 129,069	\$ -	\$ 1,310	\$ 89,151	\$ 646,912
Nonmajor governmental funds.....	4,937	102,196	-	65,575	91,971	-	919	18,255	28	283,881
Internal Service Funds.....	324	-	-	-	-	-	-	-	-	324
San Francisco International Airport.....	36,464	-	-	-	-	-	-	-	-	36,464
Water Enterprise.....	-	2,891	-	-	-	-	-	-	-	2,891
Hetch Hetchy.....	173	23	-	-	-	-	-	-	-	196
Municipal Transportation Agency.....	-	3,811	-	-	-	-	-	-	-	3,811
San Francisco General Hospital.....	153,349	-	-	-	-	-	-	-	127	153,476
Wastewater Enterprise.....	-	31	-	-	-	-	-	-	-	31
Port of San Francisco.....	-	-	-	-	-	-	-	-	-	-
Laguna Honda Hospital.....	25	4,965	-	-	-	9,287	-	-	-	14,277
Total transfers out	<u>\$ 195,272</u>	<u>\$ 252,462</u>	<u>\$ 177</u>	<u>\$ 66,375</u>	<u>\$ 379,831</u>	<u>\$ 138,356</u>	<u>\$ 919</u>	<u>\$ 19,565</u>	<u>\$ 89,306</u>	<u>\$ 1,142,263</u>



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The \$646.9 million General Fund transfer out includes a total of \$501.1 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). Laguna Honda Hospital also received operating transfer in of \$5.0 million from General Fund. The transfer of \$138.5 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

In connection with a memorandum of understanding, the General Fund reimbursed the Port \$1.3 million for certain lost revenues (payment in lieu of rents) during the America's Cup events. Also, Port received \$18.3 million from the first sale of the 2012 San Francisco Clean and Safe Neighborhood Parks Bond for parks and open space on Port property.

San Francisco International Airport transferred \$36.5 million to the General Fund, representing a portion of concession revenue (note 11(a)). The General Fund received transfers in of \$123.9 million from San Francisco General Hospital Medical Center for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT) matching program reimbursement, \$7.2 million for Low Income Health Program (LIHP) reimbursement for Primary Care clinics, \$21.4 million for Healthy San Francisco reimbursement, and \$0.8 million for Child Health Initiative reimbursement (note 11(g)).

Wastewater enterprise received a transfer in of \$0.9 million from nonmajor governmental funds for performing emergency work on the Great Highway that was funded by a grant given to City's Department of Public Works.

MTA received \$92.0 million transfers, of which \$69.4 million was for capital activities and \$11.7 million was for operating activities from nonmajor governmental funds. Nonmajor governmental funds also transferred \$10.9 million in bond proceeds to MTA to fund various street improvement projects and in turn the MTA transferred \$3.8 million to pay for various street improvement projects.

Laguna Honda Hospital (LHH) transferred \$5.0 million of Senate Bill No. 1128 MediCal reimbursements to nonmajor governmental funds for the debt service payment of the LHH general obligation bonds and to SFGH the supplemental surplus revenue in the amount of \$9.3 million to fund SFGH's budgetary cost overruns.

The Water Enterprise received \$66.4 million from transfers in, which included \$63.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System Earthquake Safety and Emergency Response project, \$2.5 million for the second payment of the 17<sup>th</sup> and Folsom property with the remaining balance of \$2.3 million will be paid over a period of five years, and \$0.8 million from the San Francisco Recreation and Parks Department for the Lake Merced boat house renovation. On the other hand, the Water Enterprise transferred \$2.9 million to other City departments, including \$0.4 million to San Francisco Recreation and Parks Department for a landscape and irrigation project, \$2.5 million to the Arts commission for art work at 525 Golden Gate Headquarters, and \$31 to a nonmajor special revenue fund for the City Surety Bond Program.

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**(15) COMMITMENTS AND CONTINGENT LIABILITIES**

**(a) Grants and Subventions**

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

**(b) Operating Leases**

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

**Primary Government**

Governmental Activities

<u>Fiscal Years</u>		
2014.....	\$	28,252
2015.....		25,726
2016.....		22,600
2017.....		21,077
2018.....		17,071
2019-2023.....		36,720
2024-2028.....		310
Total.....	\$	<u>151,756</u>

Operating lease expense incurred for fiscal year 2012-2013 was approximately \$19.4 million.

Business-type Activities

<u>Fiscal Years</u>	<u>San Francisco International Airport</u>	<u>Port of San Francisco</u>	<u>Municipal Transportation Agency (MTA)</u>	<u>Total Business-type Activities</u>
2014.....	\$ 193	\$ 2,861	\$ 11,224	\$ 14,278
2015.....	75	2,861	11,475	14,411
2016.....	-	2,794	11,765	14,559
2017.....	-	2,702	11,635	14,337
2018.....	-	2,702	11,880	14,582
2019-2023.....	-	13,508	64,865	78,373
2024-2028.....	-	13,508	75,211	88,719
2029-2933.....	-	13,508	83,698	97,206
2034-2038.....	-	13,508	79,268	92,776
2039-2943.....	-	13,508	-	13,508
2044-2048.....	-	13,508	-	13,508
2049-2050.....	-	2,927	-	2,927
Total.....	\$ <u>268</u>	\$ <u>97,895</u>	\$ <u>361,021</u>	\$ <u>459,184</u>

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2012-2013 was \$0.2 million, \$2.8 million, and \$13.4 million, respectively.

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Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

**Primary Government**

Governmental Activities

<b>Fiscal Years</b>	
2014.....	\$ 2,472
2015.....	2,189
2016.....	1,859
2017.....	1,773
2018.....	1,124
2019-2023....	906
2024-2028....	666
2029-2033....	250
<b>Total.....</b>	<b>\$ 11,239</b>

Business-type Activities

<b>Fiscal Years</b>	<b>San Francisco International Airport</b>	<b>Port of San Francisco</b>	<b>General Hospital Medical Center</b>	<b>Municipal Transportation Agency</b>	<b>Market Corp</b>	<b>Total Business-type Activities</b>
2014.....	\$ 87,444	\$ 39,344	\$ 1,268	\$ 5,006	\$ 82	\$ 133,144
2015.....	84,568	34,507	1,306	3,824	-	124,205
2016.....	80,827	29,974	1,346	2,615	-	114,762
2017.....	77,514	23,639	1,386	1,690	-	104,229
2018.....	96,535	21,459	1,428	1,512	-	120,934
2019-2023....	-	94,017	7,807	7,275	-	109,099
2024-2028....	-	70,844	-	6,335	-	77,179
2029-2033....	-	63,111	-	6,250	-	69,361
2034-2038....	-	54,439	-	6,250	-	60,689
2039-2043....	-	39,678	-	6,250	-	45,928
2044-2048....	-	34,715	-	6,250	-	40,965
2049-2053....	-	20,895	-	6,250	-	27,145
2054-2058....	-	16,055	-	3,333	-	19,388
2059-2063....	-	16,014	-	-	-	16,014
2064-2068....	-	12,894	-	-	-	12,894
2069-2073....	-	8,991	-	-	-	8,991
2074-2077....	-	6,011	-	-	-	6,011
<b>Total.....</b>	<b>\$ 426,888</b>	<b>\$ 586,587</b>	<b>\$ 14,541</b>	<b>\$ 62,840</b>	<b>\$ 82</b>	<b>\$ 1,090,938</b>

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 \$21.7 million and \$14.2 million, respectively, in fiscal year 2012-13. In addition, the Airport has a car rental agreement that will expire on December 31, 2013, with the option to extend for five years. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual Enplanements achieved during a one-month period is less than 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such shortfall continues for

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Notes to Basic Financial Statements (continued)

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three consecutive months. The MAG attributable to the rental car companies was approximately \$38.8 million for fiscal year 2012-13.

### **Other Commitments**

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately \$1.3 billion at June 30, 2013.

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.

## **(16) RISK MANAGEMENT**

### **Risk Retention Program Description**

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for MTA); 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 billion, 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 deductible of \$500 per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts naming the Airport as additional insured. The Airport carries public officials liability and employment practices liability coverage of \$5 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. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of \$50 million, subject to a deductible of \$75 per occurrence; 2) hull and machinery liability coverage of \$3.5 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 billion and a deductible of \$500 per occurrence; 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, and property damage for certain high value Port vehicles, water pollution and data processing equipment. In addition, the Port requires its tenants, licensees and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The MTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. MTA's general policy is to first evaluate self-insurance for the risks of

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Notes to Basic Financial Statements (continued)

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loss to which it is exposed. When economically more viable or when required by debt financing covenants, MTA purchases insurance as necessary or required.

<b>Risks</b>	<b>Coverage</b>
a. General/Transit Liability	Self-Insure
b. Property	Self-Insure and Purchase Insurance
c. Workers' Compensation	Self-Insure
d. Employee (Transit Operators)	Purchase Insurance
e. Directors and Officers	Purchase Insurance

The MTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the MTA 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 \$2.0 million. As of June 30, 2013, the reserve was \$10.0 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors. MTA's workers' compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims' future exposure based on current costs and estimation for injuries that may have occurred but not yet reported. The workers' compensation claims and payouts are handled by a third-party administrator under MTA's oversight and management. MTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, injury investigation and medical treatment bill review.

The MTA purchases property insurance on scheduled facilities 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 MTA contractors, MTA 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 MTA's property.

MTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per Memorandum of Understanding with Transport Workers' Union and starting in fiscal year 2012, has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

### **Estimated Claims Payable**

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2013 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

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Notes to Basic Financial Statements (continued)

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Changes in the reported estimated claims payable since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	\$ 224,481	\$ 26,579	\$ (81,673)	\$ 169,387
2012-2013	169,387	36,851	(31,656)	174,582

Breakdown of the estimated claims payable at June 30, 2013 is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payables.....	\$ 37,374
Long-term portion of estimated claims payable.....	73,627
Total .....	<u>\$ 111,001</u>
<u>Business-type activities:</u>	
Current portion of estimated claims payables.....	\$ 24,284
Long-term portion of estimated claims payable.....	39,297
Total .....	<u>\$ 63,581</u>

During the year ended June 30, 2013, the Retirement System was involved in various petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System, which management does not expect to have a material impact on the net position available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and accordingly, are eventually considered in establishing the City's required annual contributions.

**Workers' Compensation**

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2013 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, 2013 was \$377.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	\$ 371,014	\$ 74,600	\$ (74,730)	\$ 370,884
2012-2013	370,884	76,308	(69,416)	377,776

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Breakdown of the accrued workers' compensation liability at June 30, 2013 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 39,759
Long-term portion of accrued workers' compensation liability..	<u>189,573</u>
Total .....	<u>\$ 229,332</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 24,002
Long-term portion of accrued workers' compensation liability..	<u>124,442</u>
Total .....	<u>\$ 148,444</u>

**(17) SUBSEQUENT EVENTS**

**a) Long-term Debt Issuance**

In July 2013, the Airport terminated the \$100.0 million direct-pay letter of credit from Barclays, which supported a subseries of the Airport commercial paper.

In July 2013, the City issued \$35.8 million taxable and \$16.2 million tax-exempt commercial paper to refund maturing \$35.7 million taxable and \$15.9 million tax-exempt commercial paper. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.10% and 0.12%. The taxable and tax-exempt notes are scheduled to mature on August 13, 2013. In August 2013, the City issued \$37.2 million taxable and \$18.0 million tax-exempt commercial paper to refund the July 2013 issuance and to provide \$3.0 million and \$0.3 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.09% and are all scheduled to mature on October 3, 2013.

In July 2013, the Airport issued its Second Series Revenue Bonds, Series 2013A-C in the amount of \$461.1 million to finance and refinance (through the payment of subordinate commercial paper notes) a portion of the Capital Plan. The Series 2013A-C bonds are uninsured, long-term fixed rate bonds. The Series 2013A (AMT) bonds mature from May 2020 through May 2038 with interest rates ranging from 5.00% to 5.50%. The Series 2013B (Non-AMT/Governmental Purpose) bonds mature in May 2043, with an interest rate of 5.00%. The Series 2013C (Taxable) bonds mature from May 2017 through May 2019 with interest rates ranging from 2.12% to 2.86%. The bonds were issued to repay the entire outstanding balance of commercial paper notes, to finance the Airport's capital projects and to pay certain costs related to the issuance of the Series 2013A-C bonds.

In August 2013, the San Francisco Water Enterprise issued \$12.0 million of Series A-1-T taxable commercial paper. The proceeds of this issuance will provide the initial deposit to a special endowment fund that was created to provide long-term funding to benefit the Bioregional Habitat Restoration (BHR) Program of the San Francisco Water Enterprise. The BHR program is a Water System Improvement Program (WSIP) capital project. The commercial paper notes bear an interest rate at 0.19% and will mature on November 14, 2013.

In March 2013, Deutsche Bank National Trust Company sold its Municipal Bond Trustee Business, including the Trust Agreement with the City for San Francisco General Hospital Emergency Backup Generator Project, to U.S. Bank National Association. In connection with the sale, Deutsche Bank resigned as trustee under the Trust Indenture and U.S. Bank National Association was appointed as successor trustee and assumes all of the duties, obligations and responsibilities of the trustee under the Trust Indenture effective August 23, 2013.

In September 2013, based on approval by the MTA Board of Directors and concurrence by the Board of Supervisors, the MTA obtained an irrevocable, direct pay letter of credit issued by State Street

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Notes to Basic Financial Statements (continued)

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Bank that will support the MTA's issuance of up to \$100.0 million in Commercial Paper (CP) Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or to finance state of good repair and other capital projects. Such CP Notes, and the MTA's obligation to reimburse State Street Bank for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Series 2013 Bonds. The letter of credit issued by State Street Bank is scheduled to expire on September 10, 2018, subject to prior termination pursuant to its terms and as provided for in the related reimbursement agreement.

In September 2013, the Board of Supervisors approved the authorization by the MTA's Board of Directors to issue MTA revenue bonds not exceeding \$165.0 million to finance certain transportation projects. MTA will issue Revenue Bonds Series 2013 in December 2013 with par value of \$85.0 million, with the US Bank as trustee, to finance a portion of the cost of various capital projects for the MTA, to make a deposit to the Series 2013 reserve account of the reserve fund and pay the costs of issuance of the Series 2013 revenue bonds.

In October 2013, the Port Commission issued Certificates of Participation (COPs) in the total amount of \$37.7 million. The COPs were issued to finance the construction, reconstruction, equipping and improvement and rehabilitation of certain facilities to be operated by the Port, as well as to refinance commercial paper previously issued by the City for the same purpose. The COPs are issued in two series, consisting of Series 2013B (Non-AMT) in the amount of \$4.8 million and Series 2013C (AMT) in the amount of \$32.9 million. Series 2013B will mature March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C will mature March 2014 through March 2043 with coupon rates ranging from 4.00% to 5.25%.

In October 2013, the City issued \$39.4 million taxable and \$27.8 million tax-exempt commercial paper to refund the August 2013 issuance and to provide \$9.9 million and \$1.7 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.15% and the tax-exempt notes at 0.07% and are all scheduled to mature on November 20, 2013.

In November 2013, the City issued \$8.3 million taxable and \$24.1 million tax-exempt commercial paper to refund the October 2013 issuance for the interim financing of the War Memorial Veterans Building Retrofit project, the Department of Public Works equipment purchase, and the HOPE SF affordable housing project. The taxable and tax-exempt notes are scheduled to mature on March 5, 2014 and bear interest rate at 0.18% and 0.10%, respectively.

### **(b) San Francisco General Hospital**

SFGH participated in California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration Project), which paid selected hospitals for providing care to Medi-cal and uninsured patients. Payments under the Demonstration Project consisted of fee-for-service cost-based reimbursement, Disproportionate Share Hospital payments, and distribution from a pool of funding for uninsured care, known as the Safety Net Care Pool. The Demonstration Project began in fiscal year 2005-06 and participating hospitals are paid an estimated amount from each of these pools of funds, which is subject to a final reconciliation as determined by the Department of Health Care Services. Subsequent to year end, SFGH received notice of the final reconciliation amounts owed to SFGH for fiscal year 2005-06 and recognized revenue of previously deferred cash receipts of \$9.0 million from fiscal year 2005-06 in fiscal year 2012-13. SFGH will record the remaining \$10.2 million it is still owed in fiscal year 2013-14 when it receives the related cash.

### **(c) Rim Fire**

In August 2013, the Rim Fire, one of the largest in California history was a massive wildfire in Tuolumne County and the Stanislaus National Forest, began and burned over 257,135 acres. It passed through an area containing two of Hetch Hetchy Power's generating stations and reaching the southern edge of the Hetch Hetchy Reservoir, which supplies 85% of San Francisco's drinking water. The City has critical assets in the area, managed by San Francisco Public Utilities Commission and



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the Recreation and Parks Department. Other critical infrastructure, inclusive of power transmission and distribution lines, switch yards and structures were in the wildfire's direct path.

The City declared a State of Emergency, followed by Governor Jerry Brown's declaration of a State of Emergency for San Francisco, on August 23, 2013. Emergency response teams were immediately deployed to protect the City's resources and assets upcountry. There was no impact to drinking water quality despite some ash being observed falling onto the reservoir. The City's hydroelectric power generation system was interrupted by the fire, forcing Hetch Hetchy Power to spend approximately \$1.6 million buying power on the open market and using existing banked energy with PG&E.

The fire was fully contained on October 24, 2013. The Rim Fire has inflicted approximately \$40.0 million in damage to parts of the City's water and power infrastructure located upcountry in the region. SFPUC retail and wholesale customers remained unaffected; water and power continued to be supplied with consistent quality and quantity. Cost recovery alternatives being considered include Federal Emergency Management Agency and California Emergency Management Agency assistance as well as purchased property insurance coverage for mission-critical assets. Both the Hetch Hetchy and Water Enterprise funds have available reserves, which may also be considered for use to backfill unrecovered costs.

### **(d) Claims**

In July 2013, Asiana Airlines Flight 214 crashed on final approach to the Airport. The City anticipates litigation related to this matter but believes that any such litigation would not have a material financial impact. The City intends to tender all claims to Asiana Airlines and Asiana's insurance carriers. Under the Lease and Use Agreement, Asiana Airlines must defend, hold harmless and indemnify the City and the City is additionally insured under Asiana Airline's insurance policy. The City also believes that in the unlikely event that there is any potential liability not covered by Asiana Airlines and/or its insurance policies, the Airport's insurance policies will cover any such loss.

### **(e) Elections**

On November 5, 2013, the San Francisco voters approved Propositions A, a charter amendment that will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board make payments toward City retiree health care costs from the City's account in the fund only when the Trust Fund is fully funded or only under certain circumstances as specified below.

Fiscal Impact: The City's ability to withdraw from the Trust Fund would be restricted. The restrictions would ensure that the Trust Fund more rapidly accumulates sufficient funding and investment earnings to pay for required City retiree health costs and would therefore reduce the burden of these costs on the City's annual budget. The City currently pays for the health care benefits of retired employees through the annual budget. These expenses are now approximately \$150.0 million annually, or about 6% of payroll expenditures, but are expected to grow over time to approximately \$250.0 million, or about 10% of payroll expenses. Instead of bearing this cost in the annual budget, as a sound financial management practice, employers can instead set-aside funds during a worker's career and use investment income from those funds to pay for the benefits.

Through earlier Charter amendments, the City established a Retiree Health Care Trust Fund into which both the City and the employees are required to contribute funds. Deposits are now required on behalf of employees hired after January 9, 2009 and, beginning in 2016, will be required on behalf of all employees. No withdrawals are currently permitted from the Trust Fund until 2020, ensuring that the balance will grow until that time, however no such prohibitions are in place following that date. The City's most recent actuarial analysis estimates that the cost of health benefits already earned by current and future retirees as of July 1, 2010 is \$4.4 billion, of which only \$3.2 million has been set aside to date.

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Notes to Basic Financial Statements (continued)

June 30, 2013

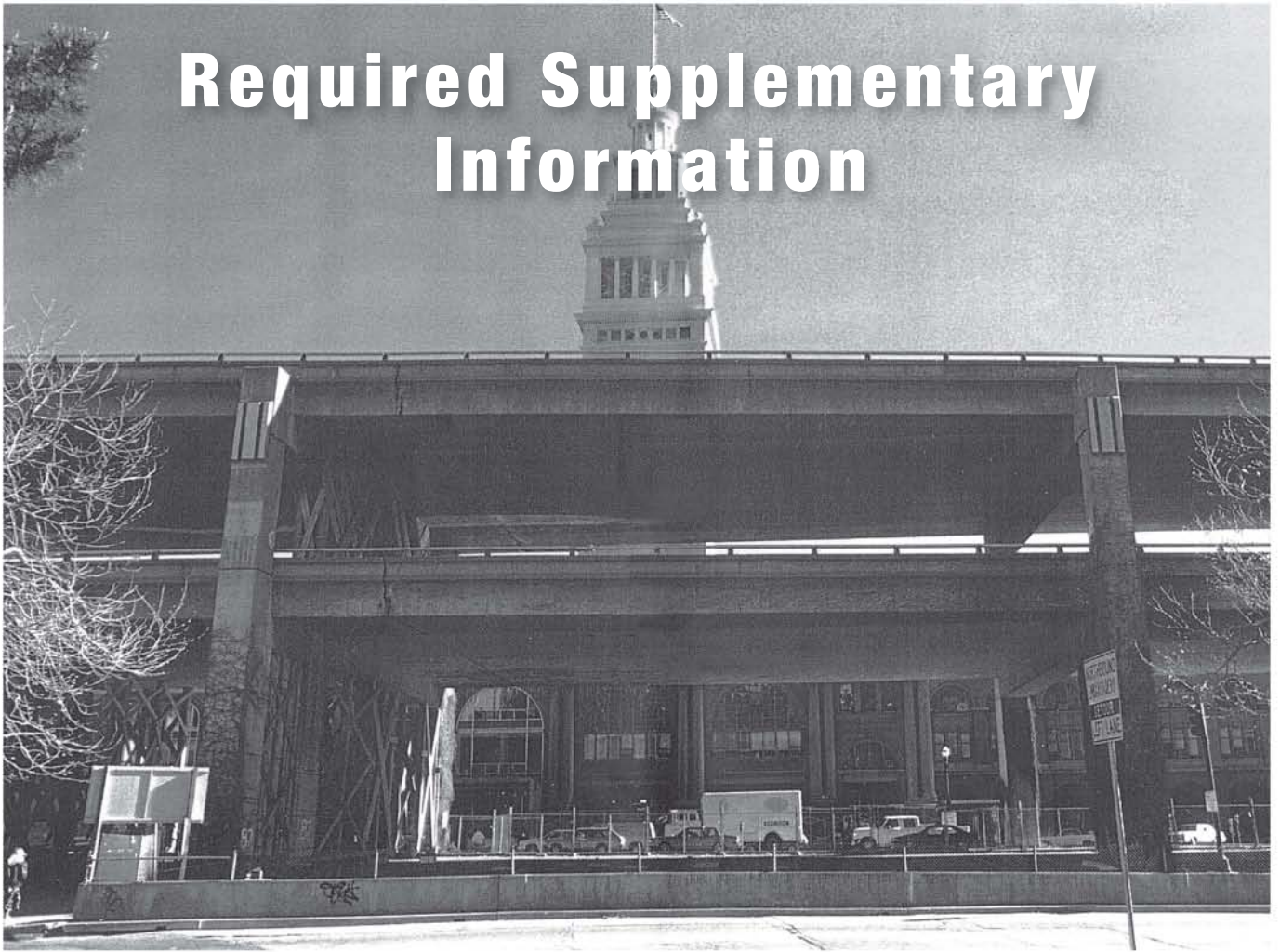
(Dollars in Thousands)

The Charter amendment will prohibit withdrawals from the Trust Fund until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the Trust Fund balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the Retiree Health Care Trust Fund Board, two-thirds of the Board of Supervisors, and the Mayor.

The City's external actuary has estimated that given these proposed provisions, the Trust Fund would be fully funded in approximately 30 years. At that time, the City's annual costs would drop to approximately \$50.0 million in current dollars or about 2% of the payroll expenses. Current and future projections of the benefit costs and of the Trust's status are dependent on assumptions of future medical inflation, investment returns, and other trends, which will likely differ from those assumed. Higher rates of medical inflation or lower rates of investment returns would delay the shift to a fully funded Trust Fund.

Proposition A also (1) further clarifies the required segregation of moneys within the Trust Fund into sub-trusts for other participating employers such as the School District, (2) limits withdrawals from these sub-trusts by other participating government employers until their governing board has adopted a funding strategy by a two-thirds vote, and (3) allows the Treasurer, Controller and General Manager of the Retirement System to serve on the Trust Fund Board, rather than appoint members to the Trust Fund Board.

# Required Supplementary Information



The Embarcadero Freeway covered the face of the Ferry Building from 1957 - 1991.



**CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information –  
Schedules of Funding Progress and Employer Contributions (unaudited)  
June 30, 2013  
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

**Employees' Retirement System – Pension Plan <sup>(1)</sup>**

<b>Actuarial Valuation Date</b>	<b>Actuarial Asset Value</b>	<b>Accrued Liability (AAL) Entry Age</b>	<b>(Under) funded AAL (O/UAAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>O/UAAAL as a % of Covered Payroll</b>
07/01/10	\$ 16,069,058	\$ 17,643,394	\$ (1,574,336)	91.1%	\$ 2,398,823	-65.6%
07/01/11	16,313,120	18,598,728	(2,285,608)	87.7%	2,360,413	-96.8%
07/01/12	16,027,683	19,393,854	(3,366,171)	82.6%	2,393,842	-140.6%

(1) As a result of the Retirement Board's decision to phase in a reduction of the Plan's assumed investment rate of return from 7.75% to 7.50% over three years, the assumed investment rate of return used for the most recent actuarial valuation as of July 1, 2012 was 7.58%. The unfunded actuarial liability (UAL) as of July 1, 2012 was \$3.37 billion, an increase of \$1.08 billion from the UAL of \$2.29 billion as of July 1, 2011. This increase in the unfunded liability is primarily a result of the market value losses during fiscal year 2008-09 that are being recognized over five years as well as liability experience losses related to changes to the economic and demographic assumptions approved by the Retirement Board.

The July 1, 2012 valuation results incorporate the following significant assumption changes approved by the Retirement Board at its December 14, 2011 Board meeting:

- Investment Rate of Return Assumption – phase in reduction from 7.75% to 7.50% over three years (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; and fiscal year 2013-14 to 7.50%)
- Wage/inflation Assumption – phase in reduction from 4.00% to 3.75% over three years (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%)
- Long-term Consumer Price Index Assumption – phase in reduction from 3.50% to 3.25% over three years (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%)

**California Public Employees' Retirement System – Pension Plan (Safety Members)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Asset Value</b>	<b>Accrued Liability (AAL) Entry Age</b>	<b>(Under) funded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
06/30/09	\$ 707,615	\$ 758,124	\$ (50,509)	93.3%	\$ 101,929	-49.6%
06/30/10	743,188	787,186	(43,998)	94.4%	104,072	-42.3%
06/30/11	788,580	836,171	(47,591)	94.3%	105,575	-45.1%

**CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information –  
Schedules of Funding Progress and Employer Contributions (unaudited) (continued)  
June 30, 2013  
(Dollars in Thousands)

**Schedule of Funding Progress – City and County of San Francisco –  
Other Postemployment Health Care Benefits**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial		Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
		Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)			
07/01/06	\$ -	\$ 4,036,324	\$ (4,036,324)	0.0%	\$ 2,066,866	-195.3%
07/01/08	-	4,364,273	(4,364,273)	0.0%	2,296,336	-190.1%
07/01/10 <sup>(2)</sup>	-	4,420,146	(4,420,146)	0.0%	2,393,930	-184.6%

(1) The actuarial valuation report is conducted once every two years.

(2) As of July 1, 2010, the City set-aside approximately \$3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010 and these assets will be reflected in the next actuarial valuation report.

**Schedule of Employer Contributions – City and County of San Francisco –  
Other Postemployment Health Care Benefits**

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2011	\$ 384,334	37.9%
2012	397,862	39.2%
2013	408,735	39.2%

**Schedule of Funding Progress – San Francisco County Transportation Authority –  
Other Postemployment Health Care Benefits**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial		Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
		Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)			
01/01/08	\$ -	\$ 182	\$ (182)	0.0%	\$ 1,978	-9.2%
01/01/10	173	374	(201)	46.3%	2,858	-7.0%
6/30/11 <sup>(2)</sup>	405	671	(266)	60.4%	3,251	-8.2%

(1) The actuarial valuation report is conducted once every two years. The SFCTA's next valuation is scheduled to be performed in fiscal year 2013-14.

(2) As of June 30, 2012, the SFCTA complied with GASB Statement No. 57 and completed an OPEB actuarial valuation based on a common date of its trust account with CalPERS. CalPERS requires June 30 valuations to be prepared for each odd numbered year. As such, the SFCTA performed its latest actuarial valuation as of June 30, 2011.

**CITY AND COUNTY OF SAN FRANCISCO**

Required Supplementary Information –  
Schedules of Funding Progress and Employer Contributions (unaudited) (continued)  
June 30, 2013  
(Dollars in Thousands)

**Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits**

<b>Actuarial Valuation Date <sup>(1)</sup></b>	<b>Actuarial Asset Value</b>	<b>Actuarial Liability (AAL) Entry Age</b>	<b>(Under) funded AAL (UAAL)</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>UAAL as a % of Covered Payroll</b>
6/30/07	\$ -	\$ 13,829	\$ (13,829)	0.0%	\$ 9,634	-143.5%
06/30/09	493	13,790	(13,297)	3.6%	10,515	-126.5%
06/30/11 <sup>(2)</sup>	1,856	14,390	(12,534)	12.9%	4,185	-299.5%

(1) The actuarial valuation report is conducted once every two years.

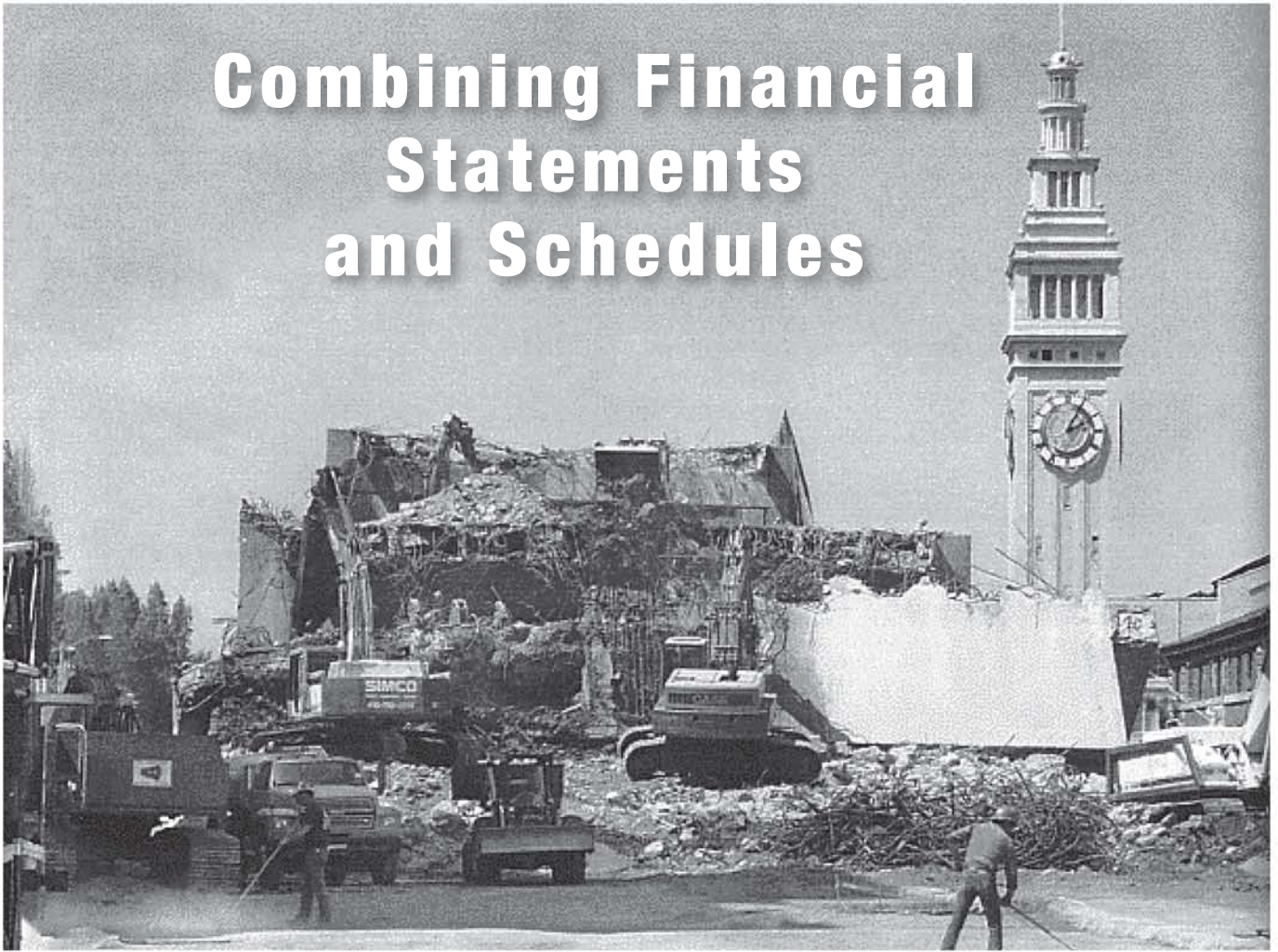
(2) As of June 30, 2013, no actuarial valuation was performed.



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# Combining Financial Statements and Schedules



The Ferry Building, as the Embarcadero Freeway is being torn down after the 1989 Loma Prieta Earthquake.





## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Building Inspection Fund* – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

*Children and Families Fund* – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

*Community/Neighborhood Development Fund* – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

*Community Health Services Fund* – Accounts for state and federal grants used to promote public health and mental health programs.

*Convention Facilities Fund* – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

*Court's Fund* – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

*Culture and Recreation Fund* – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

*Environmental Protection Fund* – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

*Gasoline Tax Fund* – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

*General Services Fund* – Accounts for the activities of several non-grant activities, generally established by administrative action.

*Gift Fund* – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

*Golf Fund* – Accounts for the revenue and expenditures related to the City's six golf courses.

*Human Welfare Fund* – Accounts for state and federal grants used to promote education and discourage domestic violence.

## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS (Continued)

*Low and Moderate Income Housing Asset Fund* – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

*Open Space and Park Fund* – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

*Public Library Fund* – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

*Public Protection Fund* – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

*Public Works, Transportation and Commerce Fund* – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

*Real Property Fund* – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

*San Francisco County Transportation Authority Fund* – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

*Senior Citizens' Program Fund* – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

*War Memorial Fund* – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

#### DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

*General Obligation Bond Fund* – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the \$100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

*Certificates of Participation (COP) Funds* – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

*Other Bond Funds* – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

*City Facilities Improvement Fund* – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

*Earthquake Safety Improvement Fund* – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

*Fire Protection Systems Improvement Fund* – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

*Moscone Convention Center Fund* – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

*Public Library Improvement Fund* – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

*Recreation and Park Projects Fund* – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

*Street Improvement Fund* – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

#### PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

*Bequest Fund* – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
June 30, 2013  
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
<b>Assets</b>					
Deposits and investments with City Treasury.....	\$ 551,445	\$ 116,126	\$ 682,375	\$ 7,608	\$ 1,357,554
Deposits and investments outside City Treasury.....	16,568	31,489	23,356	-	71,413
Receivables:					
Property taxes and penalties.....	3,715	5,265	-	-	8,980
Other local taxes.....	15,191	-	-	-	15,191
Federal and state grants and subventions.....	104,005	-	5,303	-	109,308
Charges for services.....	11,532	6	-	-	11,538
Interest and other.....	1,759	125	185	2	2,071
Due from other funds.....	743	-	28,717	-	29,460
Due from component unit.....	421	-	36	-	457
Advance to component unit.....	10,336	-	-	-	10,336
Loans receivable (net of allowance for uncollectibles)..	70,169	-	-	-	70,169
Deferred charges and other assets.....	12,404	-	-	-	12,404
Total assets.....	<u>\$ 798,288</u>	<u>\$ 153,011</u>	<u>\$ 739,972</u>	<u>\$ 7,610</u>	<u>\$ 1,698,881</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable.....	\$ 78,477	\$ 10	\$ 70,694	\$ 65	\$ 149,246
Accrued payroll.....	20,425	-	2,583	1	23,009
Deferred tax, grant and subvention revenues.....	38,449	4,640	1,136	81	44,306
Due to other funds.....	19,124	-	8,732	-	27,856
Due to component unit.....	280	-	-	-	280
Deferred credits and other liabilities.....	108,324	14,635	1,949	40	124,948
Bonds, loans, capital leases and other payables.....	151,821	-	49,725	-	201,546
Total liabilities.....	<u>416,900</u>	<u>19,285</u>	<u>134,819</u>	<u>187</u>	<u>571,191</u>
Fund balances:					
Nonspendable.....	274	-	-	-	274
Restricted.....	436,861	133,726	613,179	7,423	1,191,189
Assigned.....	30,759	-	-	-	30,759
Unassigned.....	(86,506)	-	(8,026)	-	(94,532)
Total fund balances.....	<u>381,388</u>	<u>133,726</u>	<u>605,153</u>	<u>7,423</u>	<u>1,127,690</u>
Total liabilities and fund balances.....	<u>\$ 798,288</u>	<u>\$ 153,011</u>	<u>\$ 739,972</u>	<u>\$ 7,610</u>	<u>\$ 1,698,881</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Property taxes.....	\$ 122,899	\$ 176,857	\$ -	\$ -	\$ 299,756
Business taxes.....	504	-	-	-	504
Sales and use tax.....	85,754	-	-	-	85,754
Hotel room tax.....	56,386	-	-	-	56,386
Licenses, permits and franchises.....	14,628	-	-	-	14,628
Fines, forfeitures and penalties.....	19,969	23,646	-	-	43,615
Interest and investment income.....	4,201	583	580	-	5,364
Rents and concessions.....	61,717	738	312	730	63,497
<b>Intergovernmental:</b>					
Federal.....	240,618	-	5,404	-	246,022
State.....	107,566	721	5,054	-	113,341
Other.....	33,925	-	4,792	-	38,717
Charges for services.....	131,668	-	-	-	131,668
Other.....	60,360	3,918	2,502	92	66,872
Total revenues.....	<u>940,195</u>	<u>206,463</u>	<u>18,644</u>	<u>822</u>	<u>1,166,124</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	88,433	-	-	-	88,433
Public works, transportation and commerce.....	155,204	-	-	-	155,204
Human welfare and neighborhood development...	284,449	-	-	-	284,449
Community health.....	100,035	-	-	-	100,035
Culture and recreation.....	222,224	-	-	700	222,924
General administration and finance.....	24,796	-	-	-	24,796
General City responsibilities.....	118	-	-	-	118
<b>Debt service:</b>					
Principal retirement.....	-	154,542	-	-	154,542
Interest and fiscal charges.....	1,707	105,337	1,145	-	108,189
Bond issuance costs.....	-	2	2,911	-	2,913
Capital outlay.....	-	-	410,994	-	410,994
Total expenditures.....	<u>876,966</u>	<u>259,881</u>	<u>415,050</u>	<u>700</u>	<u>1,552,597</u>
Excess (deficiency) of revenues over (under) expenditures.....	63,229	(53,418)	(396,406)	122	(386,473)
<b>Other financing sources (uses):</b>					
Transfers in.....	135,495	106,922	10,045	-	252,462
Transfers out.....	(125,319)	(486)	(158,073)	(3)	(283,881)
<b>Issuance of bonds and loans:</b>					
Face value of bonds issued.....	-	-	557,490	-	557,490
Face value of loans issued.....	5,890	-	-	-	5,890
Premium on issuance of bonds.....	-	-	64,469	-	64,469
Other financing sources-capital leases.....	1,045	-	7,983	-	9,028
Total other financing sources (uses).....	<u>17,111</u>	<u>106,436</u>	<u>481,914</u>	<u>(3)</u>	<u>605,458</u>
<b>Extraordinary loss from dissolution of the Redevelopment Agency.....</b>					
	(172,651)	-	-	-	(172,651)
Net change in fund balances.....	(92,311)	53,018	85,508	119	46,334
Fund balances at beginning of year.....	473,699	80,708	519,645	7,304	1,081,356
Fund balances at end of year.....	<u>\$ 381,388</u>	<u>\$ 133,726</u>	<u>\$ 605,153</u>	<u>\$ 7,423</u>	<u>\$ 1,127,690</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
June 30, 2013  
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
<b>Assets</b>						
Deposits and investments with City Treasury.....	\$ 90,189	\$ 71,251	\$ 88,369	\$ 30,271	\$ 36,711	\$ 5
Deposits and investments outside City Treasury.....	3	-	2,581	-	-	-
Receivables:						
Property taxes and penalties.....	-	1,393	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	-	4,020	17,959	24,907	-	-
Charges for services.....	374	-	3	-	1,507	157
Interest and other.....	26	26	19	18	-	-
Due from other funds.....	-	-	62	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)...	306	-	69,417	-	-	-
Deferred charges and other assets.....	-	-	1	-	-	-
Total assets.....	<u>\$ 90,898</u>	<u>\$ 76,690</u>	<u>\$ 178,411</u>	<u>\$ 55,196</u>	<u>\$ 38,218</u>	<u>\$ 162</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable.....	\$ 1,611	\$ 13,686	\$ 10,434	\$ 15,389	\$ 2,437	\$ 10
Accrued payroll.....	1,939	931	810	2,052	54	-
Deferred tax, grant and subvention revenues.....	-	4,094	690	6,426	-	-
Due to other funds.....	-	-	-	615	-	4,396
Due to component unit.....	-	-	-	-	-	-
Deferred credits and other liabilities.....	16,217	3,972	69,751	782	2,437	-
Bonds, loans, capital leases and other payables.....	-	-	1,495	-	-	-
Total liabilities.....	<u>19,767</u>	<u>22,683</u>	<u>83,180</u>	<u>25,264</u>	<u>4,928</u>	<u>4,406</u>
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	71,131	54,007	92,398	29,932	33,290	-
Assigned.....	-	-	2,833	-	-	-
Unassigned.....	-	-	-	-	-	(4,244)
Total fund balances.....	<u>71,131</u>	<u>54,007</u>	<u>95,231</u>	<u>29,932</u>	<u>33,290</u>	<u>(4,244)</u>
Total liabilities and fund balances.....	<u>\$ 90,898</u>	<u>\$ 76,690</u>	<u>\$ 178,411</u>	<u>\$ 55,196</u>	<u>\$ 38,218</u>	<u>\$ 162</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
June 30, 2013  
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
<b>Assets</b>						
Deposits and investments with City Treasury.....	\$ 5	\$ 1,381	\$ 14,123	\$ 12,970	\$ 9,071	\$ 2,299
Deposits and investments outside City Treasury.....	7	373	2	1	192	-
Receivables:						
Property taxes and penalties.....	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	151	1,773	2,408	532	56	-
Charges for services.....	119	-	426	1,659	-	384
Interest and other.....	-	-	3	591	1	1
Due from other funds.....	-	205	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)...	-	-	-	-	-	-
Deferred charges and other assets.....	-	-	-	-	-	-
Total assets.....	<u>\$ 282</u>	<u>\$ 3,732</u>	<u>\$ 16,962</u>	<u>\$ 15,753</u>	<u>\$ 9,320</u>	<u>\$ 2,684</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable.....	\$ 654	\$ 129	\$ 2,353	\$ 887	\$ 228	\$ 492
Accrued payroll.....	261	327	1,233	430	24	277
Deferred tax, grant and subvention revenues.....	217	2,230	-	111	151	-
Due to other funds.....	2,483	-	-	-	-	-
Due to component unit.....	-	-	-	-	-	-
Deferred credits and other liabilities.....	8	-	-	125	-	-
Bonds, loans, capital leases and other payables.....	-	-	-	-	-	-
Total liabilities.....	<u>3,623</u>	<u>2,686</u>	<u>3,586</u>	<u>1,553</u>	<u>403</u>	<u>769</u>
Fund balances:						
Nonspendable.....	-	-	-	-	192	-
Restricted.....	-	1,046	13,376	7,109	8,725	-
Assigned.....	-	-	-	7,091	-	1,915
Unassigned.....	(3,341)	-	-	-	-	-
Total fund balances.....	<u>(3,341)</u>	<u>1,046</u>	<u>13,376</u>	<u>14,200</u>	<u>8,917</u>	<u>1,915</u>
Total liabilities and fund balances.....	<u>\$ 282</u>	<u>\$ 3,732</u>	<u>\$ 16,962</u>	<u>\$ 15,753</u>	<u>\$ 9,320</u>	<u>\$ 2,684</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
June 30, 2013  
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
<b>Assets</b>						
Deposits and investments with City Treasury.....	\$ -	\$ 19,357	\$ 24,186	\$ 41,112	\$ 16,805	\$ 16,580
Deposits and investments outside City Treasury.....	-	-	-	-	-	193
Receivables:						-
Property taxes and penalties.....	-	-	1,161	1,161	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	7,574	-	-	41	33,104	135
Charges for services.....	-	-	-	12	1,403	5,468
Interest and other.....	-	-	8	12	168	-
Due from other funds.....	-	-	-	-	-	2
Due from component unit.....	-	-	-	-	-	57
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)...	-	446	-	-	-	-
Deferred charges and other assets.....	-	6,233	-	-	1,457	4,631
Total assets.....	<u>\$ 7,574</u>	<u>\$ 26,036</u>	<u>\$ 25,355</u>	<u>\$ 42,338</u>	<u>\$ 52,937</u>	<u>\$ 27,066</u>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable.....	\$ 2,131	\$ 1	\$ 189	\$ 2,692	\$ 12,257	\$ 1,376
Accrued payroll.....	53	21	1,247	3,887	1,514	3,497
Deferred tax, grant and subvention revenues.....	1,034	-	1,023	1,033	14,811	608
Due to other funds.....	4,106	-	-	-	-	358
Due to component unit.....	-	280	-	-	-	-
Deferred credits and other liabilities.....	-	3,137	3,311	3,310	1	4,873
Bonds, loans, capital leases and other payables.....	-	-	-	-	-	320
Total liabilities.....	<u>7,324</u>	<u>3,439</u>	<u>5,770</u>	<u>10,922</u>	<u>28,583</u>	<u>11,032</u>
Fund balances:						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	-	22,597	19,585	30,332	22,745	57
Assigned.....	250	-	-	1,084	1,609	15,977
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	<u>250</u>	<u>22,597</u>	<u>19,585</u>	<u>31,416</u>	<u>24,354</u>	<u>16,034</u>
Total liabilities and fund balances.....	<u>\$ 7,574</u>	<u>\$ 26,036</u>	<u>\$ 25,355</u>	<u>\$ 42,338</u>	<u>\$ 52,937</u>	<u>\$ 27,066</u>

(Continued)



**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
June 30, 2013  
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
<b>Assets</b>					
Deposits and investments with City Treasury.....	\$ 10,565	\$ 54,282	\$ 503	\$ 11,410	\$ 551,445
Deposits and investments outside City Treasury.....	419	12,797	-	-	16,568
Receivables:					
Property taxes and penalties.....	-	-	-	-	3,715
Other local taxes.....	-	15,191	-	-	15,191
Federal and state grants and subventions.....	-	11,032	313	-	104,005
Charges for services.....	12	-	-	8	11,532
Interest and other.....	-	886	-	-	1,759
Due from other funds.....	-	474	-	-	743
Due from component unit.....	-	364	-	-	421
Advance to component unit.....	-	10,336	-	-	10,336
Loans receivable (net of allowance for uncollectibles)...	-	-	-	-	70,169
Deferred charges and other assets.....	-	82	-	-	12,404
Total assets.....	<u>\$ 10,996</u>	<u>\$ 105,444</u>	<u>\$ 816</u>	<u>\$ 11,418</u>	<u>\$ 798,288</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable.....	\$ 993	\$ 9,533	\$ 796	\$ 199	\$ 78,477
Accrued payroll.....	1,183	268	-	417	20,425
Deferred tax, grant and subvention revenues.....	-	5,973	48	-	38,449
Due to other funds.....	-	7,166	-	-	19,124
Due to component unit.....	-	-	-	-	280
Deferred credits and other liabilities.....	-	385	-	15	108,324
Bonds, loans, capital leases and other payables.....	-	150,006	-	-	151,821
Total liabilities.....	<u>2,176</u>	<u>173,331</u>	<u>844</u>	<u>631</u>	<u>416,900</u>
Fund balances:					
Nonspendable.....	-	82	-	-	274
Restricted.....	8,820	10,924	-	10,787	436,861
Assigned.....	-	-	-	-	30,759
Unassigned.....	-	(78,893)	(28)	-	(86,506)
Total fund balances.....	<u>8,820</u>	<u>(67,887)</u>	<u>(28)</u>	<u>10,787</u>	<u>381,388</u>
Total liabilities and fund balances.....	<u>\$ 10,996</u>	<u>\$ 105,444</u>	<u>\$ 816</u>	<u>\$ 11,418</u>	<u>\$ 798,288</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Special Revenue Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes.....	\$ -	\$ 46,087	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	504	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	47,227	-
Licenses, permits and franchises.....	6,684	-	-	-	-	-
Fines, forfeitures and penalties.....	-	-	695	2,585	-	30
Interest and investment income.....	-	-	3,853	-	31	2
Rents and concessions.....	-	-	4,987	-	23,433	-
Intergovernmental:						
Federal.....	-	9,326	53,625	63,760	-	-
State.....	-	14,510	10,050	33,423	-	-
Other.....	-	-	447	10	-	-
Charges for services.....	60,307	-	6,252	4,764	-	2,937
Other.....	-	696	35,020	402	1,497	-
Total revenues.....	<u>66,991</u>	<u>70,619</u>	<u>115,433</u>	<u>104,944</u>	<u>72,188</u>	<u>2,969</u>
Expenditures:						
Current:						
Public protection.....	-	-	-	-	-	371
Public works, transportation and commerce.....	45,228	-	11,812	2,860	944	175
Human welfare and neighborhood development.....	-	132,009	88,207	-	5,876	-
Community health.....	-	-	-	100,035	-	-
Culture and recreation.....	-	-	45	-	57,340	-
General administration and finance.....	-	-	2,296	-	41	-
General City responsibilities.....	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges.....	-	-	12	-	-	-
Total expenditures.....	<u>45,228</u>	<u>132,009</u>	<u>102,372</u>	<u>102,895</u>	<u>64,201</u>	<u>546</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>21,763</u>	<u>(61,390)</u>	<u>13,061</u>	<u>2,049</u>	<u>7,987</u>	<u>2,423</u>
Other financing sources (uses):						
Transfers in.....	4	61,777	5,577	19	-	-
Transfers out.....	-	(12)	(9,019)	-	(7,365)	(4,189)
Issuance of bonds and loans						
Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
Total other financing sources (uses).....	<u>4</u>	<u>61,765</u>	<u>(3,442)</u>	<u>19</u>	<u>(7,365)</u>	<u>(4,189)</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....						
	-	-	(618)	-	-	-
Net change in fund balances.....	21,767	375	9,001	2,068	622	(1,766)
Fund balances at beginning of year.....	49,364	53,632	86,230	27,864	32,668	(2,478)
Fund balances at end of year.....	<u>\$ 71,131</u>	<u>\$ 54,007</u>	<u>\$ 95,231</u>	<u>\$ 29,932</u>	<u>\$ 33,290</u>	<u>\$ (4,244)</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-
Licenses, permits and franchises.....	259	-	-	2,219	-	-
Fines, forfeitures and penalties.....	-	-	-	-	219	-
Interest and investment income.....	-	-	-	-	7	-
Rents and concessions.....	383	-	-	1,127	-	3,030
Intergovernmental:						
Federal.....	63	3,348	-	3,544	-	-
State.....	-	8,780	26,036	-	-	-
Other.....	-	612	-	-	-	-
Charges for services.....	5,378	9	1,900	2,614	55	6,392
Other.....	281	640	-	324	2,091	-
Total revenues.....	<u>6,364</u>	<u>13,389</u>	<u>27,936</u>	<u>9,828</u>	<u>2,372</u>	<u>9,422</u>
Expenditures:						
Current:						
Public protection.....	-	-	-	260	23	-
Public works, transportation and commerce.....	7,522	-	28,664	-	321	-
Human welfare and neighborhood development.....	-	13,106	-	-	544	-
Community health.....	-	-	-	-	-	-
Culture and recreation.....	8,597	-	-	951	1,815	10,697
General administration and finance.....	-	-	-	7,079	97	-
General City responsibilities.....	-	10	-	99	9	-
Debt service:						
Interest and fiscal charges.....	211	-	-	-	-	-
Total expenditures.....	<u>16,330</u>	<u>13,116</u>	<u>28,664</u>	<u>8,389</u>	<u>2,809</u>	<u>10,697</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(9,966)</u>	<u>273</u>	<u>(728)</u>	<u>1,439</u>	<u>(437)</u>	<u>(1,275)</u>
Other financing sources (uses):						
Transfers in.....	3,640	13	765	184	9	2,265
Transfers out.....	(40)	(61)	(2,587)	-	(134)	(861)
Issuance of bonds and loans						
Face value of loans issued.....	5,890	-	-	-	-	-
Other financing sources-capital leases.....	-	-	1,045	-	-	-
Total other financing sources (uses).....	<u>9,490</u>	<u>(48)</u>	<u>(777)</u>	<u>184</u>	<u>(125)</u>	<u>1,404</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....	-	-	-	-	-	-
Net change in fund balances.....	(476)	225	(1,505)	1,623	(562)	129
Fund balances at beginning of year.....	(2,865)	821	14,881	12,577	9,479	1,786
Fund balances at end of year.....	<u>\$ (3,341)</u>	<u>\$ 1,046</u>	<u>\$ 13,376</u>	<u>\$ 14,200</u>	<u>\$ 8,917</u>	<u>\$ 1,915</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
<b>Revenues:</b>						
Property taxes.....	\$ -	\$ -	\$ 38,406	\$ 38,406	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-
Licenses, permits and franchises.....	249	-	-	-	493	-
Fines, forfeitures and penalties.....	11	-	-	-	16,304	125
Interest and investment income.....	-	187	-	-	48	52
Rents and concessions.....	-	564	-	24	-	10
<b>Intergovernmental:</b>						
Federal.....	18,704	-	-	80	77,997	-
State.....	548	-	79	220	12,347	57
Other.....	54	504	-	-	3	1,442
Charges for services.....	150	-	1	741	14,420	25,334
Other.....	43	16,344	-	20	178	445
<b>Total revenues.....</b>	<b>19,759</b>	<b>17,599</b>	<b>38,486</b>	<b>39,491</b>	<b>121,790</b>	<b>27,465</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	-	87,779	-
Public works, transportation and commerce.....	-	-	1,088	22	562	16,891
Human welfare and neighborhood development.....	22,618	802	-	-	4,430	11,204
Community health.....	-	-	-	-	-	-
Culture and recreation.....	-	-	41,467	89,168	-	16
General administration and finance.....	-	-	-	12	30	122
General City responsibilities.....	-	-	-	-	-	-
<b>Debt service:</b>						
Interest and fiscal charges.....	-	-	-	-	-	1
<b>Total expenditures.....</b>	<b>22,618</b>	<b>802</b>	<b>42,555</b>	<b>89,202</b>	<b>92,801</b>	<b>28,234</b>
<b>Excess (deficiency) of revenues     over (under) expenditures.....</b>	<b>(2,859)</b>	<b>16,797</b>	<b>(4,069)</b>	<b>(49,711)</b>	<b>28,989</b>	<b>(769)</b>
<b>Other financing sources (uses):</b>						
Transfers in.....	2,884	-	861	55,333	1,532	538
Transfers out.....	-	(101)	-	(2,760)	(2,083)	(52)
<b>Issuance of bonds and loans</b>						
Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>2,884</b>	<b>(101)</b>	<b>861</b>	<b>52,573</b>	<b>(551)</b>	<b>486</b>
<b>Extraordinary loss from dissolution of the     Redevelopment Agency.....</b>	<b>-</b>	<b>(172,033)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances.....</b>	<b>25</b>	<b>(155,337)</b>	<b>(3,208)</b>	<b>2,862</b>	<b>28,438</b>	<b>(283)</b>
<b>Fund balances at beginning of year.....</b>	<b>225</b>	<b>177,934</b>	<b>22,793</b>	<b>28,554</b>	<b>(4,084)</b>	<b>16,317</b>
<b>Fund balances at end of year.....</b>	<b>\$ 250</b>	<b>\$ 22,597</b>	<b>\$ 19,585</b>	<b>\$ 31,416</b>	<b>\$ 24,354</b>	<b>\$ 16,034</b>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
<b>Revenues:</b>					
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 122,899
Business taxes.....	-	-	-	-	504
Sales and use tax.....	-	85,754	-	-	85,754
Hotel room tax.....	-	-	-	9,159	56,386
Licenses, permits and franchises.....	-	4,724	-	-	14,628
Fines, forfeitures and penalties.....	-	-	-	-	19,969
Interest and investment income.....	-	21	-	-	4,201
Rents and concessions.....	25,764	-	-	2,395	61,717
<b>Intergovernmental:</b>					
Federal.....	-	5,379	4,792	-	240,618
State.....	-	760	756	-	107,566
Other.....	456	30,397	-	-	33,925
Charges for services.....	42	-	-	372	131,668
Other.....	-	2,305	74	-	60,360
Total revenues.....	<u>26,262</u>	<u>129,340</u>	<u>5,622</u>	<u>11,926</u>	<u>940,195</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	-	-	-	-	88,433
Public works, transportation and commerce.....	1,023	38,092	-	-	155,204
Human welfare and neighborhood development.....	-	-	5,653	-	284,449
Community health.....	-	-	-	-	100,035
Culture and recreation.....	-	-	-	12,128	222,224
General administration and finance.....	15,119	-	-	-	24,796
General City responsibilities.....	-	-	-	-	118
<b>Debt service:</b>					
Interest and fiscal charges.....	-	1,483	-	-	1,707
Total expenditures.....	<u>16,142</u>	<u>39,575</u>	<u>5,653</u>	<u>12,128</u>	<u>876,966</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>10,120</u>	<u>89,765</u>	<u>(31)</u>	<u>(202)</u>	<u>63,229</u>
<b>Other financing sources (uses):</b>					
Transfers in.....	85	-	3	6	135,495
Transfers out.....	(14,967)	(81,088)	-	-	(125,319)
<b>Issuance of bonds and loans</b>					
Face value of loans issued.....	-	-	-	-	5,890
Other financing sources-capital leases.....	-	-	-	-	1,045
Total other financing sources (uses).....	<u>(14,882)</u>	<u>(81,088)</u>	<u>3</u>	<u>6</u>	<u>17,111</u>
<b>Extraordinary loss from dissolution of the Redevelopment Agency.....</b>					
	-	-	-	-	(172,651)
Net change in fund balances.....	(4,762)	8,677	(28)	(196)	(92,311)
Fund balances at beginning of year.....	13,582	(76,564)	-	10,983	473,699
Fund balances at end of year.....	<u>\$ 8,820</u>	<u>\$ (67,887)</u>	<u>\$ (28)</u>	<u>\$ 10,787</u>	<u>\$ 381,388</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds**  
Year Ended June 30, 2013  
(In Thousands)

	<u>Building Inspection Fund</u>				<u>Children and Families Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 44,716	\$ 44,716	\$ 46,087	\$ 1,371
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,761	6,761	6,684	(77)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	252	252	58	(194)	295	295	583	288
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	9,576	9,557	9,328	(229)
State.....	-	-	-	-	13,489	12,953	12,939	(14)
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	42,766	42,767	60,794	18,027	-	-	-	-
Other revenues.....	-	-	-	-	160	764	763	(1)
Total revenues.....	<u>49,779</u>	<u>49,780</u>	<u>67,536</u>	<u>17,756</u>	<u>68,236</u>	<u>68,285</u>	<u>69,700</u>	<u>1,415</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	50,039	52,371	45,225	7,146	-	-	-	-
Human welfare and neighborhood development...	-	-	-	-	133,270	133,552	132,009	1,543
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>50,039</u>	<u>52,371</u>	<u>45,225</u>	<u>7,146</u>	<u>133,270</u>	<u>133,552</u>	<u>132,009</u>	<u>1,543</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(260)</u>	<u>(2,591)</u>	<u>22,311</u>	<u>24,902</u>	<u>(65,034)</u>	<u>(65,267)</u>	<u>(62,309)</u>	<u>2,958</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	60,040	61,777	61,777	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,040</u>	<u>61,777</u>	<u>61,777</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
Net change in fund balances.....	<u>(260)</u>	<u>(2,591)</u>	<u>22,311</u>	<u>24,902</u>	<u>(4,994)</u>	<u>(3,490)</u>	<u>(532)</u>	<u>2,958</u>
Budgetary fund balances (deficit), July 1.....	<u>260</u>	<u>48,884</u>	<u>48,884</u>	<u>-</u>	<u>4,994</u>	<u>56,735</u>	<u>56,735</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 46,293</u>	<u>\$ 71,195</u>	<u>\$ 24,902</u>	<u>\$ -</u>	<u>\$ 53,245</u>	<u>\$ 56,203</u>	<u>\$ 2,958</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	1,000	1,000	504	(496)	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	695	695	-	2,513	2,513	2,585	72
Interest and investment income.....	-	3,406	4,336	930	235	238	210	(28)
Rents and concessions.....	3,000	3,000	4,988	1,988	-	-	-	-
Intergovernmental:								
Federal.....	10,135	53,749	53,749	-	67,171	64,434	64,434	-
State.....	763	8,331	8,331	-	23,166	33,789	33,789	-
Other.....	-	447	447	-	30	10	10	-
Charges for services.....	5,156	5,156	6,252	1,096	210	4,718	4,764	46
Other revenues.....	<u>1,613</u>	<u>30,515</u>	<u>34,842</u>	<u>4,327</u>	<u>438</u>	<u>408</u>	<u>408</u>	<u>-</u>
Total revenues.....	<u>21,667</u>	<u>106,299</u>	<u>114,144</u>	<u>7,845</u>	<u>93,763</u>	<u>106,110</u>	<u>106,200</u>	<u>90</u>
<b>Expenditures:</b>								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	10,135	11,812	11,812	-	-	2,860	2,860	-
Human welfare and neighborhood development.....	9,896	73,218	72,571	647	-	-	-	-
Community health.....	-	-	-	-	93,763	100,016	100,016	-
Culture and recreation.....	1,000	45	45	-	-	-	-	-
General administration and finance.....	<u>3,201</u>	<u>2,347</u>	<u>2,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>24,232</u>	<u>87,422</u>	<u>86,775</u>	<u>647</u>	<u>93,763</u>	<u>102,876</u>	<u>102,876</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,565)</u>	<u>18,877</u>	<u>27,369</u>	<u>8,492</u>	<u>-</u>	<u>3,234</u>	<u>3,324</u>	<u>90</u>
<b>Other financing sources (uses):</b>								
Transfers in.....	-	5,543	5,543	-	-	-	-	-
Transfers out.....	-	(9,019)	(9,019)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	(18)	(18)	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(3,494)</u>	<u>(3,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Extraordinary loss from dissolution of the</b>								
Redevelopment Agency.....	-	-	(618)	(618)	-	-	-	-
Net change in fund balances.....	<u>(2,565)</u>	<u>15,383</u>	<u>23,257</u>	<u>7,874</u>	<u>-</u>	<u>3,234</u>	<u>3,324</u>	<u>90</u>
Budgetary fund balances (deficit), July 1.....	<u>2,565</u>	<u>81,270</u>	<u>81,270</u>	<u>-</u>	<u>-</u>	<u>32,089</u>	<u>32,089</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 96,653</u>	<u>\$ 104,527</u>	<u>\$ 7,874</u>	<u>\$ -</u>	<u>\$ 35,323</u>	<u>\$ 35,413</u>	<u>\$ 90</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	47,227	47,227	47,227	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	35	35	30	(5)
Interest and investment income.....	-	4	4	-	-	-	-	-
Rents and concessions.....	23,439	21,942	23,433	1,491	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	3,500	3,500	2,913	(587)
Other revenues.....	-	1,497	1,497	-	-	-	-	-
Total revenues.....	<u>70,666</u>	<u>70,670</u>	<u>72,161</u>	<u>1,491</u>	<u>3,535</u>	<u>3,535</u>	<u>2,943</u>	<u>(592)</u>
<b>Expenditures:</b>								
Public protection.....	-	-	-	-	4,574	385	371	14
Public works, transportation and commerce.....	-	944	944	-	-	175	175	-
Human welfare and neighborhood development...	5,500	5,876	5,876	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	74,660	66,162	57,340	8,822	-	-	-	-
General administration and finance.....	-	41	41	-	-	-	-	-
Total expenditures.....	<u>80,160</u>	<u>73,023</u>	<u>64,201</u>	<u>8,822</u>	<u>4,574</u>	<u>560</u>	<u>546</u>	<u>14</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(9,494)</u>	<u>(2,353)</u>	<u>7,960</u>	<u>10,313</u>	<u>(1,039)</u>	<u>2,975</u>	<u>2,397</u>	<u>(578)</u>
<b>Other financing sources (uses):</b>								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(6,831)	(6,831)	-	-	(4,189)	(4,189)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	(506)	(506)	(506)	-	-	-	-	-
Total other financing sources (uses).....	<u>(506)</u>	<u>(7,337)</u>	<u>(7,337)</u>	<u>-</u>	<u>-</u>	<u>(4,189)</u>	<u>(4,189)</u>	<u>-</u>
<b>Extraordinary loss from dissolution of the Redevelopment Agency.....</b>								
Redevelopment Agency.....	-	-	-	-	-	-	-	-
Net change in fund balances.....	(10,000)	(9,690)	623	10,313	(1,039)	(1,214)	(1,792)	(578)
Budgetary fund balances (deficit), July 1.....	<u>10,000</u>	<u>37,432</u>	<u>37,432</u>	<u>-</u>	<u>1,039</u>	<u>(2,449)</u>	<u>(2,449)</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 27,742</u>	<u>\$ 38,055</u>	<u>\$ 10,313</u>	<u>\$ -</u>	<u>\$ (3,663)</u>	<u>\$ (4,241)</u>	<u>\$ (578)</u>

(Continued)



**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	<u>Culture and Recreation Fund</u>				<u>Environmental Protection Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	312	312	259	(53)	-	-	-	-
Fines, forfeitures, and penalties.....	10	10	-	(10)	-	-	-	-
Interest and investment income.....	45	45	-	(45)	-	-	-	-
Rents and concessions.....	327	327	383	56	-	-	-	-
Intergovernmental:								
Federal.....	-	63	63	-	-	1,803	3,293	1,490
State.....	-	82	82	-	470	8,823	8,823	-
Other.....	-	40	40	-	419	583	583	-
Charges for services.....	6,982	7,278	5,377	(1,901)	-	9	9	-
Other revenues.....	-	222	277	55	4,132	2,039	640	(1,399)
Total revenues.....	<u>7,676</u>	<u>8,379</u>	<u>6,481</u>	<u>(1,898)</u>	<u>5,021</u>	<u>13,257</u>	<u>13,348</u>	<u>91</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	892	7,522	7,522	-	-	-	-	-
Human welfare and neighborhood development...	-	-	-	-	5,021	13,261	13,106	155
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	7,547	9,033	8,594	439	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>8,439</u>	<u>16,555</u>	<u>16,116</u>	<u>439</u>	<u>5,021</u>	<u>13,261</u>	<u>13,106</u>	<u>155</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(763)</u>	<u>(8,176)</u>	<u>(9,635)</u>	<u>(1,459)</u>	<u>-</u>	<u>(4)</u>	<u>242</u>	<u>246</u>
Other financing sources (uses):								
Transfers in.....	700	3,637	3,637	-	-	-	-	-
Transfers out.....	-	(40)	(40)	-	-	(61)	(61)	-
Issuance of loans.....	-	5,890	5,890	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	(673)	(673)	-	673	-	-	-	-
Loan repayments and other financing sources (uses).....	<u>(257)</u>	<u>(317)</u>	<u>(211)</u>	<u>106</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>(230)</u>	<u>8,497</u>	<u>9,276</u>	<u>779</u>	<u>-</u>	<u>(61)</u>	<u>(61)</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....	-	-	-	-	-	-	-	-
Net change in fund balances.....	<u>(993)</u>	<u>321</u>	<u>(359)</u>	<u>(680)</u>	<u>-</u>	<u>(65)</u>	<u>181</u>	<u>246</u>
Budgetary fund balances (deficit), July 1.....	<u>993</u>	<u>2,043</u>	<u>2,043</u>	<u>-</u>	<u>-</u>	<u>977</u>	<u>977</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 2,364</u>	<u>\$ 1,684</u>	<u>\$ (680)</u>	<u>\$ -</u>	<u>\$ 912</u>	<u>\$ 1,158</u>	<u>\$ 246</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	2,472	2,472	2,219	(253)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	42	42	105	63	44	45	48	3
Rents and concessions.....	-	-	-	-	-	1,127	1,127	-
Intergovernmental:								
Federal.....	-	-	-	-	-	3,543	3,544	1
State.....	32,032	30,147	26,036	(4,111)	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	800	786	1,666	880	2,288	2,334	2,614	280
Other revenues.....	-	14	14	-	459	414	414	-
Total revenues.....	<u>32,874</u>	<u>30,989</u>	<u>27,821</u>	<u>(3,168)</u>	<u>5,263</u>	<u>9,935</u>	<u>9,966</u>	<u>31</u>
Expenditures:								
Public protection.....	-	-	-	-	280	260	260	-
Public works, transportation and commerce.....	33,639	27,922	27,619	303	-	-	-	-
Human welfare and neighborhood development...	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	951	951	-
General administration and finance.....	-	-	-	-	6,673	7,298	7,079	219
Total expenditures.....	<u>33,639</u>	<u>27,922</u>	<u>27,619</u>	<u>303</u>	<u>6,953</u>	<u>8,509</u>	<u>8,290</u>	<u>219</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(765)</u>	<u>3,067</u>	<u>202</u>	<u>(2,865)</u>	<u>(1,690)</u>	<u>1,426</u>	<u>1,676</u>	<u>250</u>
Other financing sources (uses):								
Transfers in.....	765	765	765	-	154	85	85	-
Transfers out.....	-	(2,587)	(2,587)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	(20)	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>765</u>	<u>(1,822)</u>	<u>(1,822)</u>	<u>-</u>	<u>134</u>	<u>85</u>	<u>85</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
Net change in fund balances.....	-	1,245	(1,620)	(2,865)	(1,556)	1,511	1,761	250
Budgetary fund balances (deficit), July 1.....	-	15,009	15,009	-	1,556	12,538	12,538	-
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 16,254</u>	<u>\$ 13,389</u>	<u>\$ (2,865)</u>	<u>\$ -</u>	<u>\$ 14,049</u>	<u>\$ 14,299</u>	<u>\$ 250</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	160	219	59	-	-	-	-
Interest and investment income.....	-	46	35	(11)	10	10	21	11
Rents and concessions.....	-	-	-	-	3,383	3,383	3,031	(352)
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	55	55	-	7,407	7,407	6,392	(1,015)
Other revenues.....	864	2,525	2,091	(434)	-	-	-	-
Total revenues.....	<u>864</u>	<u>2,786</u>	<u>2,400</u>	<u>(386)</u>	<u>10,800</u>	<u>10,800</u>	<u>9,444</u>	<u>(1,356)</u>
Expenditures:								
Public protection.....	-	23	23	-	-	-	-	-
Public works, transportation and commerce.....	-	321	321	-	-	-	-	-
Human welfare and neighborhood development...	446	544	544	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	418	1,815	1,815	-	12,204	12,132	10,697	1,435
General administration and finance.....	-	97	97	-	-	-	-	-
Total expenditures.....	<u>864</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>	<u>12,204</u>	<u>12,132</u>	<u>10,697</u>	<u>1,435</u>
Excess (deficiency) of revenues over (under) expenditures.....	-	(14)	(400)	(386)	(1,404)	(1,332)	(1,253)	79
Other financing sources (uses):								
Transfers in.....	-	-	-	-	2,265	2,265	2,265	-
Transfers out.....	-	(134)	(134)	-	(861)	(861)	(861)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(134)	(134)	-	1,404	1,404	1,404	-
Extraordinary loss from dissolution of the Redevelopment Agency.....	-	-	-	-	-	-	-	-
Net change in fund balances.....	-	(148)	(534)	(386)	-	72	151	79
Budgetary fund balances (deficit), July 1.....	-	9,443	9,443	-	-	1,769	1,769	-
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 9,295</u>	<u>\$ 8,909</u>	<u>\$ (386)</u>	<u>\$ -</u>	<u>\$ 1,841</u>	<u>\$ 1,920</u>	<u>\$ 79</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	210	210	249	39	-	-	-	-
Fines, forfeitures, and penalties.....	-	11	11	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	205	208	3
Rents and concessions.....	-	-	-	-	-	564	564	-
Intergovernmental:								
Federal.....	21,568	17,563	17,563	-	-	-	-	-
State.....	1,080	542	542	-	-	-	-	-
Other.....	-	55	54	(1)	-	504	504	-
Charges for services.....	165	165	150	(15)	-	-	-	-
Other revenues.....	30	36	43	7	-	17,441	16,344	(1,097)
Total revenues.....	<u>23,053</u>	<u>18,582</u>	<u>18,612</u>	<u>30</u>	<u>-</u>	<u>18,714</u>	<u>17,620</u>	<u>(1,094)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-
Human welfare and neighborhood development...	25,534	22,615	22,615	-	-	802	802	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>25,534</u>	<u>22,615</u>	<u>22,615</u>	<u>-</u>	<u>-</u>	<u>802</u>	<u>802</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,481)</u>	<u>(4,033)</u>	<u>(4,003)</u>	<u>30</u>	<u>-</u>	<u>17,912</u>	<u>16,818</u>	<u>(1,094)</u>
Other financing sources (uses):								
Transfers in.....	2,481	2,880	2,880	-	-	-	-	-
Transfers out.....	-	-	-	-	-	(101)	(101)	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>2,481</u>	<u>2,880</u>	<u>2,880</u>	<u>-</u>	<u>-</u>	<u>(101)</u>	<u>(101)</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
-	-	-	-	-	-	-	(172,033)	(172,033)
Net change in fund balances.....	-	(1,153)	(1,123)	30	-	17,811	(155,316)	(173,127)
Budgetary fund balances (deficit), July 1.....	-	2,395	2,395	-	2,439	177,934	177,934	-
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 1,242</u>	<u>\$ 1,272</u>	<u>\$ 30</u>	<u>\$ 2,439</u>	<u>\$ 195,745</u>	<u>\$ 22,618</u>	<u>\$(173,127)</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ 37,265	\$ 37,265	\$ 38,406	\$ 1,141	\$ 37,265	\$ 37,265	\$ 38,406	\$ 1,141
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	452	452	160	(292)	223	223	117	(106)
Rents and concessions.....	-	-	-	-	24	24	24	-
Intergovernmental:								
Federal.....	-	-	-	-	-	80	80	-
State.....	152	151	166	15	165	218	220	2
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	1	1	-	1,001	1,001	872	(129)
Other revenues.....	-	-	-	-	-	20	20	-
Total revenues.....	<u>37,869</u>	<u>37,869</u>	<u>38,733</u>	<u>864</u>	<u>38,678</u>	<u>38,831</u>	<u>39,739</u>	<u>908</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	1,088	1,088	-	-	22	22	-
Human welfare and neighborhood development...	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	41,301	43,029	41,467	1,562	91,841	90,872	89,165	1,707
General administration and finance.....	-	-	-	-	-	12	12	-
Total expenditures.....	<u>41,301</u>	<u>44,117</u>	<u>42,555</u>	<u>1,562</u>	<u>91,841</u>	<u>90,906</u>	<u>89,199</u>	<u>1,707</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(3,432)</u>	<u>(6,248)</u>	<u>(3,822)</u>	<u>2,426</u>	<u>(53,163)</u>	<u>(52,075)</u>	<u>(49,460)</u>	<u>2,615</u>
Other financing sources (uses):								
Transfers in.....	861	861	861	-	52,950	55,330	55,330	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>861</u>	<u>861</u>	<u>861</u>	<u>-</u>	<u>52,950</u>	<u>55,330</u>	<u>55,330</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....	-	-	-	-	-	-	-	-
Net change in fund balances.....	<u>(2,571)</u>	<u>(5,387)</u>	<u>(2,961)</u>	<u>2,426</u>	<u>(213)</u>	<u>3,255</u>	<u>5,870</u>	<u>2,615</u>
Budgetary fund balances (deficit), July 1.....	<u>2,571</u>	<u>22,563</u>	<u>22,563</u>	<u>-</u>	<u>213</u>	<u>28,338</u>	<u>28,338</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 17,176</u>	<u>\$ 19,602</u>	<u>\$ 2,426</u>	<u>\$ -</u>	<u>\$ 31,593</u>	<u>\$ 34,208</u>	<u>\$ 2,615</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	501	501	493	(8)	-	-	-	-
Fines, forfeitures, and penalties.....	1,688	1,688	16,304	14,616	-	133	133	-
Interest and investment income.....	52	74	26	(48)	-	-	-	-
Rents and concessions.....	-	-	-	-	-	10	10	-
Intergovernmental:								
Federal.....	10,280	68,586	68,586	-	-	-	-	-
State.....	9,574	12,355	12,355	-	83	213	130	(83)
Other.....	-	3	3	-	-	1,441	1,441	-
Charges for services.....	3,463	14,243	13,000	(1,243)	12,141	19,744	24,878	5,134
Other revenues.....	1,356	178	178	-	-	445	445	-
Total revenues.....	<u>26,914</u>	<u>97,628</u>	<u>110,945</u>	<u>13,317</u>	<u>12,224</u>	<u>21,986</u>	<u>27,037</u>	<u>5,051</u>
Expenditures:								
Public protection.....	22,355	89,230	89,230	-	-	-	-	-
Public works, transportation and commerce.....	-	562	562	-	1,055	16,891	16,891	-
Human welfare and neighborhood development...	3,609	4,430	4,430	-	10,967	11,204	11,204	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	16	16	-
General administration and finance.....	-	30	30	-	-	122	122	-
Total expenditures.....	<u>25,964</u>	<u>94,252</u>	<u>94,252</u>	<u>-</u>	<u>12,022</u>	<u>28,233</u>	<u>28,233</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>950</u>	<u>3,376</u>	<u>16,693</u>	<u>13,317</u>	<u>202</u>	<u>(6,247)</u>	<u>(1,196)</u>	<u>5,051</u>
Other financing sources (uses):								
Transfers in.....	-	1,532	1,532	-	-	538	538	-
Transfers out.....	(1,841)	(2,120)	(1,990)	130	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	(202)	(148)	(148)	-
Total other financing sources (uses).....	<u>(1,841)</u>	<u>(588)</u>	<u>(458)</u>	<u>130</u>	<u>(202)</u>	<u>390</u>	<u>390</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
Net change in fund balances.....	(891)	2,788	16,235	13,447	-	(5,857)	(806)	5,051
Budgetary fund balances (deficit), July 1.....	891	18,542	18,542	-	-	16,133	16,133	-
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 21,330</u>	<u>\$ 34,777</u>	<u>\$ 13,447</u>	<u>\$ -</u>	<u>\$ 10,276</u>	<u>\$ 15,327</u>	<u>\$ 5,051</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	77,464	84,492	85,754	1,262
Hotel room tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	4,812	4,812	4,724	(88)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	1,012	1,012	21	(991)
Rents and concessions.....	1,289	25,932	25,764	(168)	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	7,389	7,871	5,379	(2,492)
State.....	-	-	-	-	656	668	760	92
Other.....	-	456	456	-	1,408	35,613	30,397	(5,216)
Charges for services.....	-	42	42	-	-	-	-	-
Other revenues.....	-	-	-	-	-	-	2,305	2,305
Total revenues.....	<u>1,289</u>	<u>26,430</u>	<u>26,262</u>	<u>(168)</u>	<u>92,741</u>	<u>134,468</u>	<u>129,340</u>	<u>(5,128)</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	1,023	1,023	-	170,554	191,399	121,174	70,225
Human welfare and neighborhood development...	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	3,357	15,034	15,034	-	-	-	-	-
Total expenditures.....	<u>3,357</u>	<u>16,057</u>	<u>16,057</u>	<u>-</u>	<u>170,554</u>	<u>191,399</u>	<u>121,174</u>	<u>70,225</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,068)</u>	<u>10,373</u>	<u>10,205</u>	<u>(168)</u>	<u>(77,813)</u>	<u>(56,931)</u>	<u>8,166</u>	<u>65,097</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	(14,967)	(14,967)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	116,955	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>(14,967)</u>	<u>(14,967)</u>	<u>-</u>	<u>116,955</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....								
-	-	-	-	-	-	-	-	-
Net change in fund balances.....	(2,068)	(4,594)	(4,762)	(168)	39,142	(56,931)	8,166	65,097
Budgetary fund balances (deficit), July 1.....	<u>2,068</u>	<u>13,586</u>	<u>13,586</u>	<u>-</u>	<u>75,600</u>	<u>75,600</u>	<u>75,600</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 8,992</u>	<u>\$ 8,824</u>	<u>\$ (168)</u>	<u>\$ 114,742</u>	<u>\$ 18,669</u>	<u>\$ 83,766</u>	<u>\$ 65,097</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Senior Citizens' Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Hotel room tax.....	-	-	-	-	9,159	9,159	9,159	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	-	-	-
Rents and concessions.....	-	-	-	-	1,751	2,137	2,395	258
Intergovernmental:								
Federal.....	8,659	4,791	4,791	-	-	-	-	-
State.....	729	756	756	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	297	353	372	19
Other revenues.....	100	102	102	-	-	-	-	-
Total revenues.....	<u>9,488</u>	<u>5,649</u>	<u>5,649</u>	<u>-</u>	<u>11,207</u>	<u>11,649</u>	<u>11,926</u>	<u>277</u>
Expenditures:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-
Human welfare and neighborhood development...	9,488	5,649	5,649	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	11,884	12,623	12,122	501
General administration and finance.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>9,488</u>	<u>5,649</u>	<u>5,649</u>	<u>-</u>	<u>11,884</u>	<u>12,623</u>	<u>12,122</u>	<u>501</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(677)</u>	<u>(974)</u>	<u>(196)</u>	<u>778</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Extraordinary loss from dissolution of the Redevelopment Agency.....	-	-	-	-	-	-	-	-
Net change in fund balances.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(677)</u>	<u>(974)</u>	<u>(196)</u>	<u>778</u>
Budgetary fund balances (deficit), July 1.....	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>	<u>677</u>	<u>10,946</u>	<u>10,946</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ -</u>	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,972</u>	<u>\$ 10,750</u>	<u>\$ 778</u>

(Continued)



**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	<b>TOTAL</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes.....	\$ 119,246	\$ 119,246	\$ 122,899	\$ 3,653
Business taxes.....	1,000	1,000	504	(496)
Sales and use tax.....	77,464	84,492	85,754	1,262
Hotel room tax.....	56,386	56,386	56,386	-
Licenses, permits, and franchises.....	15,068	15,068	14,628	(440)
Fines, forfeitures, and penalties.....	4,246	5,245	19,977	14,732
Interest and investment income.....	2,662	6,349	5,932	(417)
Rents and concessions.....	33,213	58,446	61,719	3,273
<b>Intergovernmental:</b>				
Federal.....	134,778	232,040	230,810	(1,230)
State.....	82,359	109,028	104,929	(4,099)
Other.....	1,857	39,152	33,935	(5,217)
Charges for services.....	86,176	109,559	130,151	20,592
Other revenues.....	<u>9,152</u>	<u>56,620</u>	<u>60,383</u>	<u>3,763</u>
Total revenues.....	<u>623,607</u>	<u>892,631</u>	<u>928,007</u>	<u>35,376</u>
<b>Expenditures:</b>				
Public protection.....	27,209	89,898	89,884	14
Public works, transportation and commerce.....	266,314	314,912	237,238	77,674
Human welfare and neighborhood development...	203,731	271,151	268,806	2,345
Community health.....	93,763	100,016	100,016	-
Culture and recreation.....	240,855	236,678	222,212	14,466
General administration and finance.....	<u>13,231</u>	<u>24,981</u>	<u>24,762</u>	<u>219</u>
Total expenditures.....	<u>845,103</u>	<u>1,037,636</u>	<u>942,918</u>	<u>94,718</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(221,496)</u>	<u>(145,005)</u>	<u>(14,911)</u>	<u>130,094</u>
<b>Other financing sources (uses):</b>				
Transfers in.....	120,216	135,213	135,213	-
Transfers out.....	(2,702)	(40,910)	(40,780)	130
Issuance of loans.....	-	5,890	5,890	-
Issuance of commercial paper.....	116,955	-	-	-
Budget reserves and designations.....	(693)	(673)	-	673
Loan repayments and other financing sources (uses).....	<u>(965)</u>	<u>(989)</u>	<u>(883)</u>	<u>106</u>
Total other financing sources (uses).....	<u>232,811</u>	<u>98,531</u>	<u>99,440</u>	<u>909</u>
<b>Extraordinary loss from dissolution of the Redevelopment Agency.....</b>				
	-	-	<u>(172,651)</u>	<u>(172,651)</u>
Net change in fund balances.....	11,315	(46,474)	(88,122)	(41,648)
Budgetary fund balances (deficit), July 1.....	<u>105,866</u>	<u>661,779</u>	<u>661,779</u>	<u>-</u>
Budgetary fund balances (deficit), June 30.....	<u>\$ 117,181</u>	<u>\$ 615,305</u>	<u>\$ 573,657</u>	<u>\$ (41,648)</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Schedule of Expenditures by Department**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>BUILDING INSPECTION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Building Inspection.....	\$ 50,039	\$ 51,568	\$ 44,422	\$ 7,146
Public Utilities Commission.....	-	749	749	-
Public Works.....	-	54	54	-
Total Building Inspection Fund.....	<u>50,039</u>	<u>52,371</u>	<u>45,225</u>	<u>7,146</u>
<b>CHILDREN AND FAMILIES FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Child Support Services.....	12,845	12,845	12,638	207
Children and Families Commission.....	30,562	26,092	26,092	-
Mayor's Office.....	89,863	94,615	93,279	1,336
Total Children and Families Fund.....	<u>133,270</u>	<u>133,552</u>	<u>132,009</u>	<u>1,543</u>
<b>COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	10,135	10,472	10,472	-
Public Works.....	-	1,340	1,340	-
	<u>10,135</u>	<u>11,812</u>	<u>11,812</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	3,991	67,344	67,344	-
Rent Arbitration Board.....	5,905	5,874	5,227	647
	<u>9,896</u>	<u>73,218</u>	<u>72,571</u>	<u>647</u>
<b>Culture and Recreation</b>				
Recreation and Park Commission.....	1,000	45	45	-
<b>General Administration and Finance</b>				
Administrative Services.....	1,766	1,350	1,350	-
City Planning.....	1,435	997	997	-
	<u>3,201</u>	<u>2,347</u>	<u>2,347</u>	<u>-</u>
Total Community/Neighborhood Development Fund.....	<u>24,232</u>	<u>87,422</u>	<u>86,775</u>	<u>647</u>
<b>COMMUNITY HEALTH SERVICES FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	2,860	2,860	-
<b>Community Health</b>				
Community Health Network.....	93,763	100,016	100,016	-
Total Community Health Services Fund.....	<u>93,763</u>	<u>102,876</u>	<u>102,876</u>	<u>-</u>
<b>CONVENTION FACILITIES FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	-	102	102	-
Public Works.....	-	842	842	-
	<u>-</u>	<u>944</u>	<u>944</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	5,500	5,876	5,876	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	19	19	-
Administrative Services.....	74,660	66,143	57,321	8,822
	<u>74,660</u>	<u>66,162</u>	<u>57,340</u>	<u>8,822</u>
<b>General Administration and Finance</b>				
City Attorney.....	-	41	41	-
Total Convention Facilities Fund.....	<u>80,160</u>	<u>73,023</u>	<u>64,201</u>	<u>8,822</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Schedule of Expenditures by Department**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>COURT'S FUND</b>				
<b>Public Protection</b>				
Trial Courts.....	4,574	385	371	14
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	175	175	-
Total Court's Fund.....	<u>4,574</u>	<u>560</u>	<u>546</u>	<u>14</u>
<b>CULTURE AND RECREATION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	892	459	459	-
Public Utilities Commission.....	-	17	17	-
Public Works.....	-	7,046	7,046	-
	<u>892</u>	<u>7,522</u>	<u>7,522</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	708	2,356	2,356	-
Asian Art Museum.....	482	572	572	-
Fine Arts Museum.....	3,231	3,192	3,192	-
Recreation and Park Commission.....	3,126	2,913	2,474	439
	<u>7,547</u>	<u>9,033</u>	<u>8,594</u>	<u>439</u>
Total Culture and Recreation Fund.....	<u>8,439</u>	<u>16,555</u>	<u>16,116</u>	<u>439</u>
<b>ENVIRONMENTAL PROTECTION FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	5,021	13,261	13,106	155
Total Environmental Protection Fund.....	<u>5,021</u>	<u>13,261</u>	<u>13,106</u>	<u>155</u>
<b>GASOLINE TAX FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Municipal Transportation Agency.....	-	1,268	1,268	-
Public Utilities Commission.....	-	1,842	1,842	-
Public Works.....	33,639	24,812	24,509	303
Total Gasoline Tax Fund.....	<u>33,639</u>	<u>27,922</u>	<u>27,619</u>	<u>303</u>
<b>GENERAL SERVICES FUND</b>				
<b>Public Protection</b>				
District Attorney.....	-	6	6	-
Mayor's Office.....	-	5	5	-
Trial Courts.....	280	249	249	-
	<u>280</u>	<u>260</u>	<u>260</u>	<u>-</u>
<b>Culture and Recreation</b>				
Fine Arts Museum.....	-	951	951	-
<b>General Administration and Finance</b>				
Administrative Services.....	328	223	223	-
Assessor/Recorder.....	3,370	1,370	1,370	-
Board of Supervisors.....	-	26	26	-
Telecommunications and Information Services.....	2,516	5,048	5,047	1
Human Resources.....	-	218	-	218
Treasurer/Tax Collector.....	459	413	413	-
	<u>6,673</u>	<u>7,298</u>	<u>7,079</u>	<u>219</u>
Total General Services Fund.....	<u>6,953</u>	<u>8,509</u>	<u>8,290</u>	<u>219</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Schedule of Expenditures by Department**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>GIFT AND OTHER EXPENDABLE TRUSTS FUND</b>				
<b>Public Protection</b>				
District Attorney.....	-	2	2	-
Fire Department.....	-	4	4	-
Police Department.....	-	17	17	-
	<u>-</u>	<u>23</u>	<u>23</u>	<u>-</u>
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	321	321	-
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	-	23	23	-
Social Services.....	446	519	519	-
Commission on Status of Women.....	-	2	2	-
	<u>446</u>	<u>544</u>	<u>544</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	-	86	86	-
Fine Arts Museum.....	-	1,104	1,104	-
Public Library.....	10	163	163	-
Recreation and Park Commission.....	408	249	249	-
War Memorial.....	-	213	213	-
	<u>418</u>	<u>1,815</u>	<u>1,815</u>	<u>-</u>
<b>General Administration and Finance</b>				
Administrative Services.....	-	96	96	-
Telecommunications and Information Services.....	-	1	1	-
	<u>-</u>	<u>97</u>	<u>97</u>	<u>-</u>
Total Gift and Other Expendable Trusts Fund.....	<u>864</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
<b>GOLF FUND</b>				
<b>Culture and Recreation</b>				
Recreation and Park Commission.....	12,204	12,132	10,697	1,435
Total Golf Fund.....	<u>12,204</u>	<u>12,132</u>	<u>10,697</u>	<u>1,435</u>
<b>HUMAN WELFARE FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Commission on Status of Women.....	210	194	194	-
Social Services.....	25,324	22,421	22,421	-
Total Human Welfare Fund.....	<u>25,534</u>	<u>22,615</u>	<u>22,615</u>	<u>-</u>
<b>LOW AND MODERATE INCOME HOUSING ASSET FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	-	802	802	-
Total Low and Moderate Income Housing Asset Fund.....	<u>-</u>	<u>802</u>	<u>802</u>	<u>-</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Schedule of Expenditures by Department**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>OPEN SPACE AND PARK FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Municipal Transportation Agency.....	-	35	35	-
Public Utilities Commission.....	-	79	79	-
Public Works.....	-	974	974	-
	<u>-</u>	<u>1,088</u>	<u>1,088</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	-	33	33	-
Recreation and Park Commission.....	41,301	42,996	41,434	1,562
	<u>41,301</u>	<u>43,029</u>	<u>41,467</u>	<u>1,562</u>
Total Open Space and Park Fund.....	<u>41,301</u>	<u>44,117</u>	<u>42,555</u>	<u>1,562</u>
<b>PUBLIC LIBRARY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	22	22	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	50	50	-
Public Library.....	91,841	90,822	89,115	1,707
	<u>91,841</u>	<u>90,872</u>	<u>89,165</u>	<u>1,707</u>
<b>General Administration and Finance</b>				
City Attorney.....	-	12	12	-
Total Public Library Fund.....	<u>91,841</u>	<u>90,906</u>	<u>89,199</u>	<u>1,707</u>
<b>PUBLIC PROTECTION FUND</b>				
<b>Public Protection</b>				
District Attorney.....	4,141	5,209	5,209	-
Emergency Communications Department.....	4,618	50,398	50,398	-
Fire Department.....	-	1,933	1,933	-
Mayor's Office.....	-	34	34	-
Police Commission.....	6,786	23,994	23,994	-
Public Defender.....	89	417	417	-
Sheriff.....	3,256	3,177	3,177	-
Trial Courts.....	3,465	4,068	4,068	-
	<u>22,355</u>	<u>89,230</u>	<u>89,230</u>	<u>-</u>
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	562	562	-
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	3,609	4,375	4,375	-
Commission on Status of Women.....	-	55	55	-
	<u>3,609</u>	<u>4,430</u>	<u>4,430</u>	<u>-</u>
<b>General Administration and Finance</b>				
Administrative Services.....	-	30	30	-
Total Public Protection Fund.....	<u>25,964</u>	<u>94,252</u>	<u>94,252</u>	<u>-</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Schedule of Expenditures by Department**  
**Budget and Actual - Budget Basis**  
**Special Revenue Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	1,055	16,891	16,891	-
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	10,967	11,204	11,204	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	16	16	-
<b>General Administration and Finance</b>				
Administrative Services .....	-	26	26	-
City Planning.....	-	96	96	-
	-	122	122	-
Total Public Works, Transportation and Commerce Fund.....	<u>12,022</u>	<u>28,233</u>	<u>28,233</u>	<u>-</u>
<b>REAL PROPERTY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	348	348	-
Public Works.....	-	675	675	-
	-	1,023	1,023	-
<b>General Administration and Finance</b>				
Administrative Services.....	3,357	15,002	15,002	-
Telecommunications and Information Services.....	-	32	32	-
	<u>3,357</u>	<u>15,034</u>	<u>15,034</u>	<u>-</u>
Total Real Property Fund.....	<u>3,357</u>	<u>16,057</u>	<u>16,057</u>	<u>-</u>
<b>SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Board of Supervisors.....	170,554	191,399	121,174	70,225
Total SF County Transportation Authority Fund.....	<u>170,554</u>	<u>191,399</u>	<u>121,174</u>	<u>70,225</u>
<b>SENIOR CITIZENS' PROGRAM FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Social Services Department.....	9,488	5,649	5,649	-
Total Senior Citizens' Program Fund.....	<u>9,488</u>	<u>5,649</u>	<u>5,649</u>	<u>-</u>
<b>WAR MEMORIAL FUND</b>				
<b>Culture and Recreation</b>				
War Memorial.....	11,884	12,623	12,122	501
Total War Memorial Fund.....	<u>11,884</u>	<u>12,623</u>	<u>12,122</u>	<u>501</u>
 Total Special Revenue Funds With Legally Adopted Budgets .....	 <u>\$ 845,103</u>	 <u>\$ 1,037,636</u>	 <u>\$ 942,918</u>	 <u>\$ 94,718</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Debt Service Funds**  
June 30, 2013  
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 116,116	\$ -	\$ 10	\$ 116,126
Deposits and investments outside City Treasury.....	-	31,489	-	31,489
Receivables:				
Property taxes and penalties.....	5,265	-	-	5,265
Charges for services.....	6	-	-	6
Interest and other.....	76	49	-	125
Total assets.....	<u>\$ 121,463</u>	<u>\$ 31,538</u>	<u>\$ 10</u>	<u>\$ 153,011</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable.....	\$ -	\$ -	\$ 10	\$ 10
Deferred tax, grant and subvention revenues.....	4,640	-	-	4,640
Deferred credits and other liabilities.....	14,635	-	-	14,635
Total liabilities.....	<u>19,275</u>	<u>-</u>	<u>10</u>	<u>19,285</u>
Fund balances:				
Restricted.....	102,188	31,538	-	133,726
Total fund balances.....	<u>102,188</u>	<u>31,538</u>	<u>-</u>	<u>133,726</u>
Total liabilities and fund balances.....	<u>\$ 121,463</u>	<u>\$ 31,538</u>	<u>\$ 10</u>	<u>\$ 153,011</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Debt Service Funds**  
Year Ended June 30, 2013  
(In Thousands)

	<b>General Obligation Bond Fund</b>	<b>Certificates of Participation Funds</b>	<b>Other Bond Funds</b>	<b>Total</b>
<b>Revenues:</b>				
Property taxes.....	\$ 176,857	\$ -	\$ -	\$ 176,857
Fines, forfeitures and penalties.....	23,646	-	-	23,646
Interest and investment income.....	577	6	-	583
Rents and concessions.....	-	738	-	738
Intergovernmental:				
State.....	721	-	-	721
Other.....	3,849	69	-	3,918
<b>Total revenues.....</b>	<b>205,650</b>	<b>813</b>	<b>-</b>	<b>206,463</b>
<b>Expenditures:</b>				
Debt service:				
Principal retirement.....	138,562	15,396	584	154,542
Interest and fiscal charges.....	81,656	23,338	343	105,337
Bond issuance costs.....	2	-	-	2
<b>Total expenditures.....</b>	<b>220,220</b>	<b>38,734</b>	<b>927</b>	<b>259,881</b>
Deficiency of revenues under expenditures.....	(14,570)	(37,921)	(927)	(53,418)
Other financing sources (uses):				
Transfers in.....	66,211	39,784	927	106,922
Transfers out.....	(486)	-	-	(486)
Total other financing sources, net....	65,725	39,784	927	106,436
Net change in fund balances.....	51,155	1,863	-	53,018
Fund balances at beginning of year.....	51,033	29,675	-	80,708
<b>Fund balances at end of year.....</b>	<b>\$ 102,188</b>	<b>\$ 31,538</b>	<b>\$ -</b>	<b>\$ 133,726</b>



**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures**  
**and Changes in Fund Balances -**  
**Budget and Actual - Budget Basis**  
**Debt Service Funds**  
Year ended June 30, 2013  
(In Thousands)

	<u>General Obligation Bond Fund</u>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes.....	\$170,851	\$170,851	\$176,857	\$ 6,006
Fines, forfeitures, and penalties.....	-	23,646	23,646	-
Interest and investment income.....	-	-	1,224	1,224
Intergovernmental:				
State.....	750	750	721	(29)
Other revenues.....	-	4,018	3,849	(169)
Total revenues.....	<u>171,601</u>	<u>199,265</u>	<u>206,297</u>	<u>7,032</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement.....	176,601	138,562	138,562	-
Interest and fiscal charges.....	-	81,656	81,656	-
Bond issuance costs.....	-	2	2	-
Total expenditures.....	<u>176,601</u>	<u>220,220</u>	<u>220,220</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(5,000)</u>	<u>(20,955)</u>	<u>(13,923)</u>	<u>7,032</u>
Other financing sources:				
Transfers in.....	5,000	66,211	66,211	-
Total other financing sources.....	<u>5,000</u>	<u>66,211</u>	<u>66,211</u>	<u>-</u>
Net change in fund balances.....	-	45,256	52,288	7,032
Budgetary fund balance, July 1.....	-	58,175	58,175	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$103,431</u>	<u>\$110,463</u>	<u>\$ 7,032</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Capital Projects Funds**  
June 30, 2013  
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 378,705	\$ 17	\$ 7,451	\$ 4
Deposits and investments outside City Treasury.....	12,891	-	-	849
Receivables:				
Federal and state grants and subventions.....	-	-	-	-
Interest and other.....	136	-	2	-
Due from other funds.....	26,785	-	-	-
Due from component unit.....	-	-	-	36
Total assets.....	<u>\$ 418,517</u>	<u>\$ 17</u>	<u>\$ 7,453</u>	<u>\$ 889</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable.....	\$ 50,626	\$ -	\$ 67	\$ 264
Accrued payroll.....	722	-	2	5
Deferred tax, grant and subvention revenues.....	-	-	-	-
Due to other funds.....	5	-	-	8,646
Deferred credits and other liabilities.....	-	-	-	-
Bonds, loans, capital leases and other payables..	49,725	-	-	-
Total liabilities.....	<u>101,078</u>	<u>-</u>	<u>69</u>	<u>8,915</u>
Fund balances:				
Restricted.....	317,439	17	7,384	-
Unassigned.....	-	-	-	(8,026)
Total fund balances.....	<u>317,439</u>	<u>17</u>	<u>7,384</u>	<u>(8,026)</u>
Total liabilities and fund balances.....	<u>\$ 418,517</u>	<u>\$ 17</u>	<u>\$ 7,453</u>	<u>\$ 889</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds - Capital Projects Funds (Continued)**  
June 30, 2013  
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 1,536	\$ 125,950	\$ 168,712	\$ 682,375
Deposits and investments outside City Treasury.....	-	-	9,616	23,356
Receivables:				
Federal and state grants and subventions.....	-	2,376	2,927	5,303
Interest and other.....	-	27	20	185
Due from other funds.....	1,006	925	1	28,717
Due from component unit.....	-	-	-	36
Total assets.....	<u>\$ 2,542</u>	<u>\$ 129,278</u>	<u>\$ 181,276</u>	<u>\$ 739,972</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable.....	\$ 1,198	\$ 7,815	\$ 10,724	\$ 70,694
Accrued payroll.....	8	438	1,408	2,583
Deferred tax, grant and subvention revenues.....	-	1,107	29	1,136
Due to other funds.....	-	12	69	8,732
Deferred credits and other liabilities.....	248	69	1,632	1,949
Bonds, loans, capital leases and other payables..	-	-	-	49,725
Total liabilities.....	<u>1,454</u>	<u>9,441</u>	<u>13,862</u>	<u>134,819</u>
Fund balances:				
Restricted.....	1,088	119,837	167,414	613,179
Unassigned.....	-	-	-	(8,026)
Total fund balances.....	<u>1,088</u>	<u>119,837</u>	<u>167,414</u>	<u>605,153</u>
Total liabilities and fund balances.....	<u>\$ 2,542</u>	<u>\$ 129,278</u>	<u>\$ 181,276</u>	<u>\$ 739,972</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Capital Projects Funds**  
Year Ended June 30, 2013  
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
<b>Revenues:</b>				
Interest and investment income.....	\$ 526	\$ -	\$ -	\$ -
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	-	-	-
State.....	-	-	-	-
Other.....	-	-	-	-
Other.....	-	-	-	-
Total revenues.....	<u>526</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>				
Debt service:				
Interest and fiscal charges.....	664	-	-	326
Bond issuance costs.....	1,237	-	-	607
Capital outlay.....	<u>282,787</u>	<u>28</u>	<u>928</u>	<u>2,674</u>
Total expenditures.....	<u>284,688</u>	<u>28</u>	<u>928</u>	<u>3,607</u>
Deficiency of revenues under expenditures.....	<u>(284,162)</u>	<u>(28)</u>	<u>(928)</u>	<u>(3,607)</u>
Other financing sources (uses):				
Transfers in.....	2,329	-	-	3,276
Transfers out.....	(107,566)	-	-	(3,558)
Issuance of bonds and loans:				
Face value of bonds issued.....	320,385	-	-	35,575
Premium on issuance of bonds.....	44,007	-	-	3,536
Other financing sources-capital leases.....	-	-	-	-
Total other financing sources, net...	<u>259,155</u>	<u>-</u>	<u>-</u>	<u>38,829</u>
Net change in fund balances.....	<u>(25,007)</u>	<u>(28)</u>	<u>(928)</u>	<u>35,222</u>
Fund balances at beginning of year.....	<u>342,446</u>	<u>45</u>	<u>8,312</u>	<u>(43,248)</u>
Fund balances at end of year.....	<u>\$ 317,439</u>	<u>\$ 17</u>	<u>\$ 7,384</u>	<u>\$ (8,026)</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds - Capital Projects Funds (Continued)**  
Year Ended June 30, 2013  
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
<b>Revenues:</b>				
Interest and investment income.....	\$ 54	\$ -	\$ -	\$ 580
Rents and concessions.....	-	-	312	312
Intergovernmental:				
Federal.....	-	-	5,404	5,404
State.....	-	1,730	3,324	5,054
Other.....	-	67	4,725	4,792
Other.....	-	12	2,490	2,502
Total revenues.....	<u>54</u>	<u>1,809</u>	<u>16,255</u>	<u>18,644</u>
<b>Expenditures:</b>				
Debt service:				
Interest and fiscal charges.....	-	-	155	1,145
Bond issuance costs.....	-	384	683	2,911
Capital outlay.....	<u>8,527</u>	<u>45,278</u>	<u>70,772</u>	<u>410,994</u>
Total expenditures.....	<u>8,527</u>	<u>45,662</u>	<u>71,610</u>	<u>415,050</u>
Deficiency of revenues under expenditures.....	<u>(8,473)</u>	<u>(43,853)</u>	<u>(55,355)</u>	<u>(396,406)</u>
Other financing sources (uses):				
Transfers in.....	-	457	3,983	10,045
Transfers out.....	-	(24,299)	(22,650)	(158,073)
Issuance of bonds and loans:				
Face value of bonds issued.....	-	71,970	129,560	557,490
Premium on issuance of bonds.....	-	6,044	10,882	64,469
Other financing sources-capital leases.....	<u>6,195</u>	<u>1,788</u>	<u>-</u>	<u>7,983</u>
Total other financing sources, net...	<u>6,195</u>	<u>55,960</u>	<u>121,775</u>	<u>481,914</u>
Net change in fund balances.....	<u>(2,278)</u>	<u>12,107</u>	<u>66,420</u>	<u>85,508</u>
Fund balances at beginning of year.....	<u>3,366</u>	<u>107,730</u>	<u>100,994</u>	<u>519,645</u>
Fund balances at end of year.....	<u>\$ 1,088</u>	<u>\$ 119,837</u>	<u>\$ 167,414</u>	<u>\$ 605,153</u>



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**CITY AND COUNTY OF SAN FRANCISCO**  
**INTERNAL SERVICE FUNDS**

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

*Central Shops Fund* – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

*Finance Corporation* – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

*Reproduction Fund* – Accounts for printing, design and mail services required by various City departments and agencies.

*Telecommunications and Information Fund* – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
June 30, 2013  
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
<b>Assets</b>					
Current assets:					
Deposits and investments with City Treasury.....	\$ 2,523	\$ -	\$ 1,482	\$ 28,363	\$ 32,368
Receivables:					
Interest and other.....	-	109	5	649	763
Due from other funds.....	-	198	-	-	198 <sup>(1)</sup>
Capital leases receivable.....	-	22,545	-	-	22,545
Restricted assets:					
Deposits and investments outside City Treasury.....	-	55,337	-	-	55,337
Total current assets.....	<u>2,523</u>	<u>78,189</u>	<u>1,487</u>	<u>29,012</u>	<u>111,211</u>
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury.....	-	4,777	-	-	4,777
Capital leases receivable.....	-	239,998	-	-	239,998
Capital assets:					
Facilities and equipment, net of depreciation.....	276	-	109	5,535	5,920
Deferred charges and other assets.....	-	4,535	-	-	4,535
Total noncurrent assets.....	<u>276</u>	<u>249,310</u>	<u>109</u>	<u>5,535</u>	<u>255,230</u>
Total assets.....	<u>2,799</u>	<u>327,499</u>	<u>1,596</u>	<u>34,547</u>	<u>366,441</u>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable.....	1,113	308	172	3,933	5,526
Accrued payroll.....	655	-	89	1,647	2,391
Accrued vacation and sick leave pay.....	375	-	-	1,033	1,408
Accrued workers' compensation.....	-	-	-	290	290
Bonds, loans, capital leases, and other payables.....	-	20,780	30	334	21,144
Accrued interest payable.....	-	1,650	-	-	1,650
Due to other funds.....	-	1,963	-	198	2,161 <sup>(1)</sup>
Deferred credits and other liabilities.....	-	60,080	-	34	60,114
Total current liabilities.....	<u>2,143</u>	<u>84,781</u>	<u>291</u>	<u>7,469</u>	<u>94,684</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	329	-	-	995	1,324
Accrued workers' compensation.....	-	-	-	1,218	1,218
Other postemployment benefits obligation.....	4,178	-	-	13,669	17,847
Bonds, loans, capital leases, and other payables.....	-	242,718	-	-	242,718
Total noncurrent liabilities.....	<u>4,507</u>	<u>242,718</u>	<u>-</u>	<u>15,882</u>	<u>263,107</u>
Total liabilities.....	<u>6,650</u>	<u>327,499</u>	<u>291</u>	<u>23,351</u>	<u>357,791</u>
<b>Net Position</b>					
Net investment in capital assets.....	276	-	79	5,201	5,556
Unrestricted (deficit).....	(4,127)	-	1,226	5,995	3,094
Total net position (deficit).....	<u>\$ (3,851)</u>	<u>\$ -</u>	<u>\$ 1,305</u>	<u>\$ 11,196</u>	<u>\$ 8,650</u>

Notes:

(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary Funds on page 34.



**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Internal Service Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 28,571	\$ -	\$ 6,313	\$ 71,798	\$ 106,682
Rent and concessions.....	-	-	-	90	90
Total operating revenues.....	<u>28,571</u>	<u>-</u>	<u>6,313</u>	<u>71,888</u>	<u>106,772</u>
Operating expenses:					
Personal services.....	12,698	-	1,561	30,402	44,661
Contractual services.....	2,332	-	3,502	29,020	34,854
Materials and supplies.....	12,444	-	254	6,400	19,098
Depreciation and amortization.....	113	130	161	1,273	1,677
General and administrative.....	99	-	1	409	509
Services provided by other departments.....	1,237	-	509	4,657	6,403
Other.....	-	-	6	981	987
Total operating expenses.....	<u>28,923</u>	<u>130</u>	<u>5,994</u>	<u>73,142</u>	<u>108,189</u>
Operating income (loss).....	<u>(352)</u>	<u>(130)</u>	<u>319</u>	<u>(1,254)</u>	<u>(1,417)</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	5,936	-	-	5,936
Interest expense.....	(44)	(5,806)	(13)	(120)	(5,983)
Other, net.....	-	-	-	1	1
Total nonoperating revenues (expenses).....	<u>(44)</u>	<u>130</u>	<u>(13)</u>	<u>(119)</u>	<u>(46)</u>
Income (loss) before transfers.....	(396)	-	306	(1,373)	(1,463)
Transfers in.....	44	-	13	120	177
Change in net position.....	(352)	-	319	(1,253)	(1,286)
Total net position (deficit) - beginning.....	<u>(3,499)</u>	<u>-</u>	<u>986</u>	<u>12,449</u>	<u>9,936</u>
Total net position (deficit) - ending.....	<u>\$ (3,851)</u>	<u>\$ -</u>	<u>\$ 1,305</u>	<u>\$ 11,196</u>	<u>\$ 8,650</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers.....	\$ 28,660	\$ 26,991	\$ 6,340	\$ 71,743	\$ 133,734
Cash paid to employees for services.....	(12,181)	-	(1,557)	(28,222)	(41,960)
Cash paid to suppliers for goods and services.....	(16,827)	(16,632)	(4,215)	(42,246)	(79,920)
Net cash provided by (used in) operating activities.....	(348)	10,359	568	1,275	11,854
Cash flows from noncapital financing activities:					
Transfers in.....	44	-	13	120	177
Net cash provided by noncapital financing activities.....	44	-	13	120	177
Cash flows from capital and related financing activities:					
Bond sale proceeds.....	-	11,829	-	-	11,829
Acquisition of capital assets.....	(97)	-	-	(1,899)	(1,996)
Retirement of capital lease obligation.....	-	(22,515)	(132)	(323)	(22,970)
Bond issue costs paid.....	-	(143)	-	-	(143)
Interest paid on long-term debt.....	-	(5,915)	-	-	(5,915)
Net cash (used in) capital financing activities.....	(97)	(16,744)	(132)	(2,222)	(19,195)
Cash flows from investing activities:					
Purchases of investments with trustees.....	-	(4,727)	-	-	(4,727)
Proceeds from sale of investments with trustees.....	-	5,042	-	-	5,042
Interest income received.....	-	(31)	-	-	(31)
Other investing activities.....	(44)	(324)	(13)	(120)	(501)
Net cash (used in) investing activities.....	(44)	(40)	(13)	(120)	(217)
Increase (decrease) in cash and cash equivalents.....	(445)	(6,425)	436	(947)	(7,381)
Cash and cash equivalents - beginning of year.....	2,968	56,962	1,046	29,310	90,286
Cash and cash equivalents - end of year.....	\$ 2,523	\$ 50,537	\$ 1,482	\$ 28,363	\$ 82,905
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss).....	\$ (352)	\$ (130)	\$ 319	\$ (1,254)	\$ (1,417)
Adjustments for non-cash activities:					
Depreciation and amortization.....	113	130	161	1,273	1,677
Other.....	-	-	-	1	1
Changes in assets/liabilities:					
Receivables, net.....	89	22,515	27	(40)	22,591
Accounts payable.....	(715)	-	57	(969)	(1,627)
Accrued payroll.....	(22)	-	4	86	68
Accrued vacation and sick leave pay.....	(115)	-	-	(232)	(347)
Accrued workers' compensation.....	-	-	-	513	513
Other postemployment benefits obligation.....	654	-	-	1,813	2,467
Due to other funds.....	-	-	-	190	190
Deferred credits and other liabilities.....	-	(12,156)	-	(106)	(12,262)
Total adjustments.....	4	10,489	249	2,529	13,271
Net cash provided by (used in) operating activities.....	\$ (348)	\$ 10,359	\$ 568	\$ 1,275	\$ 11,854
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted.....	\$ 2,523	\$ -	\$ 1,482	\$ 28,363	\$ 32,368
Deposits and investments outside City Treasury:					
Restricted.....	-	60,114	-	-	60,114
Total deposits and investments.....	2,523	60,114	1,482	28,363	92,482
Less: Investments outside of City Treasury not meeting the definition of cash equivalents.....	-	(9,577)	-	-	(9,577)
Cash and cash equivalents at end of year on combining statement of cash flows.....	\$ 2,523	\$ 50,537	\$ 1,482	\$ 28,363	\$ 82,905
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease.....	\$ -	\$ 2,104	\$ -	\$ -	\$ 2,104

**CITY AND COUNTY OF SAN FRANCISCO**  
**FIDUCIARY FUNDS**

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

**Trust Funds**

*Employees' Retirement System* – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

*Health Service System* – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

*Retiree Health Care Trust* - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

**Agency Funds**

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

*Assistance Program Fund* – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

*Deposits Fund* – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

*Payroll Deduction Fund* – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

*State Revenue Collection Fund* – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

*Tax Collection Fund* – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

*Transit Fund* – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

*Other Agency Funds* – Accounts for monies held as agent for a variety of purposes.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**Pension and Other Employee Benefit Trust Funds**  
June 30, 2013  
(In Thousands)

	<u>Pension Trust Fund</u>	<u>Other Employee Benefit Trust Fund</u>	<u>Other Post- employment Benefit Trust Fund</u>	<u>Total</u>
	<u>Employees' Retirement System</u>	<u>Health Service System</u>	<u>Retiree Health Care</u>	
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 7,769	\$ 135,135	\$ 30,260	\$ 173,164
Deposits and investments outside City Treasury:				
Cash and deposits.....	60,874	-	-	60,874
Short term investments.....	572,556	-	-	572,556
Alternative investments.....	2,129,578	-	-	2,129,578
Debt securities.....	4,290,577	-	-	4,290,577
Equity securities.....	8,621,434	-	-	8,621,434
Real estate.....	1,430,711	-	-	1,430,711
Foreign currency contracts, net.....	(7,403)	-	-	(7,403)
Invested in securities lending collateral.....	1,004,266	-	-	1,004,266
Receivables:				
Employer and employee contributions.....	39,593	38,217	904	78,714
Brokers, general partners and others.....	315,076	-	-	315,076
Interest and other.....	34,961	5,195	9	40,165
Total assets.....	<u>18,499,992</u>	<u>178,547</u>	<u>31,173</u>	<u>18,709,712</u>
<b>Liabilities</b>				
Accounts payable.....	17,337	16,994	-	34,331
Estimated claims payable.....	-	25,593	-	25,593
Payable to brokers.....	445,447	-	-	445,447
Deferred Retirement Option Program liabilities.....	20,502	-	-	20,502
Payable to borrowers of securities.....	1,005,161	-	-	1,005,161
Deferred credits and other liabilities.....	-	58,596	-	58,596
Total liabilities.....	<u>1,488,447</u>	<u>101,183</u>	<u>-</u>	<u>1,589,630</u>
<b>Net Position</b>				
Held in trust for pension benefits and other purposes	<u>\$ 17,011,545</u>	<u>\$ 77,364</u>	<u>\$ 31,173</u>	<u>\$ 17,120,082</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Pension and Other Employee Benefit Trust Funds**  
Year Ended June 30, 2013  
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post- employment Benefit Trust Fund	Total
	Employees' Retirement System	Health Service System	Retiree Health Care	
Additions:				
Employees' contributions.....	\$ 258,726	\$ 118,057	\$ 8,822	\$ 385,605
Employer contributions.....	442,870	630,128	4,411	1,077,409
Total contributions.....	701,596	748,185	13,233	1,463,014
Investment income/loss:				
Interest.....	182,160	749	25	182,934
Dividends.....	188,644	-	-	188,644
Net appreciation/(depreciation) in fair value of investments...	1,729,781	(997)	-	1,728,784
Securities lending income.....	5,096	-	-	5,096
Total investment income.....	2,105,681	(248)	25	2,105,458
Less investment expenses:				
Securities lending borrower rebates and expenses.....	523	-	-	523
Other investment expenses.....	(41,654)	-	-	(41,654)
Total investment expenses.....	(41,131)	-	-	(41,131)
Total additions, net.....	2,766,146	747,937	13,258	3,527,341
Deductions:				
Benefit payments.....	1,023,354	723,792	-	1,747,146
Refunds of contributions.....	9,453	-	-	9,453
Administrative expenses.....	15,518	-	75	15,593
Total deductions.....	1,048,325	723,792	75	1,772,192
Change in net position.....	1,717,821	24,145	13,183	1,755,149
Net position at beginning of year.....	15,293,724	53,219	17,990	15,364,933
Net position at end of year.....	\$ 17,011,545	\$ 77,364	\$ 31,173	\$ 17,120,082

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
For the Year Ended June 30, 2013  
(In Thousands)

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>Assistance Program Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 28,808	\$ 4,948	\$ 7,955	\$ 25,801
Deposits and investments outside City Treasury.....	-	15	-	15
Receivables:				
Interest and other.....	16	207	215	8
Total assets.....	<u>\$ 28,824</u>	<u>\$ 5,170</u>	<u>\$ 8,170</u>	<u>\$ 25,824</u>
Liabilities				
Accounts payable.....	\$ 147	\$ 2,887	\$ 3,024	\$ 10
Agency obligations.....	28,677	6,394	9,257	25,814
Total liabilities.....	<u>\$ 28,824</u>	<u>\$ 9,281</u>	<u>\$ 12,281</u>	<u>\$ 25,824</u>
<b>Deposits Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 14,040	\$ 34,372	\$ 35,324	\$ 13,088
Deposits and investments outside City Treasury.....	23	2	23	2
Receivables:				
Interest and other.....	54	111	86	79
Deferred charges and other assets.....	34,538	-	-	34,538
Total assets.....	<u>\$ 48,655</u>	<u>\$ 34,485</u>	<u>\$ 35,433</u>	<u>\$ 47,707</u>
Liabilities				
Accounts payable.....	\$ 853	\$ 12,824	\$ 12,937	\$ 740
Agency obligations.....	47,802	33,289	34,124	46,967
Total liabilities.....	<u>\$ 48,655</u>	<u>\$ 46,113</u>	<u>\$ 47,061</u>	<u>\$ 47,707</u>
<b>Payroll Deduction Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 14,111	\$ 24,587	\$ -	\$ 38,698
Receivables:				
Employer and employee contributions.....	58,441	1,296	-	59,737
Total assets.....	<u>\$ 72,552</u>	<u>\$ 25,883</u>	<u>\$ -</u>	<u>\$ 98,435</u>
Liabilities				
Accounts payable.....	\$ 12,704	\$ -	\$ 3,415	\$ 9,289
Agency obligations.....	59,848	29,298	-	89,146
Total liabilities.....	<u>\$ 72,552</u>	<u>\$ 29,298</u>	<u>\$ 3,415</u>	<u>\$ 98,435</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
For the Year Ended June 30, 2013  
(In Thousands)

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2013</u>
<b>State Revenue Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 826	\$ 4,826	\$ 3,888	\$ 1,764
Deposits and investments outside City Treasury.....	2	3	2	3
Receivables:				
Interest and other.....	-	1	1	-
Total assets.....	<u>\$ 828</u>	<u>\$ 4,830</u>	<u>\$ 3,891</u>	<u>\$ 1,767</u>
Liabilities				
Accounts payable.....	\$ 398	\$ 3,576	\$ 3,791	\$ 183
Agency obligations.....	430	4,817	3,663	1,584
Total liabilities.....	<u>\$ 828</u>	<u>\$ 8,393</u>	<u>\$ 7,454</u>	<u>\$ 1,767</u>
<b>Tax Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 60,281	\$ 3,467,450	\$ 3,473,470	\$ 54,261
Deposits and investments outside City Treasury.....	179	125	179	125
Receivables:				
Interest and other.....	171,653	173,800	171,621	173,832
Total assets.....	<u>\$ 232,113</u>	<u>\$ 3,641,375</u>	<u>\$ 3,645,270</u>	<u>\$ 228,218</u>
Liabilities				
Accounts payable.....	\$ 16,961	\$ 106,839	\$ 115,729	\$ 8,071
Agency obligations.....	215,152	2,366,269	2,361,274	220,147
Total liabilities.....	<u>\$ 232,113</u>	<u>\$ 2,473,108</u>	<u>\$ 2,477,003</u>	<u>\$ 228,218</u>
<b>Transit Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 8,065	\$ 58,108	\$ 61,379	\$ 4,794
Receivables:				
Interest and other.....	2	34	35	1
Total assets.....	<u>\$ 8,067</u>	<u>\$ 58,142</u>	<u>\$ 61,414</u>	<u>\$ 4,795</u>
Liabilities				
Accounts payable.....	\$ 1,167	\$ 18,034	\$ 17,180	\$ 2,021
Agency obligations.....	6,900	41,496	45,622	2,774
Total liabilities.....	<u>\$ 8,067</u>	<u>\$ 59,530</u>	<u>\$ 62,802</u>	<u>\$ 4,795</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
For the Year Ended June 30, 2013  
(In Thousands)

	<b>Balance July 1, 2012</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2013</b>
<b>Other Agency Funds</b>				
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 15,573	\$ 252,636	\$ 251,371	\$ 16,838
Deposits and investments outside City Treasury.....	4	-	4	-
Receivables:				
Interest and other.....	370	436	402	404
Total assets.....	<u>\$ 15,947</u>	<u>\$ 253,072</u>	<u>\$ 251,777</u>	<u>\$ 17,242</u>
<b>Liabilities</b>				
Accounts payable.....	\$ 2,359	\$ 68,052	\$ 66,929	\$ 3,482
Agency obligations.....	13,588	244,563	244,391	13,760
Total liabilities.....	<u>\$ 15,947</u>	<u>\$ 312,615</u>	<u>\$ 311,320</u>	<u>\$ 17,242</u>
 <b>Total Agency Funds</b>				
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 141,704	\$ 3,846,927	\$ 3,833,387	\$ 155,244
Deposits and investments outside City Treasury.....	208	145	208	145
Receivables:				
Employer and employee contributions.....	58,441	1,296	-	59,737
Interest and other.....	172,095	174,589	172,360	174,324
Deferred charges and other assets.....	34,538	-	-	34,538
Total assets.....	<u>\$ 406,986</u>	<u>\$ 4,022,957</u>	<u>\$ 4,005,955</u>	<u>\$ 423,988</u>
<b>Liabilities</b>				
Accounts payable.....	\$ 34,589	\$ 212,212	\$ 223,005	\$ 23,796
Agency obligations.....	372,397	2,726,126	2,698,331	400,192
Total liabilities.....	<u>\$ 406,986</u>	<u>\$ 2,938,338</u>	<u>\$ 2,921,336</u>	<u>\$ 423,988</u>



# Statistical Section



The Ferry Building after 2003 renovation.



# CITY AND COUNTY OF SAN FRANCISCO

## Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

### **Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

#### **Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY AND COUNTY OF SAN FRANCISCO**  
**NET POSITION BY COMPONENT (2)**  
**Last Ten Fiscal Years**  
(In Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 1,096,834	\$ 1,159,696	\$ 1,438,010	\$ 1,454,614	\$ 1,436,842	\$ 1,725,203	\$ 1,833,733	\$ 1,910,341	\$ 2,199,316	\$ 2,275,963
Restricted for:										
Cash and emergencies requirements by										
Charter <sup>(1)</sup> .....	55,139	-	-	-	-	-	-	-	-	-
Reserve for rainy day.....	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339
Debt service.....	9,996	46,575	53,076	28,310	23,130	30,724	34,308	36,805	48,202	98,754
Capital projects.....	48,313	25,101	10,589	19,128	-	-	63,323	82,315	91,997	154,502
Community development.....	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423
Transportation Authority activities.....	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924
Building inspection programs.....	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131
Children and families.....	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170
Culture, recreation, grants and other purposes.....	63,326	76,068	84,531	113,606	112,219	116,032	113,917	155,152	150,383	158,973
Unrestricted (deficit).....	(325,147)	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)
Total governmental activities net position.....	\$ 1,306,741	\$ 1,501,082	\$ 1,794,618	\$ 1,871,011	\$ 1,585,056	\$ 1,305,203	\$ 1,152,985	\$ 1,310,279	\$ 1,920,010	\$ 1,820,159
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 3,416,154	\$ 3,391,450	\$ 3,438,397	\$ 3,795,006	\$ 3,935,008	\$ 4,204,644	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579
Restricted for:										
Debt service.....	242,537	202,006	256,055	249,656	282,187	58,716	71,128	62,421	53,951	58,970
Capital projects.....	128,387	161,231	148,957	75,771	111,463	140,932	188,580	161,580	176,570	299,942
Other purposes.....	61,241	66,753	32,354	23,709	28,254	31,459	18,854	18,741	18,913	13,046
Unrestricted.....	464,658	446,039	536,670	567,122	491,437	324,395	259,533	268,328	242,842	610,565
Total business-type activities net position.....	\$ 4,312,977	\$ 4,267,479	\$ 4,412,433	\$ 4,711,264	\$ 4,848,349	\$ 4,760,146	\$ 4,815,894	\$ 4,992,474	\$ 5,031,266	\$ 5,674,102
<b>Primary government</b>										
Net investment in capital assets.....	\$ 4,512,988	\$ 4,551,146	\$ 4,876,407	\$ 5,249,620	\$ 5,371,850	\$ 5,630,550	\$ 5,735,844	\$ 5,993,892	\$ 6,459,434	\$ 6,692,499
Restricted for:										
Cash and emergencies requirements by										
Charter.....	55,139	-	-	-	-	-	-	-	-	-
Reserve for rainy day.....	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339
Debt service.....	252,533	248,581	309,131	277,966	305,317	89,440	105,436	99,226	102,153	157,724
Capital projects.....	176,700	186,332	159,546	94,899	111,463	140,932	239,209	223,694	246,027	356,002
Community development.....	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423
Transportation Authority activities.....	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924
Building inspection programs.....	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131
Children and families.....	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170
Culture, recreation, grants and other purposes.....	124,567	142,821	116,885	137,315	140,473	147,491	132,771	173,893	169,296	172,019
Unrestricted (deficit).....	139,511	245,572	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)
Total primary activities net position.....	\$ 5,619,718	\$ 5,768,561	\$ 6,207,051	\$ 6,582,275	\$ 6,433,405	\$ 6,065,349	\$ 5,968,879	\$ 6,302,753	\$ 6,951,276	\$ 7,494,261

Notes:

- (1) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.
- (2) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.



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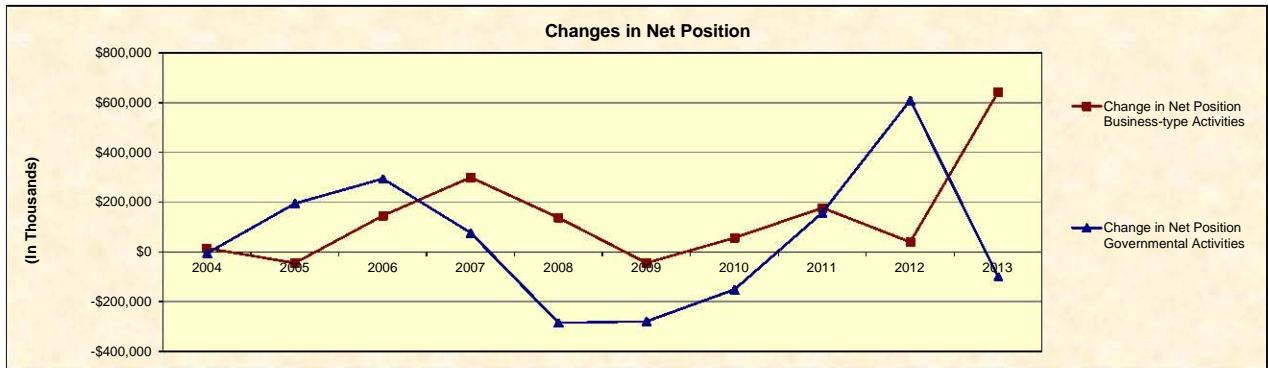
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**CITY AND COUNTY OF SAN FRANCISCO**  
**CHANGES IN NET POSITION**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009 <sup>(1)</sup>	2010	2011	2012	2013
<b>Expenses</b>										
Governmental activities:										
Public protection.....	\$ 727,580	\$ 738,688	\$ 780,642	\$ 861,689	\$ 1,020,457	\$ 1,109,311	\$ 1,089,309	\$ 1,099,791	\$ 1,158,618	\$ 1,236,922
Public works, transportation and commerce.....	169,179	213,335	272,397	309,095	342,411	254,955	225,589	239,230	210,415	189,124
Human welfare and neighborhood development.....	651,250	619,753	858,396	751,034	848,195	908,449	933,039	885,194	942,523	946,562
Community health.....	517,066	503,259	478,844	516,321	567,410	608,733	599,741	613,883	673,905	751,491
Culture and recreation.....	232,187	256,336	244,423	290,547	347,433	319,994	310,063	318,083	307,269	338,042
General administration and finance.....	183,258	152,850	167,490	194,653	250,295	238,601	221,471	224,027	237,818	249,271
General City responsibilities.....	73,530	59,024	49,054	67,948	80,887	72,634	80,246	84,444	96,147	83,895
Unallocated Interest on long-term debt.....	86,131	89,690	94,923	94,060	97,694	93,387	102,635	110,142	110,145	107,790
Total governmental activities expenses.....	<u>2,640,181</u>	<u>2,632,935</u>	<u>2,946,169</u>	<u>3,085,347</u>	<u>3,554,782</u>	<u>3,606,064</u>	<u>3,562,093</u>	<u>3,574,794</u>	<u>3,736,840</u>	<u>3,903,097</u>
Business-type activities:										
Airport.....	618,301	628,445	633,102	624,832	651,581	683,335	662,347	690,875	746,610	756,961
Transportation.....	660,650	711,733	695,593	726,053	830,411	863,218	905,694	905,218	959,088	1,026,726
Port.....	61,185	54,897	55,329	61,937	67,495	71,778	73,573	68,661	72,307	81,422
Water.....	206,211	197,848	213,584	236,824	252,802	277,162	325,242	362,802	431,248	445,804
Power.....	121,629	116,683	119,146	119,436	109,436	96,228	119,109	119,282	130,709	129,790
Hospitals.....	562,188	598,160	646,149	714,349	812,399	820,236	842,488	885,294	954,566	992,687
Sewer.....	150,586	160,650	160,701	168,954	182,712	184,977	201,403	201,629	214,593	223,727
Market.....	949	1,055	1,035	1,061	1,052	1,144	1,119	1,152	1,138	1,231
Total business-type activities expenses.....	<u>2,381,699</u>	<u>2,469,471</u>	<u>2,524,639</u>	<u>2,629,030</u>	<u>2,907,888</u>	<u>2,998,078</u>	<u>3,130,975</u>	<u>3,234,913</u>	<u>3,510,259</u>	<u>3,658,348</u>
Total primary government expenses.....	<u>\$ 5,021,880</u>	<u>\$ 5,102,406</u>	<u>\$ 5,470,808</u>	<u>\$ 5,714,377</u>	<u>\$ 6,462,670</u>	<u>\$ 6,604,142</u>	<u>\$ 6,693,068</u>	<u>\$ 6,809,707</u>	<u>\$ 7,247,099</u>	<u>\$ 7,561,445</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public protection.....	\$ 40,349	\$ 54,805	\$ 51,874	\$ 58,979	\$ 66,343	\$ 90,044	\$ 58,980	\$ 62,105	\$ 61,412	\$ 60,190
Public works, transportation and commerce.....	83,176	95,081	113,861	111,364	115,939	72,287	71,288	101,846	93,809	105,981
Human welfare and neighborhood development.....	23,931	21,375	29,181	56,367	108,956	33,988	25,813	56,628	68,794	69,997
Community health.....	38,933	44,850	52,183	50,266	52,455	60,708	65,756	64,419	58,864	60,856
Culture and recreation.....	53,369	64,614	64,720	65,407	70,576	74,477	81,855	76,528	78,828	93,612
General administration and finance.....	43,585	41,348	55,799	10,502	20,376	33,530	35,190	37,601	44,358	76,903
General City responsibilities.....	59,609	28,956	31,647	29,604	26,980	27,377	37,806	29,316	29,142	50,121
Operating Grants and Contributions.....	823,784	834,607	859,919	927,256	926,089	909,695	997,091	1,040,116	998,701	1,086,154
Capital Grants and Contributions.....	39,209	55,435	248,329	50,479	36,079	44,048	50,349	57,719	41,174	29,718
Total Governmental activities program revenues.....	<u>1,205,945</u>	<u>1,241,071</u>	<u>1,507,513</u>	<u>1,360,224</u>	<u>1,423,793</u>	<u>1,346,154</u>	<u>1,424,128</u>	<u>1,526,278</u>	<u>1,475,082</u>	<u>1,633,532</u>
Business-type activities:										
Charges for services:										
Airport.....	486,132	477,314	455,342	503,914	535,771	551,283	578,041	607,323	668,672	726,358
Transportation.....	186,390	187,913	210,692	222,115	257,341	257,083	311,311	334,140	350,464	494,805
Port.....	56,702	57,519	58,588	61,193	64,498	66,438	66,579	72,266	77,260	80,202
Water.....	168,260	184,835	201,833	216,531	234,216	265,781	265,218	288,395	342,101	721,470
Power.....	124,474	132,303	149,500	108,224	119,855	115,274	128,590	140,035	127,309	133,927
Hospitals.....	453,607	493,596	472,327	515,092	558,167	568,210	606,276	726,522	740,920	868,244
Sewer.....	137,806	148,888	164,703	193,411	202,549	208,654	209,843	229,216	244,155	252,554
Market.....	1,413	1,462	1,503	1,567	1,564	1,546	1,681	1,655	1,672	1,715
Operating Grants and Contributions.....	169,767	180,807	188,672	183,301	181,725	186,805	182,572	204,153	200,318	224,382
Capital Grants and Contributions.....	94,818	93,724	110,403	150,080	152,511	107,118	180,253	213,364	173,975	251,753
Total business-type activities program revenues.....	<u>1,879,369</u>	<u>1,958,361</u>	<u>2,013,563</u>	<u>2,155,428</u>	<u>2,308,197</u>	<u>2,328,192</u>	<u>2,530,364</u>	<u>2,817,069</u>	<u>2,926,846</u>	<u>3,755,410</u>
Total primary government program revenues.....	<u>\$ 3,085,314</u>	<u>\$ 3,199,432</u>	<u>\$ 3,521,076</u>	<u>\$ 3,515,652</u>	<u>\$ 3,731,990</u>	<u>\$ 3,674,346</u>	<u>\$ 3,954,492</u>	<u>\$ 4,343,347</u>	<u>\$ 4,401,928</u>	<u>\$ 5,388,942</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**CHANGES IN NET POSITION (Continued)**  
**Last Ten Fiscal Years**  
(accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009 <sup>(1)</sup>	2010	2011	2012	2013
<b>Net (expenses)/revenue</b>										
Governmental activities.....	\$ (1,434,236)	\$ (1,391,864)	\$ (1,438,656)	\$ (1,725,123)	\$ (2,130,989)	\$ (2,259,910)	\$ (2,137,965)	\$ (2,048,516)	\$ (2,261,758)	\$ (2,269,565)
Business-type activities.....	(502,330)	(511,110)	(511,076)	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062
Total primary government net expenses.....	\$ (1,936,566)	\$ (1,902,974)	\$ (1,949,732)	\$ (2,198,725)	\$ (2,730,680)	\$ (2,929,796)	\$ (2,738,576)	\$ (2,466,360)	\$ (2,845,171)	\$ (2,172,503)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes.....	\$ 723,786	\$ 920,314	\$ 1,016,220	\$ 1,126,992	\$ 1,189,511	\$ 1,302,071	\$ 1,345,040	\$ 1,340,590	\$ 1,355,855	\$ 1,415,068
Business taxes.....	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131
Sales and use tax.....	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025
Hotel room tax.....	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782
Utility users tax.....	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871
Other local taxes.....	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,746	359,808
Interest and investment income.....	11,856	29,490	71,129	86,233	57,929	35,434	27,877	17,645	31,453	7,862
Other.....	170,163	47,153	56,022	33,046	25,939	44,086	54,410	58,524	91,236	52,865
Transfers - internal activities of primary government.....	(251,937)	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)
Extraordinary gain (loss).....	-	-	-	-	-	-	-	-	323,130	(201,670)
Total governmental activities.....	1,428,155	1,586,205	1,732,192	1,801,516	1,845,034	1,980,057	1,985,747	2,205,810	2,871,489	2,169,714
Business-type activities:										
Interest and investment income.....	17,620	33,268	53,161	85,692	67,217	49,691	44,471	42,299	82,533	1,009
Other.....	237,692	237,102	272,873	218,184	233,244	181,759	176,064	214,993	288,584	61,737
Special item.....	9,245	(46,358)	-	17,386	(41,026)	-	-	-	-	-
Transfers - internal activities of primary government.....	251,937	241,600	329,996	451,171	477,341	393,259	435,824	337,132	251,088	483,028
Total business-type activities.....	516,494	465,612	656,030	772,433	736,776	624,709	656,359	594,424	622,205	545,774
Total primary government.....	\$ 1,944,649	\$ 2,051,817	\$ 2,388,222	\$ 2,573,949	\$ 2,581,810	\$ 2,604,766	\$ 2,642,106	\$ 2,800,234	\$ 3,493,694	\$ 2,715,488
<b>Change in Net Position</b>										
Governmental activities.....	\$ (6,081)	\$ 194,341	\$ 293,536	\$ 76,393	\$ (285,955)	\$ (279,853)	\$ (152,218)	\$ 157,294	\$ 609,731	\$ (99,851)
Business-type activities.....	14,164	(45,498)	144,954	298,831	137,085	(45,177)	55,748	176,580	38,792	642,836
Total primary government.....	\$ 8,083	\$ 148,843	\$ 438,490	\$ 375,224	\$ (148,870)	\$ (325,030)	\$ (96,470)	\$ 333,874	\$ 648,523	\$ 542,985



Notes:

(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

**CITY AND COUNTY OF SAN FRANCISCO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(In Thousands)

	Fiscal Year					
	2004 <sup>(1)</sup>	2005	2006	2007	2008	2009
<b>General Fund</b>						
Reserved for rainy day.....	\$ 55,139	\$ 48,139	\$ 121,976	\$ 133,622	\$ 117,792	\$ 98,297
Reserved for assets not available for appropriation.....	7,142	9,031	10,710	12,665	11,358	11,307
Reserved for encumbrances.....	42,501	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward.....	35,754	36,198	124,009	161,127	99,959	91,075
Reserved for subsequent years' budgets.....	6,242	22,351	27,451	32,062	36,341	6,891
Unreserved.....	63,657	134,199	138,971	141,037	77,117	28,203
Total general fund.....	<u>\$ 210,435</u>	<u>\$ 307,680</u>	<u>\$ 461,276</u>	<u>\$ 541,461</u>	<u>\$ 405,635</u>	<u>\$ 301,675</u>
<b>All other governmental funds</b>						
Reserved for assets not available for appropriation.....	\$ 17,443	\$ 17,683	\$ 20,202	\$ 19,413	\$ 19,814	\$ 19,781
Reserved for debt service.....	18,800	45,540	57,429	51,299	47,334	75,886
Reserved for encumbrances.....	142,784	97,920	423,120	288,948	193,461	167,169
Reserved for appropriation carryforward.....	287,690	549,571	294,340	292,234	314,051	501,006
Reserved for subsequent years' budgets.....	8,005	8,004	8,004	8,004	13,504	11,245
Unreserved reported in:						
Special revenue funds.....	19,043	30,809	35,243	47,445	(27,758)	(69,468)
Capital projects funds.....	10,048	7,193	13,662	(373)	2,126	(26,153)
Permanent fund.....	3,326	3,856	2,308	3,508	3,502	3,871
Total other governmental funds.....	<u>\$ 507,139</u>	<u>\$ 760,576</u>	<u>\$ 854,308</u>	<u>\$ 710,478</u>	<u>\$ 566,034</u>	<u>\$ 683,337</u>
<b>2010 <sup>(2)</sup>      2011      2012      2013</b>						
<b>General Fund</b>						
Nonspendable.....	\$ 14,874	\$ 20,501	\$ 19,598	\$ 23,854		
Restricted.....	39,582	33,439	34,109	26,339		
Committed.....	4,677	33,431	79,276	137,487		
Assigned.....	132,645	240,635	305,413	353,191		
Unassigned.....	-	-	17,329	-		
Total general fund.....	<u>\$ 191,778</u>	<u>\$ 328,006</u>	<u>\$ 455,725</u>	<u>\$ 540,871</u>		
<b>All other governmental funds</b>						
Nonspendable.....	\$ 192	\$ 192	\$ 1,104	\$ 274		
Restricted.....	861,188	831,269	1,189,102	1,191,189		
Assigned.....	27,493	27,622	28,006	30,759		
Unassigned.....	(81,566)	(59,523)	(136,856)	(94,532)		
Total other governmental funds.....	<u>\$ 807,307</u>	<u>\$ 799,560</u>	<u>\$ 1,081,356</u>	<u>\$ 1,127,690</u>		

Notes:

- (1) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.
- (2) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.



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**CITY AND COUNTY OF SAN FRANCISCO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2004	2005 <sup>(1)</sup>	2006	2007	2008	2009 <sup>(2)</sup>	2010	2011	2012	2013
<b>Revenues:</b>										
Property taxes.....	\$ 721,437	\$ 918,645	\$ 1,008,151	\$ 1,107,864	\$ 1,179,688	\$ 1,272,385	\$ 1,331,957	\$ 1,380,356	\$ 1,352,857	\$ 1,421,764
Business taxes.....	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131
Sales and use tax.....	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025
Hotel room tax.....	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782
Utility users tax.....	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871
Other local taxes.....	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,889	359,808
Licenses, permits and franchises.....	23,788	25,942	27,662	27,428	30,943	32,153	33,625	35,977	39,770	40,901
Fines, forfeitures and penalties.....	25,183	12,509	14,449	8,871	13,217	9,694	22,255	11,770	30,090	49,841
Interest and investment income.....	11,630	28,268	70,046	83,846	54,256	33,547	27,038	17,041	31,371	7,489
Rent and concessions.....	58,979	49,450	52,426	52,493	70,160	77,014	78,527	78,995	89,183	98,770
Intergovernmental:										
Federal.....	344,155	348,764	350,985	381,688	328,315	362,582	448,890	484,704	420,974	420,775
State.....	630,953	522,937	565,989	582,666	561,095	575,774	552,641	581,119	588,532	656,141
Other.....	18,259	25,783	23,500	15,689	15,907	15,186	7,397	32,017	33,181	41,789
Charges for services.....	217,647	241,750	263,994	273,057	288,689	280,407	243,128	258,015	264,856	296,059
Other.....	57,144	57,487	61,565	44,084	81,321	30,318	51,023	97,194	83,634	81,014
Total revenues.....	<u>2,883,462</u>	<u>3,062,383</u>	<u>3,357,584</u>	<u>3,584,102</u>	<u>3,672,587</u>	<u>3,680,785</u>	<u>3,790,725</u>	<u>4,103,371</u>	<u>4,255,494</u>	<u>4,493,160</u>
<b>Expenditures</b>										
Public protection.....	706,758	738,494	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884
Public works, transportation and commerce.....	165,555	195,896	274,669	280,907	236,569	248,161	243,454	226,920	250,879	223,218
Human welfare and neighborhood development.....	662,948	644,899	697,102	740,171	828,903	886,686	918,301	870,091	918,414	945,106
Community health.....	512,914	501,050	471,741	509,844	543,046	578,828	581,392	595,222	653,263	734,736
Culture and recreation.....	273,163	239,022	256,979	286,135	309,612	313,442	303,134	310,392	311,156	328,794
General administration and finance.....	153,709	135,118	161,195	167,505	215,054	190,680	187,221	191,641	203,157	211,138
General City responsibilities.....	74,623	62,799	53,763	57,532	71,205	73,147	86,498	85,463	96,150	81,775
Debt service:										
Principal retirement.....	78,831	80,306	86,970	98,169	106,580	126,501	154,051	148,231	167,465	154,542
Interest and fiscal charges.....	61,886	61,524	75,975	71,266	75,844	74,466	89,946	101,716	103,706	108,189
Bond issuance costs.....	1,350	4,842	1,933	3,683	1,090	4,746	2,145	2,161	5,386	2,913
Capital outlay.....	165,872	130,224	153,493	283,370	133,155	152,473	182,448	214,817	270,094	410,994
Total expenditures.....	<u>2,857,609</u>	<u>2,794,174</u>	<u>3,021,218</u>	<u>3,364,138</u>	<u>3,539,270</u>	<u>3,648,648</u>	<u>3,770,095</u>	<u>3,777,835</u>	<u>4,058,873</u>	<u>4,347,289</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>25,853</u>	<u>268,209</u>	<u>336,366</u>	<u>219,964</u>	<u>133,317</u>	<u>32,137</u>	<u>20,630</u>	<u>325,536</u>	<u>196,621</u>	<u>145,871</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)**  
**Last Ten Fiscal Years**  
(modified accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2004	2005 <sup>(1)</sup>	2006	2007	2008	2009 <sup>(2)</sup>	2010	2011	2012	2013
<b>Other financing sources (uses):</b>										
Transfers in.....	204,660	271,553	224,523	217,298	244,770	352,693	302,790	304,682	335,600	447,734
Transfers out.....	(456,852)	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)
Issuance of bonds and loans:										
Face value of bonds issued.....	116,645	346,225	219,120	312,955	310,155	456,935	393,010	232,965	804,090	557,490
Face value of loans issued.....	2,156	500	5,359	141	1,829	-	599	1,813	4,359	5,890
Premium on issuance of bonds.....	1,411	11,989	10,233	3,521	13,071	12,875	16,647	16,799	89,336	64,469
Discount on issuance of bonds.....	-	-	-	(1,856)	-	-	-	-	-	-
Payment to refunded bond escrow agent.....	(65,802)	(38,913)	-	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-
Other financing sources - capital leases.....	6,165	4,542	6,882	12,789	24,254	24,881	20,746	19,769	12,304	13,470
Total other financing sources (uses).....	<u>(191,617)</u>	<u>82,473</u>	<u>(89,038)</u>	<u>(283,609)</u>	<u>(413,587)</u>	<u>(18,794)</u>	<u>(6,557)</u>	<u>(197,055)</u>	<u>15,580</u>	<u>158,260</u>
Extraordinary gain (loss).....	-	-	-	-	-	-	-	-	197,314	(172,651)
Net change in fund balances.....	<u>\$ (165,764)</u>	<u>\$ 350,682</u>	<u>\$ 247,328</u>	<u>\$ (63,645)</u>	<u>\$ (280,270)</u>	<u>\$ 13,343</u>	<u>\$ 14,073</u>	<u>\$ 128,481</u>	<u>\$ 409,515</u>	<u>\$ 131,480</u>
Debt service as a percentage of noncapital expenditures.....	5.25%	5.31%	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%
Debt service as a percentage of total expenditures.....	4.92%	5.08%	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%

Notes:

- (1) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.
- (2) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

**CITY AND COUNTY OF SAN FRANCISCO**  
**ASSESSED VALUE OF TAXABLE PROPERTY** <sup>(1)(3)(4)</sup>  
**Last Ten Fiscal Years**  
(In Thousands)

Fiscal Year <sup>(4)</sup>	Assessed Value			Exemptions <sup>(2)</sup>			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments		
2004.....	\$ 99,878,960	\$ 3,848,851	\$ 103,727,811	\$ 3,706,357	\$ 689,558	\$ 3,892,143	\$ 95,439,753	1.00%
2005.....	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006.....	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007.....	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008.....	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009.....	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010.....	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011.....	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012.....	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013.....	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%

Source:

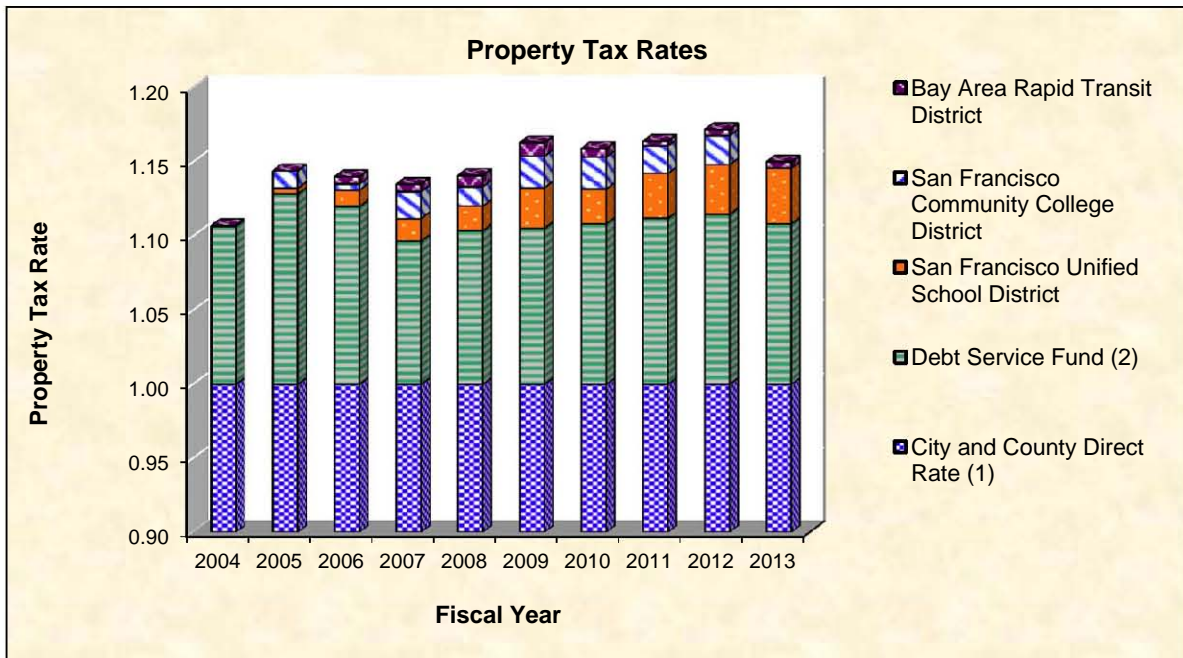
Controller, City and County of San Francisco

Notes:

- (1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.
- (2) Exemptions are summarized as follows:
  - (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  - (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.
- (3) Based on certified assessed values.
- (4) Based on year end actual assessed values.

**CITY AND COUNTY OF SAN FRANCISCO**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
**Last Ten Fiscal Years**  
(Rate Per \$1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate <sup>(1)</sup>	Overlapping Rates				Total
		Debt Service Fund <sup>(2)</sup>	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691



**Notes:**

- (1) Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.
- (2) On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PRINCIPAL PROPERTY ASSESSEES**  
**Current Fiscal Year and Nine Fiscal Years Ago**  
(Dollar in Thousands)

Assessee	Type of Business	Fiscal Year 2013			Fiscal Year 2004		
		Taxable Assessed Value <sup>(1)</sup>	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(2)</sup>
HWA 555 Owners LLC	Office, Commercial	\$ 922,558	1	0.56%	\$ -	-	-
Paramount Group Real Estate Fund	Office, Commercial	755,777	2	0.46%	-	-	-
Emporium Mall LLC	Retail, Commercial	422,217	3	0.25%	-	-	-
HD333 LLC	Office, Commercial	394,666	4	0.24%	-	-	-
SHC Embarcadero LLC	Office, Commercial	389,419	5	0.24%	-	-	-
Post-Montgomery Associates	Office, Commercial	379,674	6	0.23%	375,146	7	0.38
SF Hilton Inc	Hotel	376,676	7	0.23%	-	-	-
SHR St. Francis LLC	Hotel	367,002	8	0.22%	-	-	-
PPF Off One Maritime Plaza LP	Office, Commercial	360,181	9	0.22%	-	-	-
One Embarcadero Center Venture	Office, Commercial	337,278	10	0.20%	-	-	-
Embarcadero Center Venture	Office, Commercial	-	-	-	1,385,665	1	1.40
Pacific Gas & Electric Company	Utilities	-	-	-	910,808	2	0.92
555 California Street Partners	Office, Commercial	-	-	-	907,510	3	0.92
Pacific Bell	Utilities, Communications	-	-	-	558,035	4	0.57
National Office Partners	Office, Garage	-	-	-	395,064	5	0.40
YBG Associates LLC	Hotel	-	-	-	378,627	6	0.38
BRE- St Francis LLC	Hotels	-	-	-	350,267	8	0.36
CB-1 Entertainment Partners	Hotels, Condos	-	-	-	349,652	9	0.35
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-	-	-	344,474	10	0.35
<b>Total</b>		<b>\$ 4,705,448</b>		<b>2.85%</b>	<b>\$ 5,955,248</b>		<b>6.03%</b>

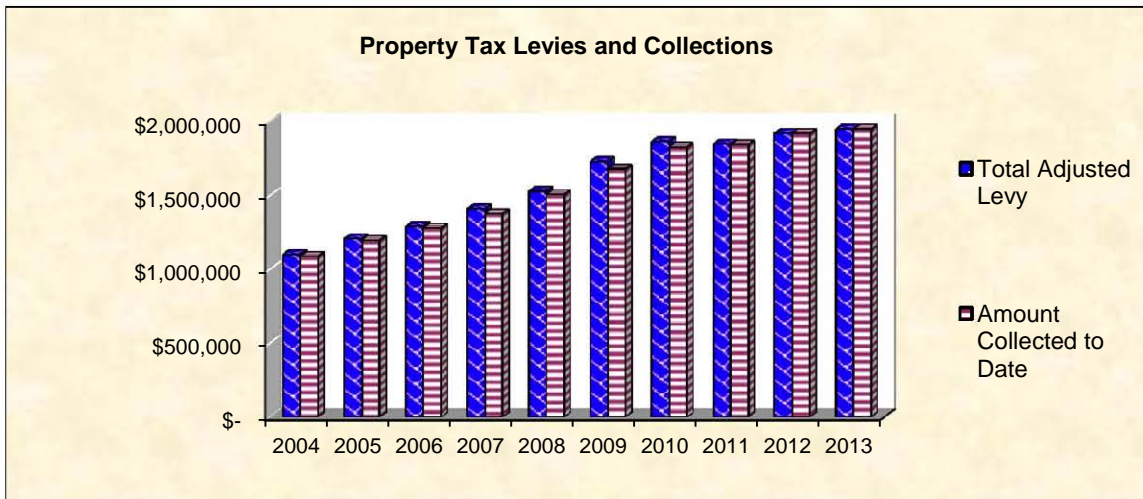
Source: Assessor, City and County of San Francisco

Notes:

- (1) Data for fiscal year 2012-2013 updated as of July 1, 2012.
- (2) Assessed values for fiscal years 2012-2013 and 2003-2004 are from the tax rolls of calendar years 2012 and 2003, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PROPERTY TAX LEVIES AND COLLECTIONS <sup>(1)(2)</sup>**  
**Last Ten Fiscal Years**  
(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years <sup>(3)</sup>	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Adjusted Levy
2004	\$ 1,100,951	\$ 1,079,354	98.04%	\$ 9,092	\$ 1,088,446	98.86%
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90



Source: Controller, City and County of San Francisco

Notes:

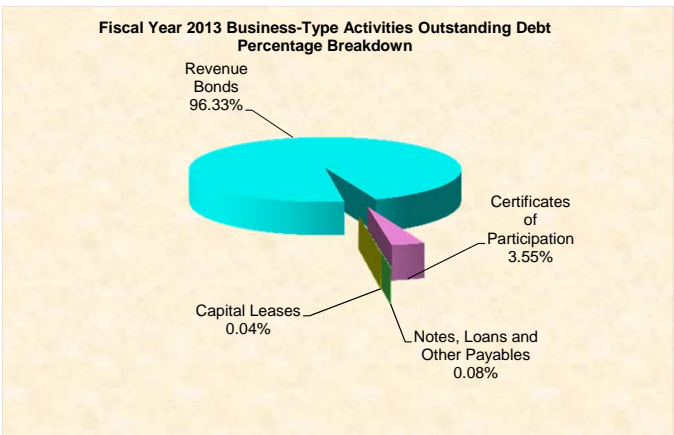
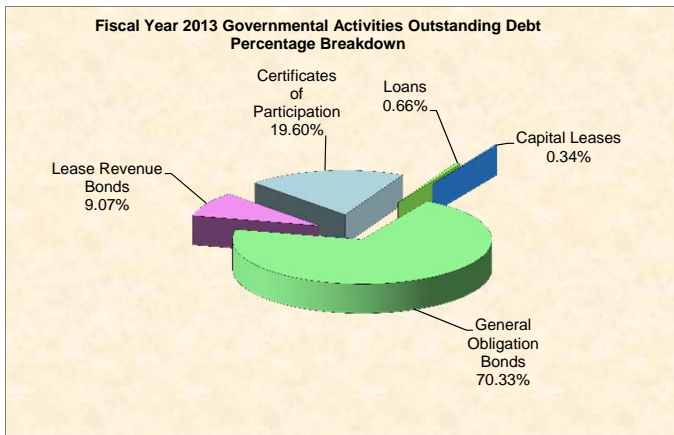
- (1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.
- (2) Does not include SB-813 supplemental property taxes.
- (3) Collections in subsequent years reflect assessment appeals reduction.

**CITY AND COUNTY OF SAN FRANCISCO**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**Last Ten Fiscal Years**  
**(In Thousands, except per capita amount)**

Governmental Activities							
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation and Others <sup>(1)</sup>	Subtotal
2004.....	\$ 843,499	\$ 245,826	\$ 287,483	\$ 9,515	\$ 194,815	\$ 94,196	\$ 1,675,334
2005.....	1,097,050	230,738	280,561	7,961	198,703	188,602	2,003,615
2006.....	1,252,217	231,497	273,522	12,377	190,279	182,899	2,142,791
2007.....	1,172,363	250,095	416,258	11,640	185,736	177,062	2,213,154
2008.....	1,120,688	283,469	408,020	12,495	174,149	170,577	2,169,398
2009.....	1,193,927	293,326	564,110	11,329	164,383	163,905	2,390,980
2010.....	1,429,899	285,085	591,049	10,607	152,273	162,114	2,631,027
2011.....	1,401,080	281,274	582,221	10,072	141,377	-	2,416,024
2012.....	1,606,170	274,467	547,251	13,878	22,878	-	2,464,644
2013.....	2,042,553	263,498	569,380	19,184	9,741	-	2,904,356

Business-Type Activities <sup>(1) (2)</sup>							Total Primary Government			
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income <sup>(3)</sup>	Per Capita <sup>(3)</sup>
2004.....	\$ 5,105,883	\$ 400	\$ 150,196	\$ -	\$ 30,995	\$ 4,891	\$ 5,292,365	\$ 6,967,699	15.55%	\$ 9,011
2005.....	5,017,292	-	134,783	-	27,278	4,754	5,184,107	7,187,722	14.64	9,243
2006.....	5,450,963	-	118,868	-	22,962	5,522	5,598,315	7,741,106	14.36	9,847
2007.....	5,321,564	-	102,438	-	18,447	4,499	5,446,948	7,660,102	13.60	9,585
2008.....	5,239,031	-	89,101	-	13,749	3,843	5,345,724	7,515,122	12.91	9,301
2009.....	4,803,640	-	75,339	-	324,042	2,635	5,205,656	7,596,636	13.56	9,317
2010.....	7,009,485	-	61,140	194,112 <sup>(2)</sup>	73,322	1,416	7,339,475	9,970,502	17.60	12,382
2011.....	7,959,399	-	46,492	193,579	31,730	652	8,231,852	10,647,876	18.16	13,100
2012.....	9,124,807	-	36,898	348,641	7,163	3,155	9,520,664	11,985,308	19.96	14,512
2013.....	9,206,063	-	-	339,007	7,370	3,606	9,556,046	12,460,402	20.29	14,850



Notes:

- (1) The amount for fiscal year 2004 to fiscal year 2010 includes obligation on 2003 Refunding Settlement Obligation Bonds S2003-R1, which matured on March 15, 2011. The amount for fiscal year 2011 to fiscal year 2012 were revised to exclude commercial paper issued by the San Francisco County Transportation Authority and the City for multiple capital projects.
- (2) Includes \$22,550 in Certificates of Participation which was presented in FY 2010 in Capital Leases.
- (3) See Demographic and Economic Statistics, for personal income and population data.

**CITY AND COUNTY OF SAN FRANCISCO**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**Last Ten Fiscal Years**  
(In Thousands, except per capita amount)

<b>Fiscal Year</b>	<b>General Obligation Bonds <sup>(1)</sup></b>	<b>Less: Amounts Restricted for Debt Service <sup>(1)</sup></b>	<b>Total</b>	<b>Per Capita <sup>(2)(3)</sup></b>	<b>Percentage of Taxable Assessed Value <sup>(4)</sup></b>
2004	\$ 843,499	\$ 1,533	\$ 841,966	\$ 1,089	0.84%
2005	1,097,050	33,774	1,063,276	1,367	1.00
2006	1,252,217	46,929	1,205,288	1,533	1.06
2007	1,172,363	35,249	1,137,114	1,423	0.91
2008	1,120,688	31,883	1,088,805	1,348	0.81
2009	1,193,927	40,907	1,153,020	1,414	0.77
2010	1,429,898	36,901	1,392,997	1,730	0.86
2011	1,401,080	39,330	1,361,750	1,675	0.85
2012	1,606,170	51,033	1,555,137	1,883	0.94
2013	2,042,553	102,188	1,940,365	2,312	1.16

Notes:

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. The amounts of general obligation bonds include unamortized bond discount, bond premium, and bond refunding loss.
- (2) Population data can be found in Demographic and Economic Statistics.
- (3) FY2012 updated with newly available data.
- (4) Taxable property data can be found in Assessed Value of Taxable Property.



**CITY AND COUNTY OF SAN FRANCISCO**  
**LEGAL DEBT MARGIN INFORMATION**  
**Last Ten Fiscal Years**  
(In Thousands)

	Fiscal Year				
	2004	2005	2006	2007	2008
Debt limit	\$ 3,000,644	\$ 3,195,776	\$ 3,419,607	\$ 3,749,434	\$ 4,050,223
Total net debt applicable to limit <sup>(1)</sup>	<u>844,350</u>	<u>1,086,355</u>	<u>1,232,205</u>	<u>1,155,944</u>	<u>1,098,913</u>
Legal debt margin	<u>\$ 2,156,294</u>	<u>\$ 2,109,421</u>	<u>\$ 2,187,402</u>	<u>\$ 2,593,490</u>	<u>\$ 2,951,310</u>
Total net debt applicable to the limit as a percentage of debt limit	28.14%	33.99%	36.03%	30.83%	27.13%

	Fiscal Year				
	2009	2010	2011	2012	2013
Debt limit	\$ 4,497,000	\$ 4,853,760	\$ 4,785,098	\$ 4,962,746	\$ 5,030,049
Total net debt applicable to limit <sup>(1)</sup>	<u>1,165,141</u>	<u>1,386,640</u>	<u>1,355,992</u>	<u>1,506,330</u>	<u>1,889,683</u>
Legal debt margin	<u>\$ 3,331,859</u>	<u>\$ 3,467,120</u>	<u>\$ 3,429,106</u>	<u>\$ 3,456,416</u>	<u>\$ 3,140,366</u>
Total net debt applicable to the limit as a percentage of debt limit	25.91%	28.57%	28.34%	30.35%	37.57%

**Legal Debt Margin Calculation for Fiscal Year 2013**

Total assessed value	\$ 175,129,006
Less: non-reimbursable exemptions <sup>(2)</sup>	<u>7,460,708</u>
Assessed value <sup>(2)</sup>	<u>\$ 167,668,298</u>
Debt limit (three percent of valuation subject to taxation <sup>(3)</sup> )	\$ 5,030,049
Debt applicable to limit - general obligation bonds	<u>1,889,683</u>
Legal debt margin	<u>\$ 3,140,366</u>

**Notes:**

<sup>(1)</sup> Per outstanding bonds, without adjustment for unamortized bond discount, bond premium and bond refunding loss.

<sup>(2)</sup> Source: Assessor, City and County of San Francisco

<sup>(3)</sup> City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.

"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

**CITY AND COUNTY OF SAN FRANCISCO**  
**DIRECT AND OVERLAPPING DEBT**  
June 30, 2013

<u>District</u>	<u>Total General Debt Outstanding</u>	<u>Estimated Percentage Applicable to City and County <sup>(1)</sup></u>	<u>Estimated Share of Overlapping Debt</u>
Bay Area Rapid Transit District.....	\$ 410,690,000	33.00%	\$ 135,527,700
San Francisco Unified School District.....	647,360,000	100.00	647,360,000
San Francisco Community College District.....	343,730,000	100.00	<u>343,730,000</u>
Subtotal, overlapping debt.....			1,126,617,700
City and County of San Francisco direct debt <sup>(1)</sup> .....			<u>1,889,683,268</u>
Total net direct and overlapping debt.....			<u>\$ 3,016,300,968</u>
Population - 2013 <sup>(2)</sup> .....			<u>839,109</u>
Estimated direct and overlapping debt per capita.....			<u>\$ 3,594.66</u>

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the districts' ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

<sup>(1)</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts' boundaries and dividing it the City's total taxable assessed value.

<sup>(2)</sup> Sources: US Census Bureau.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PLEGDED-REVENUE COVERAGE**  
**Last Ten Fiscal Years**  
(In Thousands)

**San Francisco International Airport <sup>(1)</sup>**

Fiscal Year	Operating Revenues <sup>(2)</sup>	Less: Operating Expenses <sup>(3)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2004	\$ 493,682	\$ 235,765	\$ 257,917	\$ 70,630	\$ 221,208	\$ 291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

**San Francisco Water Department <sup>(4)</sup>**

Fiscal Year	Gross Revenues <sup>(5)</sup>	Less: Operating Expenses <sup>(6)</sup>	Adjustments <sup>(8)</sup>	Net Available Revenue	Debt Service			Coverage
					Principal	Interest	Total	
2004	\$ 174,528	\$ 187,378	\$ 122,180	\$ 109,330	\$ 13,345	\$ 24,537	\$ 37,882	2.89
2005	189,928	176,453	83,078	96,553	14,055	23,939	37,994	2.54
2006	213,499	186,934	110,638	137,203	14,790	20,585	35,375	3.88
2007	241,078	202,498	112,101	150,681	16,160	48,955	65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 <sup>(7)</sup>	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 <sup>(7)</sup>	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 <sup>(7)</sup>	139,534	4.12

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 and FY2013 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

**Municipal Transportation Agency**

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges <sup>(9)(10)</sup>	Less: Operating Expenses <sup>(11)(12)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2004	\$ 25,604	\$ 10,430	\$ 15,174	\$ 4,943	\$ 2,854	\$ 7,797	1.95
2005	25,623	14,071	11,552	5,193	2,573	7,766	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	474,106	133,019	3,075	1,856	4,931	26.98

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority, the Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PLEGGED-REVENUE COVERAGE (Continued)**  
**Last Ten Fiscal Years**  
(In Thousands)

**San Francisco Wastewater Enterprise <sup>(13)</sup>**

Fiscal Year	Gross Revenues <sup>(14)</sup>	Less: Operating Expenses <sup>(15)</sup>	Adjustments <sup>(16)</sup>	Net Available Revenue <sup>(17)</sup>	Debt Service			Coverage <sup>(17)</sup>
					Principal	Interest <sup>(17)</sup>	Total <sup>(17)</sup>	
2004	\$ 138,842	\$ 129,916	\$ 57,461	\$ 66,387	\$ -	\$ 20,233	\$ 20,233	3.28
2005	151,981	139,290	36,700	49,391	-	17,219	17,219	2.87
2006	170,517	140,954	35,788	65,351	-	17,219	17,219	3.80
2007	199,160	151,600	49,600	97,160	33,445	16,718	50,163	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563 <sup>(18)</sup>	44,883	2.41
2012	247,130	195,857	107,125	158,398	22,010	20,180 <sup>(18)</sup>	42,190	3.75
2013	253,078	208,260	109,323	154,141	23,095	15,655 <sup>(18)</sup>	38,750	3.98

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(14) Gross revenue consists of charges for services, rental income and other income.

(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.

(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.

(17) Restated to match the published Annual Disclosure Reports for FY 2004, 2005, 2007, 2008, 2009.

(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 & FY2013 also includes a "springing" amendment.

**Port of San Francisco <sup>(19)</sup>**

Fiscal Year	Total Operating Revenues <sup>(20)</sup>	Less: Operating Expenses <sup>(21)</sup>	Net Available Revenue	Debt Service			Coverage
				Principal	Interest	Total	
2004	\$ 57,782	\$ 49,707	\$ 8,075	\$ 3,595	\$ 1,719	\$ 5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	68,722	57,574	11,148	4,185	222	4,407	2.53
2010	68,892	58,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	485	2,358	2,843	7.73
2012	79,819	55,470	24,349	670	2,175	2,845	8.56
2013	81,536	63,615	17,921	695	2,151	2,846	6.30

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(20) Total revenues consist of operating revenues and interest and investment income.

(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

**Hetch Hetchy Water and Power <sup>(22) (23)</sup>**

Fiscal Year	Gross Revenues <sup>(24)</sup>	Less: Operating Expenses <sup>(25)</sup>	Adjustments <sup>(26)</sup>	Net Available Revenue	Debt Service			Coverage
					Principal	Interest	Total	
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2005	-	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71

(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(23) There were no Hetch Hetchy bonds from 2003 to 2008.

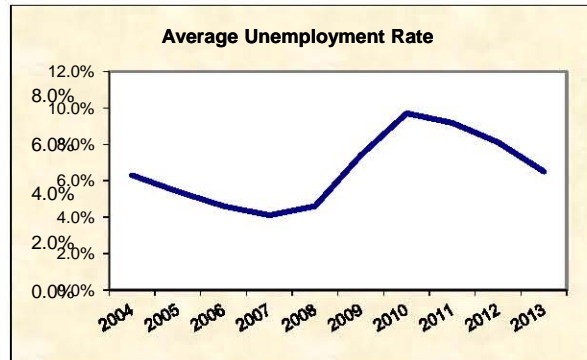
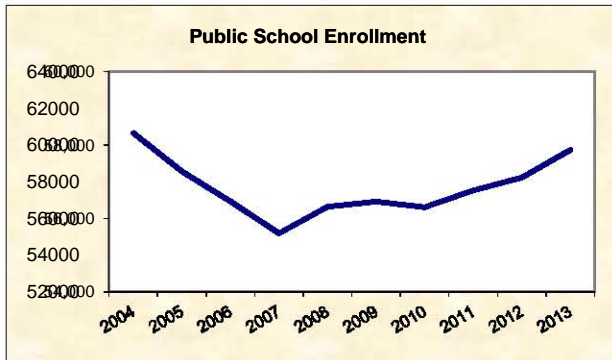
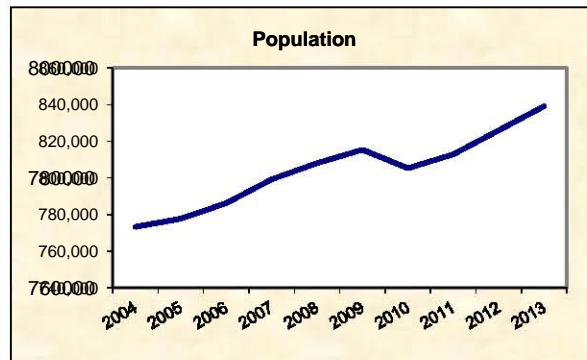
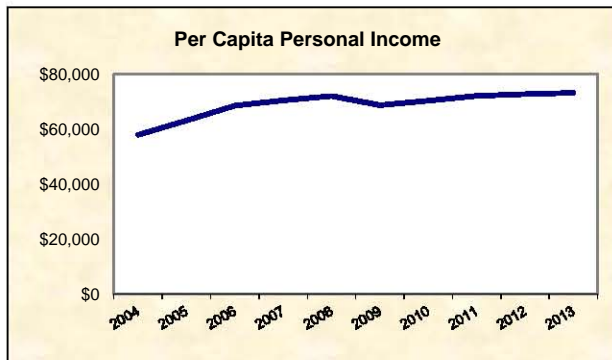
(24) Gross revenues consists of charges for power services, rental income and other income.

(25) Operating expenses only include power operating expense.

(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

**CITY AND COUNTY OF SAN FRANCISCO  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
Last Ten Fiscal Years**

<b>Fiscal Year</b>	<b>Population <sup>(1)</sup></b>	<b>Personal Income (In Thousands) <sup>(2)</sup></b>	<b>Per Capita Personal Income <sup>(3)</sup></b>	<b>Median Age <sup>(4)</sup></b>	<b>Public School Enrollment <sup>(5)</sup></b>	<b>Average Unemployment Rate <sup>(6)</sup></b>
2004	773,284	\$44,820,235	\$57,961	39.2	58,323	6.3%
2005	777,660	49,085,123	63,119	39.4	57,276	5.4%
2006	786,149	53,902,906	68,566	39.4	56,459	4.6%
2007	799,185	56,306,703	70,455	40.0	55,590	4.1%
2008	808,001	58,199,006	72,028	40.4	56,315	4.6%
2009	815,358	56,037,063	68,727	38.5	56,454	7.4%
2010	805,235	56,665,228	70,371	38.5	56,299	9.7%
2011	812,826	58,619,926	72,119	37.3	56,758	9.2%
2012	825,863 <sup>(7)</sup>	60,059,972 <sup>(8)</sup>	72,724 <sup>(9)</sup>	37.3 <sup>(10)</sup>	57,105	8.1%
2013	839,109 <sup>(7)</sup>	61,420,297 <sup>(8)</sup>	73,197 <sup>(9)</sup>	37.4 <sup>(10)</sup>	57,860	6.5%



**Sources:**

- (1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data
- (2) US Bureau of Economic Analysis
- (3) US Bureau of Economic Analysis
- (4) US Census Bureau, American Community Survey
- (5) California Department of Education
- (6) California Employment Development Department

**Note:**

- (7) 2012 is updated from last year's CAFR with newly available data. 2013 population was estimated by multiplying the estimated 2012 population by the 2011 - 2012 population growth rate.
- (8) Personal income was estimated by assuming that its percentage of state personal income in 2012 and 2013 remained at the 2011 level of 3.51 percent. Fiscal year 2012 is updated from last year's CAFR with newly available data.
- (9) Per capita personal income for 2012 and 2013 was estimated by dividing the estimated personal income for 2012 and 2013 by the reported and estimated population in 2012 and 2013, respectively. Fiscal year 2012 is updated from last year's CAFR with newly available data.
- (10) Median age in 2013 was estimated by averaging the median age in 2011 and 2012. 2012 is updated from last year's CAFR with newly available data.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Principal Employers - Current Year and Nine Years Ago**

<u>Employer</u>	<u>Year 2012<sup>(1)</sup></u>			<u>Year 2003</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
City and County of San Francisco.....	25,458	1	5.33%	28,718	1	6.64%
University of California, San Francisco...	22,664	2	4.74%	8,630	2	2.00%
California Pacific Medical Center.....	8,559	3	1.79%	3,800	10	0.88%
Wells Fargo & Co.....	8,300	4	1.74%	7,279	3	1.68%
San Francisco Unified School District....	8,189	5	1.71%	6,600	5	1.53%
Gap, Inc.....	6,000	6	1.26%	-	-	-
PG&E Corporation.....	4,415	7	0.92%	4,700	8	1.09%
State of California.....	4,184	8	0.88%	7,048	4	1.63%
Salesforce.com Inc.....	4,000	9	0.84%	-	-	-
Kaiser Permanente.....	3,581	10	0.75%	-	-	-
United States Postal Service.....	-	-	-	5,295	6	1.22%
AT&T.....	-	-	-	5,200	7	1.20%
Pacific Bell/SBC Communications.....	-	-	-	4,600	9	1.06%
<b>Total.....</b>	<b>95,350</b>		<b>19.96%</b>	<b>81,870</b>		<b>18.93%</b>

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:

(1) The latest data as of calendar year-end 2012 is presented.

**CITY AND COUNTY OF SAN FRANCISCO**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)**  
**Last Ten Fiscal Years**

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Protection</b>										
Fire Department.....	1,835	1,752	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463
Police.....	2,669	2,616	2,664	2,765	2,870	2,949	2,757	2,681	2,665	2,655
Sheriff.....	937	929	944	939	951	1,016	1,048	953	1,010	1,013
Other.....	954	930	958	978	1,019	996	981	969	956	1,021
Total Public Protection.....	6,395	6,227	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152
<b>Public Works, Transportation and Commerce</b>										
Municipal Transportation Agency.....	4,518	4,386	4,232	4,374	4,358	4,528	4,358	4,160	4,141	4,388
Airport Commission.....	1,214	1,203	1,248	1,220	1,228	1,248	1,233	1,294	1,377	1,443
Department of Public Works.....	1,053	1,059	1,035	1,040	1,060	1,030	822	791	783	808
Public Utilities Commission.....	1,589	1,513	1,573	1,596	1,609	1,580	1,549	1,584	1,616	1,620
Other.....	507	505	532	538	543	565	490	508	536	583
Total Public Works, Transportation and Commerce.....	8,881	8,666	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842
<b>Community Health</b>										
Public Health.....	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800
Total Community Health.....	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800
<b>Human Welfare and Neighborhood Development</b>										
Human Services.....	1,735	1,697	1,663	1,745	1,812	1,810	1,662	1,685	1,691	1,750
Other.....	317	312	306	313	312	309	296	284	269	244
Total Human Welfare and Neighborhood Development.....	2,052	2,009	1,969	2,058	2,124	2,119	1,958	1,969	1,960	1,994
<b>Culture and Recreation</b>										
Recreation and Park Commission.....	1,001	954	916	922	942	919	898	851	834	841
Public Library.....	617	616	606	631	641	649	649	645	628	640
War Memorial.....	95	96	95	96	96	97	63	63	63	63
Other.....	156	149	200	199	204	203	199	201	199	210
Total Culture and Recreation.....	1,869	1,815	1,817	1,848	1,883	1,868	1,809	1,760	1,724	1,754
<b>General Administration and Finance</b>										
Administrative Services.....	405	383	378	438	505	539	647	616	637	723
City Attorney.....	319	308	321	324	327	318	306	300	299	303
Telecommunications and Information Services.....	313	276	261	270	307	265	252	210	196	199
Controller.....	141	170	179	184	188	198	180	194	201	198
Human Resources.....	188	172	151	156	155	144	138	119	123	124
Treasurer/Tax Collector.....	192	197	199	208	208	212	220	211	208	202
Mayor.....	56	51	48	51	57	55	49	42	37	49
Other.....	466	454	491	520	571	547	554	540	567	561
Total General Administration and Finance.....	2,080	2,011	2,028	2,151	2,318	2,278	2,346	2,232	2,268	2,359
<b>General City Responsibility</b>										
Subtotal annually funded positions.....	4	4	3	-	-	-	-	-	-	-
Capital project funded positions.....	1,567	1,597	1,588	1,628	1,750	1,519	1,928	1,885	1,892	1,486
Total annually funded positions.....	<u>28,941</u>	<u>28,257</u>	<u>28,253</u>	<u>28,788</u>	<u>29,635</u>	<u>29,321</u>	<u>28,649</u>	<u>27,994</u>	<u>28,073</u>	<u>28,387</u>

Source: Controller, City and County of San Francisco

Note:

(1) Data represent budgeted and funded full-time equivalent positions.

**CITY AND COUNTY OF SAN FRANCISCO  
OPERATING INDICATORS BY FUNCTION  
Last Ten Fiscal Years**

Function	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Public Protection</b>										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile .....	8:09	7:59	8:01	8:04	7:36	7:06	7:10	7:19	7:18	7:30
Police										
Average time from dispatch to arrival on scene for highest priority calls <sup>(1)</sup> .....	2:58	3:07	3:09	3:15	4:08	3:49	3:33	4:07	4:15	4:59
Number of homicides per 100,000 population <sup>(2)</sup> .....	10.8	9.8	12.8	9.6	11.8	8.2	5.3	6.3	7.4	6.2
Percentage of San Franciscans who report feeling safe or very safe crossing the street <sup>(3)</sup> .....	45%	51%	N/A	48%	N/A	56%	N/A	N/A	N/A	N/A
<b>Public Works, Transportation, and Commerce</b>										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good.....	52%	49%	N/A	49%	N/A	50%	N/A	52%	N/A	N/A
Number of blocks of City streets repaved.....	154	186	267	243	334	310	312	427	346	521
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) <sup>(3)</sup> .....	3.20	3.13	N/A	2.84	N/A	2.98	N/A	3.55	3.02	3.38
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points <sup>(4)</sup> .....	68.8%	71.0%	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%
Percentage of scheduled service hours delivered <sup>(5)</sup> .....	97.2%	95.3%	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%
Airport										
Percent change in air passenger volume.....	5.3%	5.5%	1.5%	2.8%	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%
<b>Human Welfare and Neighborhood Development</b>										
Environment										
Percentage of total solid waste materials diverted in a calendar year.....	63%	67%	67%	69%	70%	72%	77%	78%	80%	N/A
<b>Culture and Recreation</b>										
Recreation and Park										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good <sup>(3)</sup> .....	67%	60%	N/A	57%	N/A	65%	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected.....	N/A	N/A	83%	86%	88%	89%	91%	90%	91%	91%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good.....	81%	76%	N/A	75%	N/A	79%	N/A	79%	N/A	85%
Circulation of materials at San Francisco libraries.....	6,755,843	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums <sup>(6)</sup> .....	763,242	696,271	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259

Source: Controller, City and County of San Francisco

Notes:

- (1) Measure changed from median time to average time in FY 2008. Values for FY 2004 through FY 2007 reflect median time, FY 2008 through FY 2013 reflects average time.
- (2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.
- (3) Value for FY 2005 has been restated to be consistent with City Survey data.
- (4) Values for FY 2003 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
- (5) Values for FY 2003 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
- (6) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.



**CITY AND COUNTY OF SAN FRANCISCO**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**Last Ten Fiscal Years**

<b>Function</b>	<b>Fiscal Year</b>									
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Police protection (1)</b>										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,170	2,180	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164
<b>Fire protection (2)</b>										
Number of stations.....	45	45	48	42	42	42	42	46	46	46
Number of firefighters.....	1,690	1,675	1,333	1,012	978	809	768	778	718	817
<b>Public works</b>										
Mile of street (3).....	1,050	1,050	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315
Number of streetlights (4).....	41,031	41,431	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655
<b>Water (4)</b>										
Number of services.....	169,689	169,975	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744
Average daily consumption (million gallons).....	257.2	239.7	236.3	247.1	247.5	236.6	219.9	213.6	212.0	215.1
Mile of water mains.....	1,450	1,453	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488
<b>Sewers (4)</b>										
Mile of collecting sewers.....	993	993	993	993	993	993	993	993	959	986
Mile of transport/storage sewers.....	15	15	15	15	17	17	17	17	17	24
<b>Recreation and cultures</b>										
Number of parks (5).....	209	210	220	209	222	222	220	220	220	221
Number of libraries (6).....	27	27	27	28	28	28	28	28	28	28
Number of library volumes (million) (6).....	2.1	2.4	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5
<b>Public school education (7)</b>										
Attendance centers.....	118	119	117	112	112	112	115	115	115	115
Number of classrooms.....	3,439	3,434	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877
Number of teachers, full-time equivalent.....	3,138	3,171	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129
Number of students.....	57,805	57,144	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970

**Sources:**

- (1) Police Commission, City and County of San Francisco
- (2) Fire Commission, City and County of San Francisco
- (3) Department of Public Works, City and County of San Francisco
- (4) Public Utilities Commission, City and County of San Francisco
- (5) Parks and Recreation Commission, City and County of San Francisco
- (6) Library Commission, City and County of San Francisco
- (7) San Francisco Unified School District