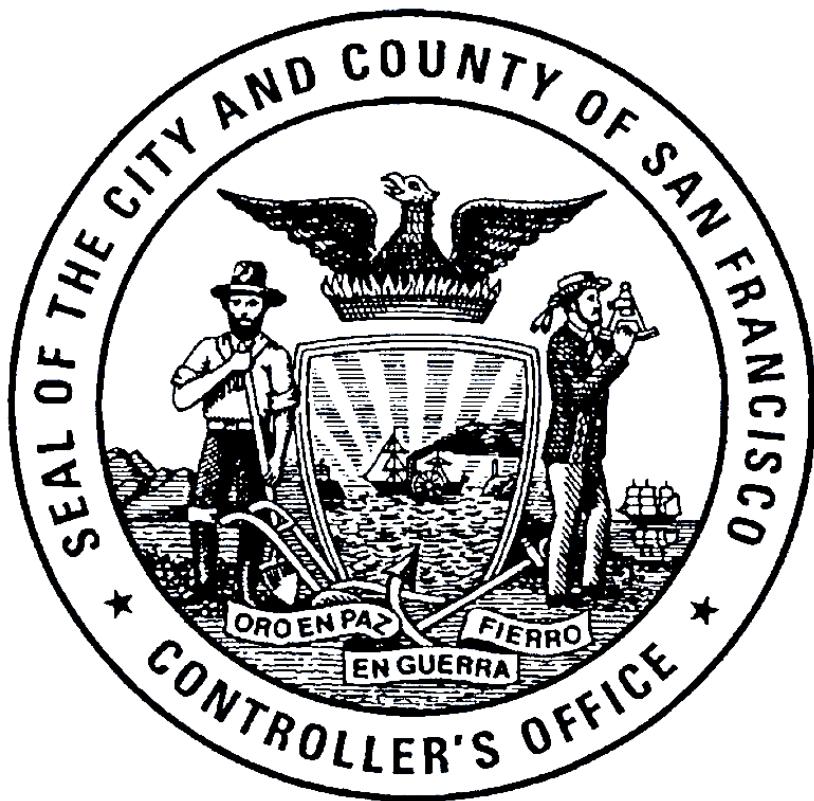


# CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

## Comprehensive Annual Financial Report Year ended June 30, 2018



Prepared by:  
Office of the Controller



Ben Rosenfield  
Controller



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# CITY AND COUNTY OF SAN FRANCISCO

## Comprehensive Annual Financial Report

Year Ended June 30, 2018

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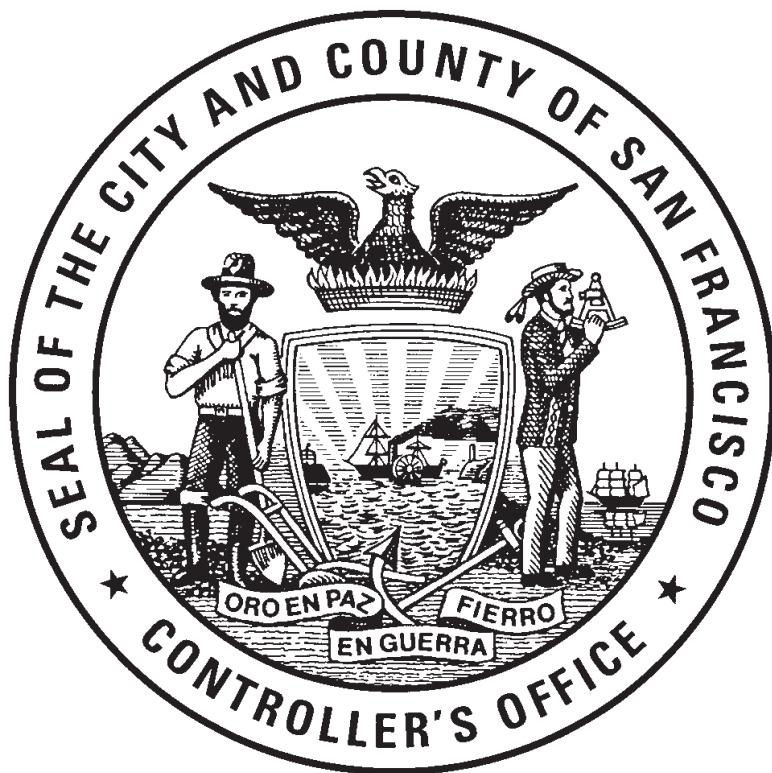
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## INTRODUCTORY SECTION

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



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March 25, 2019

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2018, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

**KEY FINANCIAL REPORT SECTIONS:**

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

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

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

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

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

#### **Overview of Recent Trends**

A critical mass of innovative businesses, an enviable quality of life, and easy transit access for the Bay Area's highly-educated workforce continues to drive economic growth in the City. The last decade, following the last recession, has brought unprecedented growth to San Francisco. The City has re-emerged as the center of the Bay Area's regional economy and has been among the fastest growing large counties in the country. The City's unemployment rate in fiscal year 2017-18 averaged 2.6%, a drop of 0.5% from the prior fiscal year's rate of 3.1%, and one of the lowest of any city in the nation. In comparison, average unemployment rates for California and the nation for fiscal year 2017-18 stood at 4.4% and 4.1%, respectively.

The resident population also continued to grow, reaching a new historical high of 884,363 in 2017 according to the U.S. Census Bureau. This represents a 0.9% increase over the prior year, and a cumulative growth of approximately 120,000, or over 15%, over the last decade.

Key indicators of the City's real estate market have shown marked improvement over the past fiscal year. Commercial rents and median home prices increased to new historical highs. The monthly per square foot rental rates for commercial space grew to \$74.85 in fiscal year 2017-18, a 1.5% increase from the prior year.

Infrastructure constraints reflected in rising housing prices, commercial rents, and transportation congestion and commute times have contributed to slowing growth in San Francisco despite its strong economic fundamentals and the generally good health of the U.S. economy. The very low rate of unemployment combined with challenges in increasing housing production have limited the City's ability to add new employed residents. The rate of total employment growth in the San Francisco metropolitan division from fiscal year 2016-17 to fiscal year 2017-18 was 2.3%. Earlier in the decade, annual job growth rates were more than double that figure.

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

The City has historically adopted annual budgets for all governmental funds and typically adopts project-length budgets for capital projects and certain debt service funds. The voters adopted amendments to the Charter in November 2009 designed to further strengthen the City's long-range financial planning. As a result of these changes, the City for the first time adopted a two-year budget for all funds for the two upcoming fiscal years in July 2012. The Charter requires that the City adopt a "rolling" two-year budget each year unless the Board of Supervisors authorizes a "fixed" two-year budget appropriation for a given fund, in which case authorization occurs every two years. For the fiscal year period of 2018-19 and 2019-20, there were five departments on a two-year fixed budget, while the majority of the City's budget remains on a rolling cycle.

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

### **Internal and Budgetary Controls**

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

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

### **Pension and Retiree Health Trust Fund Operations**

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

As of June 30, 2018, for financial reporting purposes, the City's net pension liability for SFERS is \$4.70 billion, a decrease of \$0.78 billion from the previous year. SFERS's fiduciary net position as a percentage of total pension liability increased from 77.6% to 81.8%.

The City's net liability for employee retiree health benefits (other postemployment benefits, or OPEB) has been most recently calculated at \$3.72 billion as of a June 30, 2017 measurement date. Voters have approved several amendments to the City Charter in the past decade to address this significant liability, including establishing mandatory employee and employer contributions to pre-fund these costs through contributions to an irrevocable trust, which can only be drawn once the plan is fully funded, with limited exceptions.

### **General Fund Financial Position Highlights**

The City's General Fund financial position continued to post significant improvement during this most recent fiscal year, continuing trends from recent years. Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2017-18 at \$2.22 billion, up \$351 million from the prior year.

The General Fund's cash position also reflects a strong improvement in fiscal year 2017-18, rising to a new year-end peak of \$2.73 billion, up \$583 million from the prior year. The General Fund rainy day and budget stabilization reserves grew to \$514 million at the end of fiscal year 2017-18, an increase of \$65 million compared to the prior year. The final fund balance available for appropriation on a budgetary basis is \$45 million more than previously anticipated.

### **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 to maintain and improve the quality of life in the City. The City is taking steps to strengthen these services and infrastructure, to support San Francisco's economic recovery and long-term prosperity and attractiveness for residents, businesses, and visitors. Several critical initiatives related to the long-term economic and financial health of the City are described below.

#### **Enhancements to the City's Transportation Systems**

San Francisco is the cultural and economic center of the nine-county Bay Area, but population and job growth in the City and throughout the region present ongoing challenges for the efficient movement of people and goods. San Francisco is making sizable investments to alleviate some of this pressure by upgrading its aging transit infrastructure to improve service for residents and visitors to the City.

The San Francisco Municipal Transportation Agency (SFMTA) is in the final stages of construction for the Central Subway. Scheduled for completion in December 2019, the \$1.6 billion rail project will extend the Muni Metro T Third Line through SoMa, Union Square and Chinatown, creating a direct, rapid transit link between downtown and the existing T Third Line on 3rd Street. The Central Subway will reduce bus traffic on congested streets, improve connectivity to regional transit services, including Bay Area Rapid Transit (BART) and Caltrain, and reduce travel times for approximately 35,000 passengers daily along one of the most congested transit routes in California.

The City is also currently constructing two major bus rapid transit (BRT) projects. Work is underway on Van Ness Avenue and Geary Boulevard, with completion for both projects scheduled in 2021. Together, the Van Ness Avenue and Geary Boulevard BRT projects are expected to improve transit reliability and reduce travel times for more than 37,000 daily riders.

In recent years, the City has also increased investments to modernize its aging transit system infrastructure. Implementation of a \$500 million general obligation bond, approved by voters in November 2014, is providing funding for projects that improve transit reliability, enhance bicycle and pedestrian safety, and address deferred maintenance needs. Approximately \$100 million of bond revenues are allocated for improvements along Market Street.

The SFMTA is in the midst of a multi-year upgrade to its vehicle fleet. In 2017, the SFMTA began expanding its fleet of light rail vehicles. To date, 58 trains have been received and an additional 10 are scheduled to be delivered by the end of summer 2019. Beginning in 2020 and extending through 2025, the SFMTA will replace the entire fleet of 151 older Breda light rail vehicles. To accommodate new technologies and house its growing fleet, the City has also launched a capital program to replace and modernize its aging bus maintenance facilities.

Enhancements to the regional transit system are at various stages of planning and project delivery. Once it is re-opened, the Transbay Salesforce Transit Center will serve as a downtown hub for regional bus service to and from the East Bay and, ultimately, as the terminus for Caltrain and California's high-speed rail system. The electrification of Caltrain, scheduled for completion in 2022, will allow additional trains operating on the surface rail line to better meet regional demands and provide underground service into the Transbay Salesforce Transit Center. Service enhancements and extensions to the BART system are underway in both the South and East Bay Area.

Additionally, enhanced investments in street repaving, repair, and improvements have accelerated in recent years. Significantly higher levels of investments – primarily from a voter-approved 2011 general obligation bond, larger General Fund cash investments, and new revenues provided under the California Road Repair and Accountability Act of 2017 – have improved road conditions in the City, increasing pavement condition scores in 2018 to their highest levels in over two decades. These right-of-way investments have included enhancements for not just private and mass transit vehicles, but also improvements for pedestrians, bicyclists, and many designed to enhance neighborhood commercial districts throughout the City. During the last two years, the City has resurfaced 1,316 blocks, built 2,488 curb ramps, and inspected and repaired 522,000 square feet of sidewalk.

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2017-18 as part of an approved \$7.4 billion capital plan. Projects in construction include the \$2.4 billion renovation of Terminal 1, a new long-term parking garage, a consolidated administrative campus, an on-Airport hotel and an extension of the AirTrain system. These projects are necessitated by the continued growth in passenger volumes at SFO, which has experienced nine consecutive years of passenger growth, and served a record number of passengers in fiscal year 2017-18. SFO accounts for 88% of international air travel and 68% of all air travel into the Bay Area.

### **Water, Power, and Sewer Service Upgrades**

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

As of the end of fiscal year 2017-18, the City was over 96% complete with a \$4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco counties, collectively serving some 2.7 million people. The program is structured to cost effectively meet water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

The PUC is also underway with a \$7.0 billion, three-phased 20-year program to upgrade the City's wastewater infrastructure, the Sewer System Improvement Program (SSIP). The first phase, totaling \$2.9 billion, includes 70 projects to improve and update collection systems, treatment facilities and stormwater management efforts. The SSIP will upgrade the City's combined sewer system, which was predominantly built out over the past century. Although significant investment occurred in the mid-1970s through the mid-1990s to comply with the Clean Water Act, many of the existing facilities are in need of upgrade and major improvement to prepare San Francisco for the future.

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

Over the next ten years, \$1.1 billion of critical infrastructure investment is planned for SFPUC.

### **Investments in the City's Aging Infrastructure**

Fueled by the financial benefits of this economic cycle and guided by the City's adopted ten-year capital plan, San Francisco has completed and is underway with a host of other investments in long-deferred public infrastructure, beyond those highlighted above. San Francisco's general obligation bonds program enables the financing of major infrastructure investments and enhancements with long useful lives and high upfront costs that the City would not be able to deliver with other means. This program is constrained - under current policy, voter approval of new bonds is only sought as old bonds are retired and the property tax base grows, resulting in tax rates for City-issued bonds that are at or below the rates for fiscal year 2005-06. Given voter-approval of bonds since the inception of the capital planning process and strong assessed value growth in recent years, the City has received approval for nearly \$4 billion in general obligation bonds since 2008, more than the previous fifty years combined.

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

In June 2016, the voters of San Francisco approved a \$350 million Public Health and Safety Bond to provide funds to improve critical public health infrastructure, including neighborhood fire stations as well as community and mental health care facilities. Major projects include the renovation and expansion of several neighborhood health clinics and the renovation of Building 5 at the Zuckerberg San Francisco General Hospital campus. The bond funds will also be used to build a seismically upgraded ambulance deployment center and make improvements to several homeless service sites.

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, 9 swimming pools, and 24 neighborhood libraries during a ten-year period.

The Port of San Francisco, a department of the City, is custodian to over seven miles of vibrant urban waterfront and historical maritime industrial public land. The Embarcadero Seawall Program is a major City and Port effort to improve safety and resilience of the over three miles of historic Embarcadero waterfront that supports critical regional transportation, City utility networks, and over \$100 billion in assets and annual economic activity. The project's objective is to plan, design, and implement the most critical life safety improvements over the next decade, and, along with the Waterfront Land Use Plan, provide the framework for ensuring a disaster resilient waterfront for 2100 and beyond, a major goal of the City's Resilient San Francisco Plan. San Francisco voters approved \$425 million in general obligation bonds at the November 2018 ballot to support Phase I of Embarcadero Seawall Program. The entire effort is estimated to cost up to \$5 billion and expected to take decades to rebuild and repair the Seawall and enhance the waterfront for the over 24 million people that visit it each year.

**Housing Production & Affordability**

As outlined above, the strength of the local economy since the last recession has driven improvement across a broad array of economic measures, including significant reductions in unemployment and increases to household income among City residents. This economic strength has driven significant growth in property, business, and other local taxes that have, in part, led to the strengthening of the City's financial position while providing the resources to invest in these and other initiatives.

This economic growth, combined with a longstanding imbalance between the supply of and demand for housing, has led to very high housing prices in the City and the region. During fiscal year 2017-18, the median home value in San Francisco rose to \$1.3 million, an annual increase of 10%. The median market rent for apartments was \$4,296 per month in fiscal year 2017-18.

Meeting this demand with both market-rate and affordable housing has been a key City policy focus. A large amount of private construction was completed or underway by the end of the last fiscal year, with 3,385 housing units completed, and 7,079 additional units under construction at the end of the fiscal year. Much of this development is shaped by major area planning efforts that the City completed in prior years, including in the Eastern Neighborhoods, Market-Octavia, Mission Bay, and Transit Center District. The City has also more recently approved large-scale development project plans for Treasure Island, the Hunters Point Shipyard, and Park Merced. Additionally, the City recently approved the Central SOMA area plan, which will facilitate significant new residential and office construction in coming years.

This increase in construction has been matched with greater investments in subsidized affordable housing in the City for lower income families and individuals. A gradually increasing share of new private housing development will have to be constructed for low- and moderate-income households, as required by City development requirements adopted in 2017. The City, through the Mayor's Office on Housing and Community Development, issued approximately \$153 million in loans to purchase, produce or preserve affordable housing in fiscal year 2017-18, and is implementing a \$310 million general obligation bond approved by the voters in November 2015 to develop, acquire, and rehabilitate affordable housing in the City. Over the last five years, the City has produced or preserved approximately 7,500 units of affordable housing.

**Other Long-Term Financial Challenges Remain**

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

While significant investments are laid out in the City's proposed ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, nearly \$11 billion in capital needs are deferred from the plan's horizon. More than half of these unfunded needs are for the City's transportation and waterfront infrastructure, where resource-intensive core maintenance investments persist.

The City has taken major steps to address long-term net liabilities for employee pension and other postemployment benefits, yet significant liabilities remain. The most recent actuarial analyses estimate the City's net liabilities of \$8.82 billion for these benefits, comprised of \$5.10 billion for employee pension benefits and \$3.72 billion for retiree health benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded actuarial 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.

Additionally, while the City has adopted a number of measures to better position the City's operating budget for future economic downturns, additional actions will be required to manage City finances in the next recession. Economic stabilization reserves have grown significantly during the last five fiscal years, and as of the end of fiscal year 2017-18 for the first time exceeded 9% of General Fund revenues. While these reserves are now approaching targeted levels of 10%, they are expected to offset but not fully cover

expected revenue losses in the next recession. These reserve balances totaled \$514 million as of June 30, 2018, compared with tax revenue and expenditure increases that occur in a typical recession of approximately \$1.1 billion, as estimated in the City's most recent five-year financial plan. Further policy choices will need to be developed to better weather inevitable negative variances that will be driven by future economic volatility.

Lastly, as the U.S. economy approaches its longest period of economic expansion in history, macro-economic issues such as rising interest rates could cool economic growth and may have particular impacts on locally-important industries such as technology, which has received large amounts of venture capital investment in the low-interest rate environment of the 2010s, and real estate, which could be adversely affected by rising mortgage rates. While San Francisco has retained a diverse economy compared to most other U.S. cities, its increasing reliance on the technology sector as a growth driver could create fiscal and economic risks in a recession that disproportionately affected that sector.

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

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

**Award for Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2017. This was the 36th consecutive year, beginning with the year ended June 30, 1982, that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

**Acknowledgements**

I would like to express my appreciation to the entire staff of the Controller's Office and the broader group of City financial staff 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 leadership 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

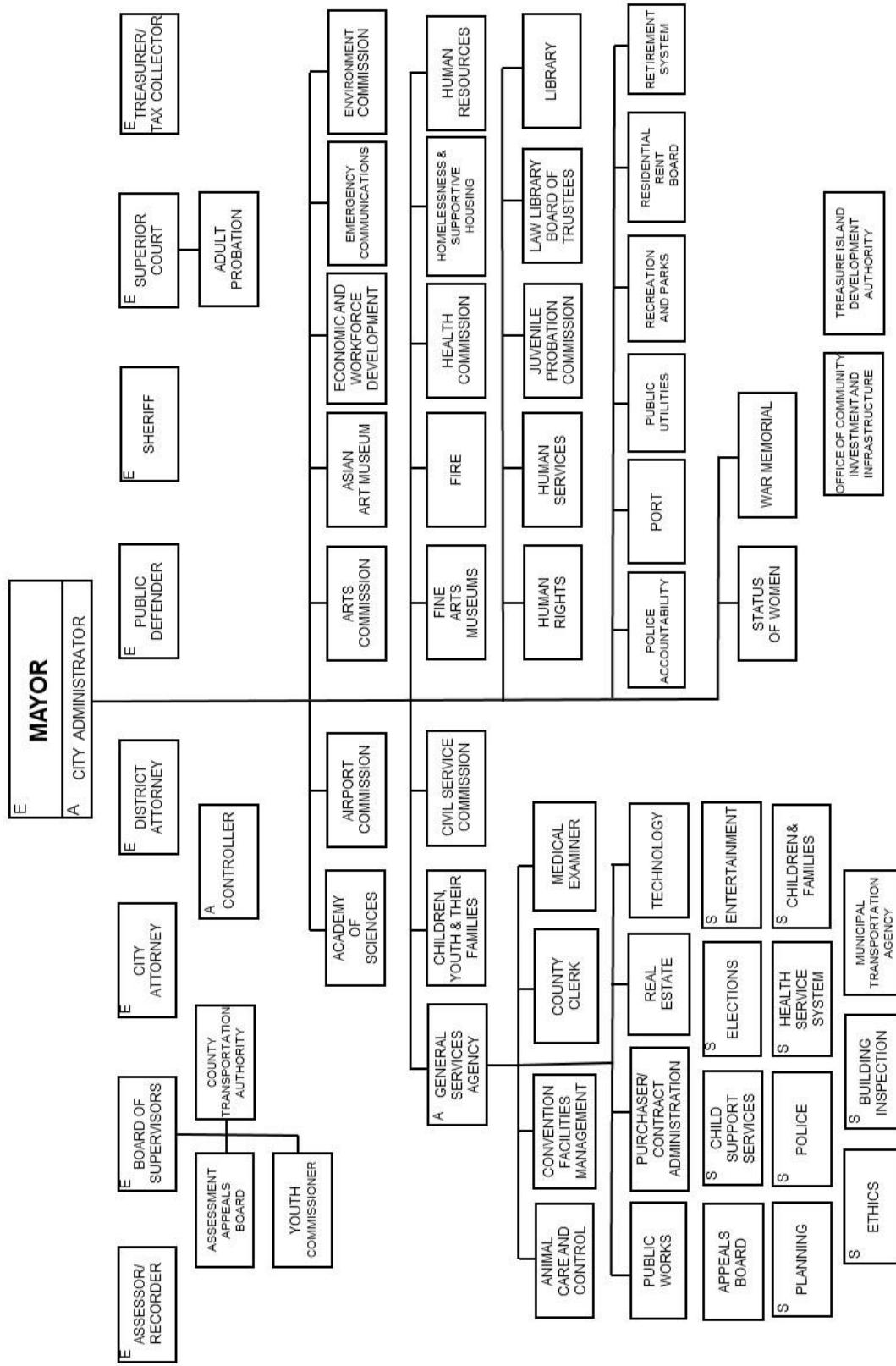
**June 30, 2017**

*Christopher P. Morill*

Executive Director/CEO

# City and County of San Francisco Organization Chart

(As of June 30, 2018)



A = Appointed / E = Elected / S = Shared-appointed by various elected officials.

# CITY AND COUNTY OF SAN FRANCISCO

## List of Principal Officials

As of June 30, 2018

Mayor .....	Mark Farrell (Interim)
Board of Supervisors:	
President .....	Malia Cohen
Supervisor.....	Sandra Lee Fewer
Supervisor.....	Catherine Stefani
Supervisor.....	Aaron Peskin
Supervisor.....	Katy Tang
Supervisor.....	London Breed
Supervisor.....	Jane Kim
Supervisor.....	Norman Yee
Supervisor.....	Jeff Sheehy
Supervisor.....	Hillary Ronen
Supervisor.....	Ahsa Safaí
Supervisor.....	Carmen Chu
Assessor/Recorder.....	Dennis J. Herrera
City Attorney.....	George Gascón
District Attorney .....	Jeff Adachi
Public Defender.....	Vicki Hennessy
Sheriff .....	
Superior Courts	
Presiding Judge .....	Judge Teri L. Jackson
Treasurer/Tax Collector .....	José Cisneros

## APPOINTED OFFICIALS

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

## DEPARTMENT DIRECTORS/ADMINISTRATORS

Airport.....	Ivar C. Satero
Appeals Board.....	Julie Rosenberg
Arts Commission .....	Tom DeCaigny
Asian Art Museum .....	Jay Xu
Board of Supervisors .....	Angela Calvillo
Assessment Appeals Board .....	Dawn Duran
County Transportation Authority .....	Tilly Chang
Building Inspection .....	Tom Hui
California Academy of Sciences .....	Jonathan Foley, Ph.D.
Child Support Services.....	Karen M. Roye
Children, Youth and Their Families.....	Maria Su
Civil Service.....	Michael L. Brown
Economic and Workforce Development.....	Joaquin Torres, Ken Rich (Interim)
Elections.....	John Arntz
Emergency Management .....	Anne Kronenberg
Entertainment.....	Maggie Weiland (Acting)
Environment .....	Deborah Raphael
Ethics.....	LeeAnn Pelham
Fine Arts Museums .....	Max Hollein
Fire .....	Joanne Hayes-White

# CITY AND COUNTY OF SAN FRANCISCO

## List of Principal Officials

As of June 30, 2018

### DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

General Services Agency	
Animal Care and Control .....	Virginia Donohue
Convention Facilities Management .....	John Noguchi
County Clerk .....	Naomi Kelly (Interim)
Medical Examiner .....	Michael Hunter
Public Works .....	Mohammed Nuru
Purchaser/Contract Administration .....	Jaci Fong
Real Estate .....	Andrico Penick
Department of Technology .....	Linda Gerull
Health Service System .....	Abbie Yant
Homelessness and Supportive Housing .....	Jeff Kositsky
Human Resources .....	Micki Callahan
Human Rights .....	Sheryl Evans Davis
Human Services .....	Trent Rhorer
Aging and Adult Services .....	Shireen McSpadden
Juvenile Probation .....	Allen A. Nance
Law Library Board of Trustees .....	Marcia Bell
Library .....	Michael Lambert (Acting)
Municipal Transportation Agency .....	Ed Reiskin
Planning .....	John Rahaim
Police .....	William Scott
Police Accountability .....	Paul Henderson
Port .....	Elaine Forbes
Public Health .....	Barbara A. Garcia
Public Utilities .....	Harlan Kelly
Recreation and Park .....	Phil Ginsburg
Residential Rent Board .....	Robert Collins
Retirement System .....	Jay Huish
Small Business .....	Regina Dick-Endrizzi
Status of Women .....	Emily M. Murase
Successor Agency to the Redevelopment Agency .....	Nadia Sesay
Superior Court .....	T. Michael Yuen
Adult Probation .....	Karen L. Fletcher
War Memorial .....	Elizabeth Murray

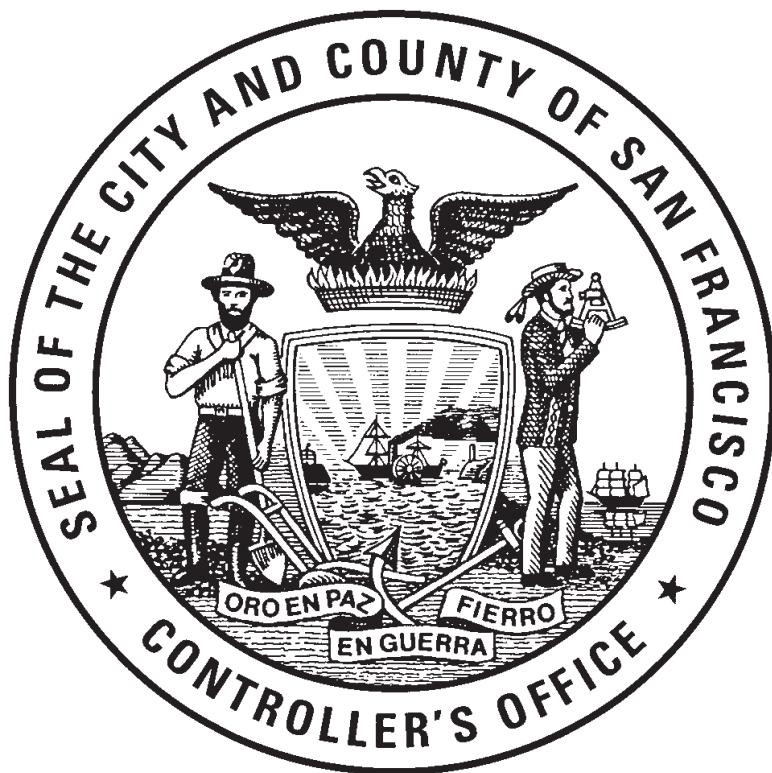
### DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority .....	Robert P. Beck
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## **FINANCIAL SECTION**

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



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**Independent Auditor's Report**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	1.6%	7.5%	1.8%
Business-type activities	92.0%	100.0%	74.9%
Aggregate discretely presented component unit and remaining fund information	1.0%	0.8%	9.4%

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 4 to the basic financial statements, effective July 1, 2017, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and restated beginning net position for the retroactive application of this new accounting standard. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Prior-Year Comparative Information*

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which such partial and summarized information was derived.

We have previously audited the City's 2017 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated December 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability, the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment healthcare benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule - General Fund, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



San Francisco, California  
March 25, 2019

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2016-17 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2017-18 basic financial statements.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately \$7.71 billion (net position). Of this balance, \$9.19 billion represents the City's net investment in capital assets, \$2.49 billion represents restricted net position, and unrestricted net position has a deficit of \$3.97 billion. The City's total net position increased by \$155.7 million, or 2.1 percent, from the previous fiscal year. Of this amount, total net investment in capital assets and restricted net position increased by \$871.0 million or 10.5 percent and \$411.1 million or 19.8 percent, respectively, and unrestricted net position decreased by \$1.12 billion or 39.6 percent.

The City's governmental funds reported total revenues of \$6.41 billion, which is a \$439.8 million or 7.4 percent increase over the prior year. Within this, revenues from property taxes, business taxes, intergovernmental sources, charges for services, hotel room tax, and other local taxes grew by approximately \$233.9 million, \$196.8 million, \$65.2 million, \$37.1 million, \$11.8 million, and \$12.6 million, respectively. At the same time, there was a decline in revenues from real property transfer tax, utility users tax, and other revenues of \$130.1 million, \$6.7 million, and \$2.3 million, respectively. Governmental funds expenditures totaled \$5.85 billion for this period, a \$532.5 million or 10.0 percent increase, reflecting increases in demand for governmental services of \$375.9 million, increased debt service of \$115.9 million and increased capital outlay of \$40.7 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$4.58 billion, an increase of \$1.17 billion or 34.4 percent from prior year, primarily due to \$1.37 billion in proceeds from issuance from bonds which offset the greater increase in expenditures over revenues as well as the increase in other financing uses.

The City's total short-term debt decreased by \$237.8 million in this fiscal year. The decrease of \$134.1 million in the governmental activities was due to the refinancing of commercial paper (CP) with certificates of participation, offset by the issuance of \$54.0 million CP for the construction of Transbay Transit Center. The short-term debt in the enterprise activities decreased by \$103.8 million mainly due to the Airport and the Water Enterprise refinancing \$253.3 million in CP with revenue bonds, net of \$151.4 million CP issued by the Wastewater Enterprise for improvements of its facilities.

The City's governmental activities long-term bonds, loans, and capital leases increased by \$956.1 million. A total of \$633.0 million in general obligation bonds were issued to fund: improvements to City's parks and waterfront open spaces; upgrades to streets and sidewalks; infrastructure and facility improvements to aid emergency response to earthquakes, focusing on water supply and fire and police stations; low- and middle-income housing programs; facility improvements to aid emergency response capacity, focusing on medical and mental health. The City issued \$412.4 million certificates of participation to refinance short-term debt for the Moscone expansion project, issued \$248.3 million sales tax revenue bonds for the SFCTA's transportation projects, and entered into a capital lease agreement for \$1.6 million for hardware and peripherals for the City's mainframe computer. The increase in debt was offset by \$415.3 million due to scheduled debt service payments of \$300.3 million and repayment of \$115.0 million of the revolving credit loan funded by the SFCTA's issuance of its sales tax revenue bonds.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

The City's business-type activities long-term debt increased by \$2.02 billion. The Airport issued \$2.04 billion revenue bonds, of which \$1.72 billion was used to finance and refinance the redevelopment of airport terminals, construct a long-term parking garage and administration building, extend the Air-Train service and improve security and technology structure and \$310.2 million in revenue refunding bonds was issued to generate an economic gain. The Water Enterprise issued \$781.7 million revenue bonds, comprised of \$442.2 million refunding bonds to generate an economic gain and \$339.5 million to finance and refinance the City's water system improvement projects. The Wastewater Enterprise obtained a loan of \$22.6 million from the State of California for sewer system improvement projects. The Municipal Transportation Agency obtained a bank loan of \$4.7 million for a garage renovation project. These new debt issuances were offset in the amount of \$1.22 billion in refunded bonds and scheduled debt payments.

In accordance with California Redevelopment Dissolution Law, the Successor Agency transferred Yerba Buena Gardens to the City at no cost in June 2018. The transfer consisted of the Gardens and related properties, leases and operating agreements necessary for ongoing operations, and cash held in a separate account for the Gardens. The City recorded a special item of \$11.1 million for the transfer of cash in the Real Property Fund and in total assets (cash and capital assets) of \$116.7 million in governmental activities (see Note 14).

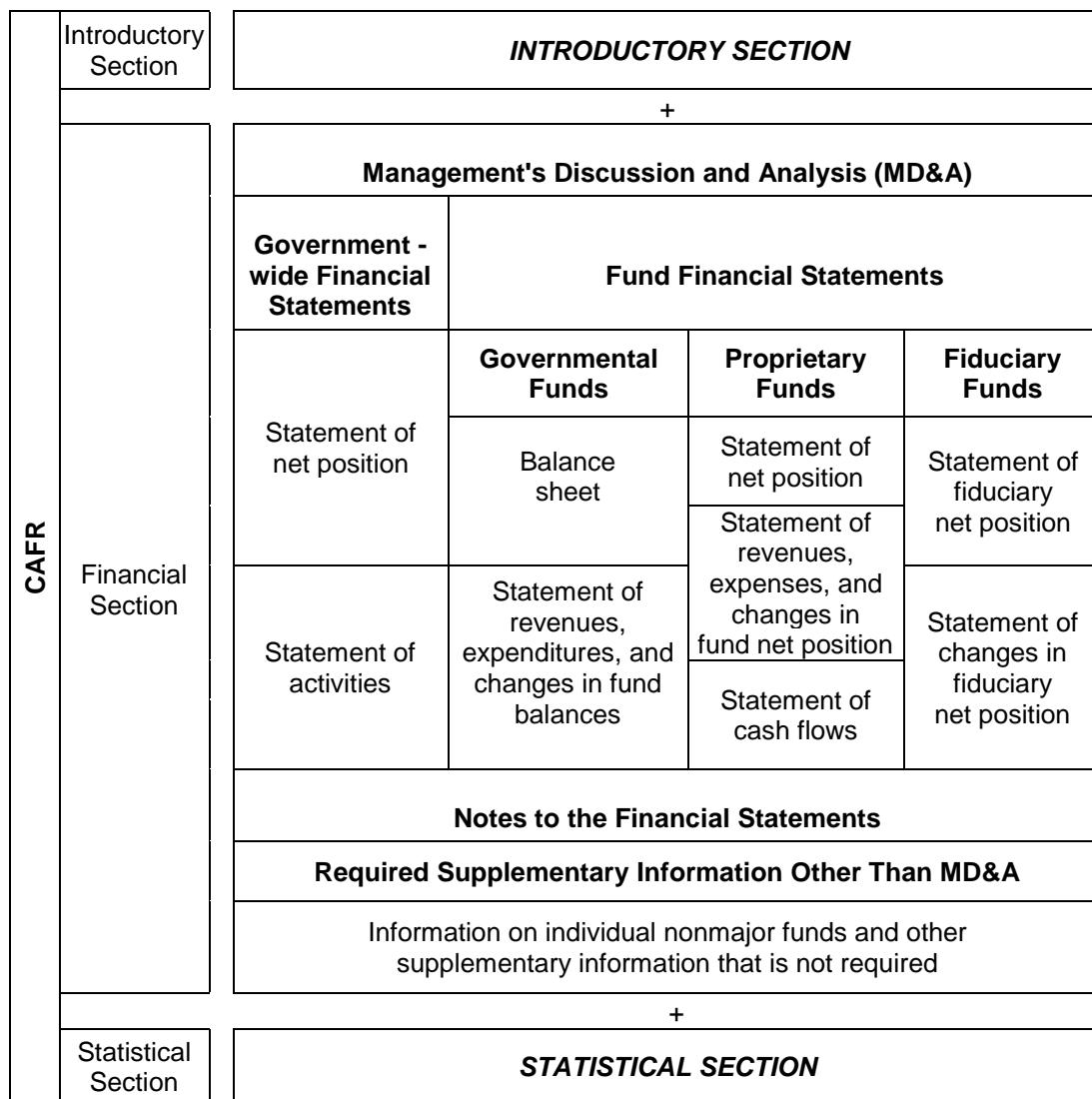
The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as of July 1, 2017. GASB Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with postemployment benefits other than pensions (OPEB) and requires additional OPEB disclosures. The City restated the July 1, 2017 net position to include the net OPEB liability as well as deferred outflows of resources related to OPEB. The net effect of this change was a \$1.04 billion reduction in the City's beginning net position. The fiscal year 2016-17 financial statements have not been restated in the MD&A for comparative purposes.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

**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**



**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

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.

	<b>Government - wide Statements</b>	<b>Fund Financial Statements</b>		
		<b>Governmental</b>	<b>Proprietary</b>	<b>Fiduciary</b>
<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 balance information</b>	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
<b>Type of inflow and outflow information</b>	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

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

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

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority (Transportation Authority) and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency (Successor Agency) as a fiduciary component unit of the City.

### **Fund Financial Statements**

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

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

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. The City uses internal service funds to account for its fleet of vehicles, management information and telecommunication services, printing and mail services, and for lease-purchases of equipment by the San Francisco Finance Corporation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City employees' pension and health plans, retirees' health care, the Successor Agency, the external portion of the Treasurer's Office investment pool, and the agency funds are reported under the fiduciary funds. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

#### **Notes to the Basic Financial Statements**

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

#### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's net pension liability, pension, net OPEB liability, and OPEB contributions.

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

# CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

### **Combining Statements and Schedules**

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

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Assets:</b>						
Current and other assets.....	\$6,664,033	\$5,097,048	\$ 6,174,594	\$ 4,903,634	\$12,838,627	\$ 10,000,682
Capital assets.....	5,803,025	5,307,676	18,505,656	16,761,881	24,308,681	22,069,557
Total assets.....	<u>12,467,058</u>	<u>10,404,724</u>	<u>24,680,250</u>	<u>21,665,515</u>	<u>37,147,308</u>	<u>32,070,239</u>
<b>Deferred outflows of resources:</b>	<u>1,015,311</u>	<u>1,311,074</u>	<u>973,033</u>	<u>1,273,096</u>	<u>1,988,344</u>	<u>2,584,170</u>
<b>Liabilities:</b>						
Current liabilities.....	2,041,116	1,811,708	2,201,736	1,911,931	4,242,852	3,723,639
Noncurrent liabilities.....	9,326,001	7,967,621	17,470,491	15,143,312	26,796,492	23,110,933
Total liabilities.....	<u>11,367,117</u>	<u>9,779,329</u>	<u>19,672,227</u>	<u>17,055,243</u>	<u>31,039,344</u>	<u>26,834,572</u>
<b>Deferred inflows of resources:</b>	<u>223,275</u>	<u>150,058</u>	<u>158,974</u>	<u>111,466</u>	<u>382,249</u>	<u>261,524</u>
<b>Net position:</b>						
Net investment in capital assets*.....	3,311,218	2,873,927	6,211,102	5,752,069	9,192,745	8,321,778
Restricted *.....	1,531,481	1,473,219	1,103,693	690,592	2,492,619	2,081,491
Unrestricted (deficit) *.....	(2,950,722)	(2,560,735)	(1,492,713)	(670,759)	(3,971,305)	(2,844,956)
Total net position.....	<u>\$1,891,977</u>	<u>\$1,786,411</u>	<u>\$ 5,822,082</u>	<u>\$ 5,771,902</u>	<u>\$ 7,714,059</u>	<u>\$ 7,558,313</u>

\* See note 10(d) to the basic financial statements.

### **Analysis of Net Position**

The City's total net position, which may serve as a useful indicator of the government's financial position, was \$7.71 billion at the end of fiscal year 2017-18, a 2.1 percent increase over the prior year. The City's governmental activities account for \$1.89 billion of this total and \$5.82 billion stem from its business-type activities.

The largest portion of the City's net position is the \$9.19 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$871.0 million or 10.5 percent increase over the prior year and is due to the growth seen in the governmental activities and an overall increase in business-type activities, highlighted by a \$559.0 million increase at SFMTA offset by decreases of \$67.7 million and \$57.5 million at LHH and SFGH, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$2.49 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$3.97 billion, which consists of a \$2.95 billion deficit in governmental activities and \$1.49 billion deficit in business-type activities. The governmental activities and business-type activities deficit is largely due to recording liabilities related to net pension and net other postemployment benefits (see Note 9). The governmental activities deficit also included \$472.1 million in long-term bonds liabilities that fund the LHH rebuild project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

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

	Governmental activities		Business-type activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues:						
Charges for services.....	\$ 685,437	\$ 646,422	\$ 3,686,189	\$ 3,341,055	\$ 4,371,626	\$ 3,987,477
Operating grants and contributions.....	1,279,900	1,263,262	217,506	270,167	1,497,406	1,533,429
Capital grants and contributions.....	63,181	19,493	456,166	353,046	519,347	372,539
General revenues:						
Property taxes.....	2,363,863	1,951,696	-	-	2,363,863	1,951,696
Business taxes.....	899,142	702,331	-	-	899,142	702,331
Sales and use tax.....	293,916	291,395	-	-	293,916	291,395
Hotel room tax.....	382,176	370,344	-	-	382,176	370,344
Utility users tax.....	94,460	101,203	-	-	94,460	101,203
Other local taxes.....	424,187	542,567	-	-	424,187	542,567
Interest and investment income.....	46,020	35,240	39,010	28,547	85,030	63,787
Other.....	71,834	182,933	246,827	257,419	318,661	440,352
Total revenues.....	<u>6,604,116</u>	<u>6,106,886</u>	<u>4,645,698</u>	<u>4,250,234</u>	<u>11,249,814</u>	<u>10,357,120</u>
<b>Expenses</b>						
Public protection.....						
Public works, transportation and commerce.....	1,496,749	1,692,224	-	-	1,496,749	1,692,224
Human welfare and neighborhood development.....	321,577	387,423	-	-	321,577	387,423
Community health.....	1,552,060	1,543,047	-	-	1,552,060	1,543,047
Culture and recreation.....	914,512	868,628	-	-	914,512	868,628
General administration and finance.....	425,668	539,516	-	-	425,668	539,516
General City responsibilities.....	430,711	337,209	-	-	430,711	337,209
Unallocated Interest on long-term debt.....	118,956	145,247	-	-	118,956	145,247
Airport.....	138,048	113,264	-	-	138,048	113,264
Transportation.....	-	-	1,092,154	1,122,802	1,092,154	1,122,802
Port.....	-	-	1,304,254	1,468,586	1,304,254	1,468,586
Water.....	-	-	102,667	118,361	102,667	118,361
Power.....	-	-	536,068	572,509	536,068	572,509
Hospitals.....	-	-	202,366	198,621	202,366	198,621
Sewer.....	-	-	1,294,045	1,370,154	1,294,045	1,370,154
Total expenses.....	<u>5,398,281</u>	<u>5,626,558</u>	<u>4,767,539</u>	<u>5,124,110</u>	<u>10,165,820</u>	<u>10,750,668</u>
Increase/(decrease) in net position before transfers and special items.....						
Transfers.....	1,205,835	480,328	(121,841)	(873,876)	1,083,994	(393,548)
Transfers.....	(753,283)	(647,942)	753,283	647,942	-	-
Special item:						
Receipt of Yerba Buena Garden assets.....	116,690	-	-	-	116,690	-
Change in net position.....	569,242	(167,614)	631,442	(225,934)	1,200,684	(393,548)
Net position at beginning of year, as previously reported.....	1,786,411	2,009,063	5,771,902	5,997,836	7,558,313	8,006,899
Cumulative effect of accounting change.....	(463,676)	(55,038)	(581,262)	-	(1,044,938)	(55,038)
Net position at beginning of year, as restated.....	1,322,735	1,954,025	5,190,640	5,997,836	6,513,375	7,951,861
Net position at end of year.....	<u>\$ 1,891,977</u>	<u>\$ 1,786,411</u>	<u>\$ 5,822,082</u>	<u>\$ 5,771,902</u>	<u>\$ 7,714,059</u>	<u>\$ 7,558,313</u>

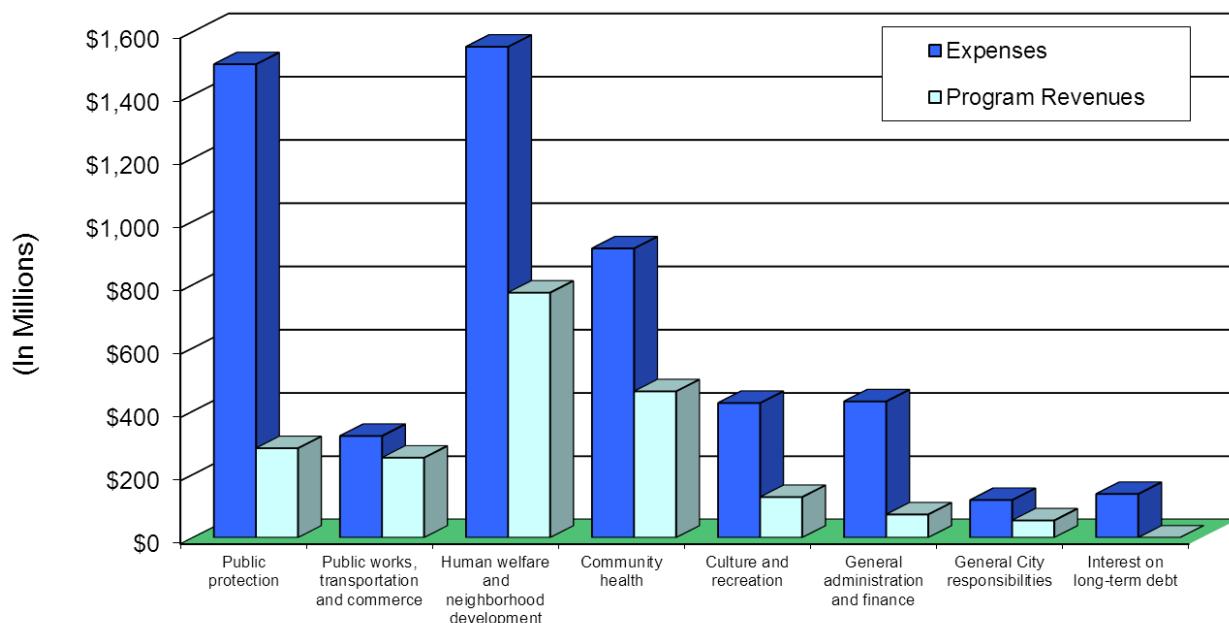
**Analysis of Changes in Net Position**

The City's change in net position increased by \$1.59 billion in fiscal year 2017-18, due to a \$393.5 million decrease in the prior fiscal year and a \$1.20 billion increase in the current year. The increase in the change in net position was due to a \$736.9 million increase from governmental activities and a \$857.4 million increase from business-type activities.

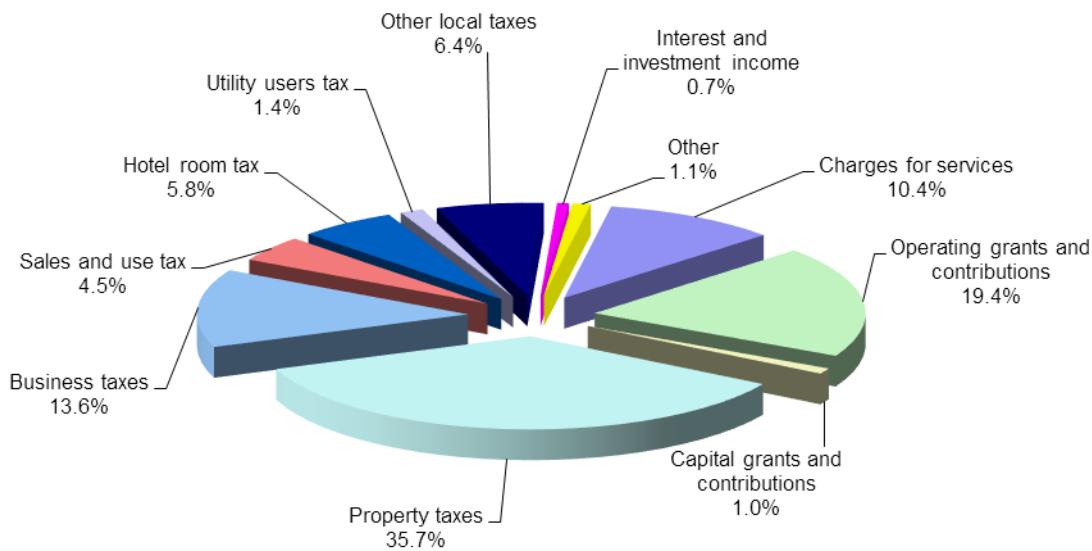
The City's governmental activities experienced a \$497.2 million or 8.1 percent growth in total revenues, as well as a decrease in total expenses of \$228.3 million or 4.1 percent this fiscal year. Business-type activities revenues increased by \$395.5 million or 9.3 percent, as well as a decrease in total expenses of \$356.6 million, or 7.0 percent. The net transfer to business-type activities increased by \$105.3 million. The major component of decreased expense Citywide is decreased pension expense of \$1.07 billion. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

**Expenses and Program Revenues - Governmental Activities**



**Revenues By Source - Governmental Activities**



## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

**Governmental activities.** Governmental activities increased the City's total net position by approximately \$569.2 million before the cumulative effect of accounting change related to the implementation of GASB Statement No. 75. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$6.60 billion, a \$497.2 million or 8.1 percent increase over the prior year. For the same period, expenses totaled \$5.40 billion before transfers of \$753.3 million.

Property tax revenues increased by \$412.2 million or 21.1 percent. This growth was due in large part to regular annual tax and escape tax collections associated with higher assessed values of secured real property and unsecured property in San Francisco and also due to increase in supplemental property tax collections for both current year and prior year supplemental assessments. Additional increases in property tax revenues are related to the Educational Revenue Augmentation Fund (ERAF) windfall of \$208.0 million. An increase in business taxes of \$196.8 million or 28.0 percent was mainly driven by increases in the gross receipts tax mainly due to the increasing tax rates.

Revenues from sales and use tax and hotel room taxes totaled approximately \$676.1 million, a growth of \$14.4 million over the prior year. Sales and use tax increased by \$2.5 million or 0.9 percent primarily due to an overall decline in the sales of general consumer goods offset by slow growth in the food and restaurant sector. Hotel room tax increased by approximately \$11.8 million or 3.2 percent, due to a slight continuing decline in room rates, offset by the occupancy impact of the partial reopening of the Moscone Convention Center.

Other local taxes decreased by \$118.4 million or 21.8 percent, mainly related to a decline in real property transfer tax. In November 2016, voters approved Proposition W which increased the real property transfer tax rate on properties over \$5.0 million, which represents a small number of transactions but is typically the highest proportion of total transfer tax revenue. As the real estate market has slowed, revenue from real property transfer tax has decreased.

Other revenues also decreased by approximately \$111.1 million or 60.7 percent. In the prior year, the City sold two properties for a gain on sale of approximately \$97.3 million. There were no significant sales of properties that occurred during fiscal year 2017-18.

Total grants and contributions increased \$60.3 million. This was largely due to increases in the General Fund from State sources, mainly related to health and welfare, capital projects, as well as mental health services. In fiscal year 2017-18, the City received an additional \$2.2 million in State funds related to the Civic Center navigation center.

Total charges for services increased \$39.0 million, or 6.0 percent. The increase is mainly due to a \$28.1 million increase in General Fund charges for services, which includes enrollment fees in Healthy San Francisco which increased \$13.0 million related to increases in the patient census. Additionally, the Department of Public Health received supplemental payments from the federal government in fiscal year 2017-18 to offset the cost of care related to Medi-Cal expansion. The department received two years' worth of payments under the program during fiscal year 2017-18, which increased Medi-Cal settlement revenue by approximately \$11.0 million.

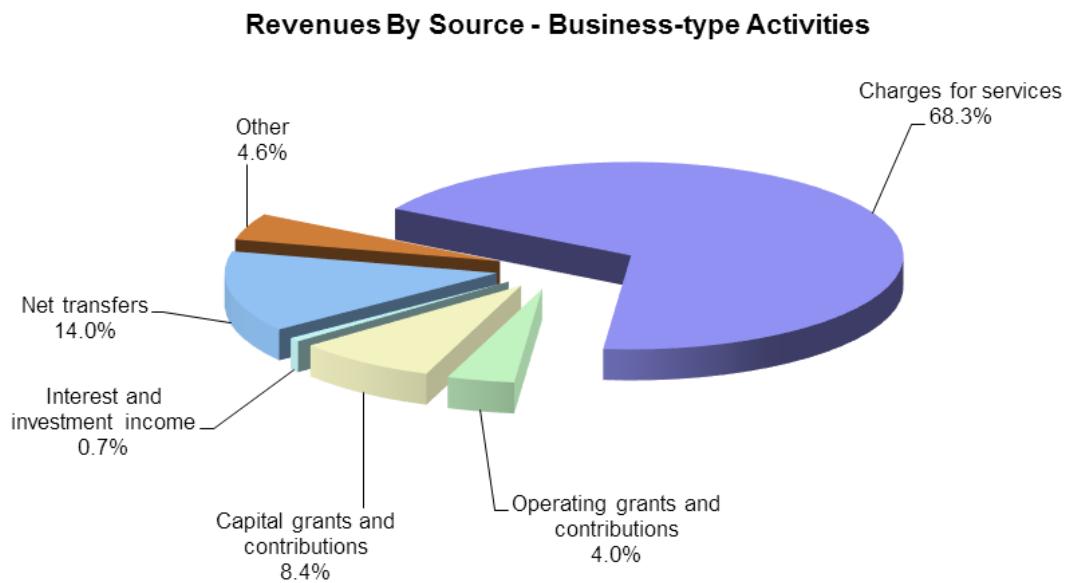
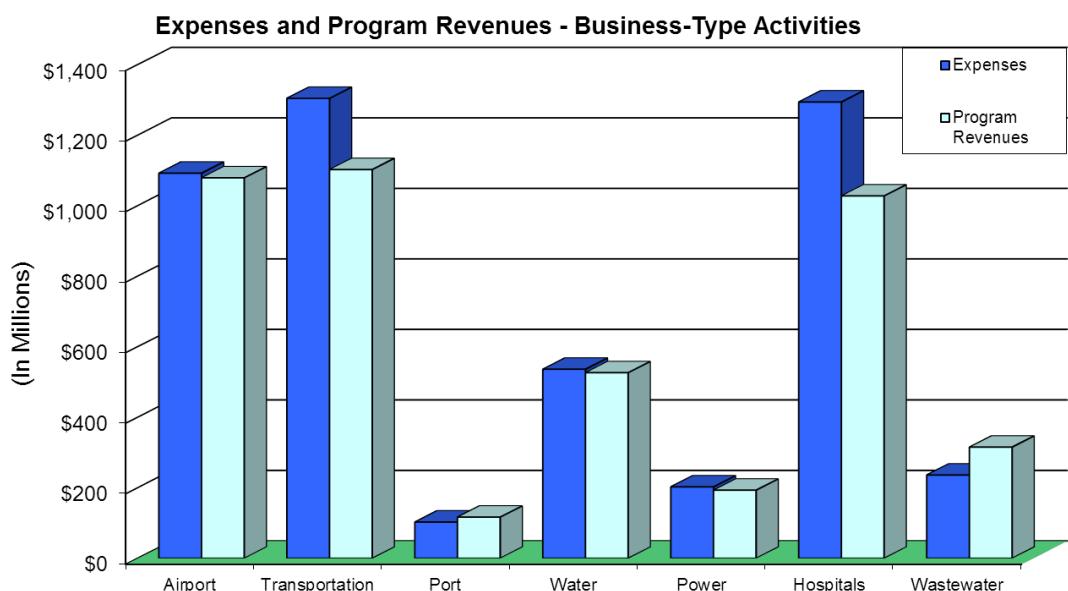
Interest and investment income revenue increased by \$10.8 million, or 30.6 percent, due to increased interest rates as well as balances in the City's investment pool, primarily due to an increase in property tax revenues, and business tax revenues.

Net transfers from the governmental activities to business-type activities were \$753.3 million, a \$105.3 million increase or 16.3 percent from the prior year. This was mainly due to an increase in operating subsidies to SFMTA of \$37.3 million and SFGH of \$34.7 million, as well as an increase of \$13.3 million in Proposition B funding from the General Fund to SFMTA.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

The decrease of total governmental expenses of \$228.3 million, or 4.1 percent, was primarily due to a decrease in pension expense of \$531.2 million related to better than expected investment returns as well as significant increases in prior year supplemental cost of living adjustments, which resulted from the Appeal Court's elimination of the full funding requirement for certain members that did not recur in fiscal year 2017-18, offset by increases in professional services spending as part of Community Health related to behavior health services and the Electronic Health Records system project, as well as increases related to General, Administration & Finance primarily due to increases in salaries. In total, the leading decreases were \$195.5 million in Public Protection and \$113.8 million in Culture and Recreation.

On June 27, 2018, the City acquired the Yerba Buena Gardens property and related assets used in its operations from the Successor Agency for a total book value of \$116.7 million. The transaction is presented as a Special Item in the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances.



## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

**Business-type activities** increased the City's net position by \$631.4 million before cumulative effect of accounting change due to the implementation of GASB Statement No. 75, and by \$50.2 million after cumulative effect of accounting change and key factors contributing to this increase are as follows:

- The San Francisco International Airport had an increase in net position at fiscal year-end of \$65.2 million, compared to a \$116.9 million decrease in the prior year, a \$182.1 million difference. Operating revenues totaled \$1.06 billion for fiscal year 2017-18, an increase of \$137.0 million or 14.8 percent over the prior year and included increases of \$125.0 million, \$8.9 million, \$1.2 million, and \$1.9 million in aviation, concession, parking and transportation, and net sales and services, respectively, reflecting traffic growth at the Airport. For the same period, the Airport's operating expenses decreased by \$38.7 million, or 4.8 percent, for a net operating income of \$293.6 million for the period. Net nonoperating activities saw a deficit of \$196.9 million versus \$201.0 million deficit in the prior year, a \$4.1 million decrease. The decrease in both operating and nonoperating expenses is due to decreases in personnel, depreciation, and other nonoperating expenses. Personnel costs decreased by \$51.8 million due to a prior year significant pension expense increase related to supplemental cost of living adjustments, and additional positions that did not recur in fiscal year 2017-18. Capital contributions increased by \$3.8 million due to an increase in federal grants received. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Airport restated its beginning net position with a decrease of \$83.0 million.
- The City's Water Enterprise, the third largest such entity in California, reported an increase in net position of \$17.6 million at the end of fiscal year 2017-18, compared to a decrease of \$121.4 million at the end of the previous year, a \$139.0 million difference. Operating revenues totaled \$525.6 million, operating expenses totaled \$370.1 million, nonoperating activities totaled a net expense of \$106.9 million and the net decrease from transfers was \$29.0 million. Compared to the prior year, operating revenues increased \$65.3 million, which included \$56.9 million in charges for services. The enterprise reported a total decrease in operating expenses of \$51.7 million in fiscal year 2017-18 due to a \$53.7 million decrease in personnel services mainly due to pension expense. Nonoperating expenses increased by \$15.9 million in interest expense mainly due to the issuance of additional bonds during the year. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Water Enterprise restated its beginning net position with a decrease of \$29.4 million.
- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2017-18 with a net position increase of \$33.4 million, compared to a \$65.6 million increase the prior year, a difference of \$32.2 million. This change consisted of a decrease in operating income of \$1.5 million, a decrease in nonoperating income of \$0.3 million, and a decrease in transfers from the City of \$30.5 million. Additionally, due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, Hetch Hetchy Water and Power and CleanPowerSF restated its beginning net position with a decrease of \$4.4 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a \$25.2 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a \$7.0 million increase in change in net position, and CleanPowerSF, which reported a \$1.2 million increase in net position. Hetchy Water operating revenues decreased by \$1.6 million, mainly due to a decrease of \$2.0 million in water assessment fees from the Water Enterprise while operating expenses decreased by \$10.3 million mainly due to a \$7.5 million decrease in personnel services for lower pension and personnel costs. Hetchy Power's operating revenues decreased by \$2.1 million mostly due to decreased sales of \$7.6 million to non-City customers, offset by increases of \$2.4 million in sales to other City departments, \$1.7 million to other retail customers, mainly from San Francisco Port operations, and \$1.5 million in sales of electricity to CleanPowerSF. On the operating expenses side, Hetchy Power reported an increase of \$2.5 million due to increases of \$7.7 million in energy supply purchases and \$5.8 million in transmission and distribution power cost due to powerhouse shutdown, mainly offset by a decrease of \$10.0 million in personnel costs mainly due to lower pension expense, and \$0.9 million in legal services provided by the City Attorney. CleanPowerSF's operating revenues increased by \$5.7 million due to \$5.7 million increase in charges for services related to consumption increase. Operating expenses for CleanPowerSF increased by \$11.3 million mainly due to \$7.9 million increase in purchased electricity and transmission, distribution and other power costs, \$1.0 million increase in professional services related to program development, and \$0.9 million in personnel services.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

- The City's Wastewater Enterprise's net position increased by \$65.2 million, compared to a \$9.7 million decrease in the prior year, a \$74.9 million change. Operating revenues increased by \$37.8 million due to a \$35.4 million increase in charges for services as a result of an average 11 percent adopted rate increase, and a 2 percent increase in sanitary flow. Operating expenses decreased by \$33.6 million mainly due to \$23.3 million decrease in personnel services mainly from pension expense and a \$13.0 million decrease in general and administrative operating expenses mainly due to increased capitalization of capital project spending, offset by an increase of \$2.2 million in contractual services, particularly engineering, management, and system consulting services. Transfers out decreased by \$3.8 million mainly due to a transfer to the City Real Estate Division for the Phase 1 construction work for the Central Shops Relocation Project. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Wastewater Enterprise restated its beginning net position with a decrease of \$2.3 million.
- The Port ended fiscal year 2017-18 with a net position increase of \$16.2 million, compared to a \$2.1 million increase in the previous year, a \$14.1 million difference. The Port is responsible for seven and one-half miles of waterfront property and its revenue is derived primarily from property rentals to commercial and industrial enterprises and a diverse mix of maritime operations. In fiscal year 2017-18, operating revenues decreased by \$3.6 million, mostly due to construction and event permit fees, developer or other one-time transaction fees occurring in the prior year that did not recur in fiscal year 2017-18. Operating expenses decreased \$17.2 million over the prior year. This was due in part to decreases of \$7.1 million in personal services mainly due to decreases in pension expense, a reduction of \$8.5 million in the pollution remediation liability related to Pier 70 development, and \$6.4 million in depreciation and amortization related to fully depreciated assets still in use, offset by an increase of \$6.4 million in contractual services mainly related to spending for the Mission Bay Ferry Landing Project, the Pier 70 shipyard, and the Seawall program. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the Port restated its beginning net position with a decrease of \$4.0 million.
- The SFMTA had an increase in net position of \$559.0 million for fiscal year 2017-18, compared to an increase of \$274.7 million in the prior year, a \$284.3 million change. SFMTA's total operating revenues were \$512.0 million, while total operating expenses reached \$1.29 billion. Operating revenues increased by \$11.9 million compared to the prior year and is mainly due to increase in passenger fare revenue by \$6.4 million, charges for services by \$3.1 million, penalties by \$2.3 million, advertising revenue by \$1.5 million, and permits revenue of \$0.8 million, offset by decreases in parking fees of \$1.6 million and tax revenues of \$1.2 million. Operating expenses decreased by \$114.5 million primarily due to personnel costs, which is attributable mainly to prior year COLA and hiring increases, and pension expense, offset by an increase in general and administrative costs, mainly related to an increase in claims liability. Net nonoperating revenue decreased by \$68.1 million mostly from federal operating grants, development fees, and loss on disposal of assets, offset by increases in interest and investment income as well as in state operating grants. Capital contributions increased by \$82.2 million due to an increase in capital expenditures incurred and billable to grantors mostly related to revenue and trolley vehicles procurement, and the Central Subway. Net transfers in increased by \$143.7 million due to a \$148.2 million increase in capital project support from the City's General Obligation Bonds, and \$37.3 million from the City's General Fund for revenue baseline subsidy, offset by \$28.5 decrease in transfers from other City departments. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the SFMTA restated its beginning net position with a decrease of \$333.0 million.
- LHH, the City's skilled nursing care hospital, had a decrease in net position of \$67.7 million at the end of fiscal year 2017-18, compared to a decrease of \$69.5 million at the end of the previous year, a \$1.8 million difference. The LHH's loss before transfers for the year was \$118.0 million versus a loss of \$132.6 million for the prior year. This change of \$14.6 million was mostly due to a \$20.2 million increase in operating revenues, a \$8.1 million increase in operating expenses, and a \$2.5 million increase in net nonoperating revenues. Due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, the LHH restated its beginning net position with a decrease of \$62.4 million.
- SFGH, the City's acute care hospital, ended fiscal year 2017-18 with a decrease in net position of \$57.5 million, compared to a decrease of \$250.9 million the prior year, a \$193.4 million change. Operating revenues increased \$74.5 million from prior year, mainly due to a \$75.3 million increase in

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

net patient service revenue. Operating expenses decreased approximately \$84.3 million, mainly due to a \$101.7 million decrease in personal services, related to decreases in pension expense, offset by a \$11.2 million increase in materials and supplies and a \$4.4 million increase in general and administrative expense. Net nonoperating revenues decreased \$7.9 million, mainly due to a decrease in State and other operating grants. Net transfers increased by approximately \$42.5 million, due to a \$34.6 million increase in transfers in and a \$7.9 million decrease in transfers out. Additionally, due to the adoption of GASB Statement No. 75 during fiscal year 2017-18, SFGH restated its beginning net position with a decrease of \$62.8 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 2017-18, the City governmental funds reported combined fund balances of \$4.58 billion, an increase of \$1.17 billion or 34.4 percent over the prior year. Of the total fund balances, \$1.42 billion is assigned and \$412.4 million is unassigned. The total of \$1.83 billion or 39.9 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of \$1.29 billion. The remainder of the governmental fund balances includes \$1.6 million nonspendable for items that are not expected to be converted to cash such as advances and long-term loans, \$2.38 billion restricted for programs at various levels and \$371.7 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled \$1.70 billion while total fund balance reached \$2.22 billion. Combined assigned and unassigned fund balances represent 45.6 percent of total expenditures, while total fund balance represents 59.4 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$1.25 billion, before transfers and other items of \$898.6 million, resulting in total fund balance increasing by \$351.2 million. Overall, the significant growth in revenues, particularly in property taxes, business taxes and state grant and subventions was partly offset by increased transfers to other funds to meet voter-mandated spending requirements, as well as expenditure growth, particularly in community health, due to growing demand for services. The net result was an increase in fund balance this fiscal year.

#### **Proprietary Funds**

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

At the end of fiscal year 2017-18, the unrestricted net position for the proprietary funds was as follows: Hetch Hetchy Water and Power: \$184.0 million, Wastewater Enterprise: \$0.2 million, and the Port: \$75.6 million. In addition, the following funds had net deficits in unrestricted net position: Airport: \$9.0 million, Water Enterprise: \$70.9 million, SFMTA: \$626.4 million, San Francisco General Hospital: \$671.9 million, and Laguna Honda Hospital: \$374.3 million.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$631.4 million due to the current year financial activities. The change in net position for the current year was offset by the restatement of beginning net position of \$581.3 for the adoption of GASB Statement No. 75. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Change In Net Position
Airport.....	\$ 1,063,802	\$ 770,186	\$ 293,616	\$ (196,910)	\$ 15,051	\$ (46,549)	65,208
Water.....	525,639	370,147	155,492	(106,869)	-	(30,986)	17,637
Hetch Hetchy.....	191,963	197,615	(5,652)	9,489	-	29,575	33,412
Municipal Transportation Agency....	511,984	1,294,145	(782,161)	196,301	438,489	706,353	558,982
General Hospital.....	772,687	962,163	(189,476)	60,486	-	71,481	(57,509)
Wastewater Enterprise.....	315,096	210,593	104,503	(12,345)	-	(26,960)	65,198
Port.....	109,769	96,823	12,946	619	2,626	19	16,210
Laguna Honda Hospital.....	195,249	324,081	(128,832)	10,786	-	50,350	(67,696)
Total.....	<u>\$ 3,686,189</u>	<u>\$ 4,225,753</u>	<u>\$ (539,564)</u>	<u>\$ (38,443)</u>	<u>\$ 456,166</u>	<u>\$ 753,283</u>	<u>\$ 631,442</u>

### **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 2017-18, the net position of the Retirement System, Health Service System and Retiree Health Care Trust combined totaled \$24.91 billion, representing a \$2.24 billion increase from the prior year, a 9.9 percent change. The increase is a result of strong investment returns which were slightly reduced by the net difference between contributions received by the Plan and increased benefit payments made from the Plan. The Private-Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$462.8 million at year's end. This 17.3 percent, or \$68.1 million, increase in the net deficit is due to the transfer of Yerba Buena Gardens to the City offset by decreases in program costs and interest expense. The Investment Trust Fund's net position was \$706.9 million at year's end, and the 18.1 percent decrease represents the excess of distributions over contributions by external participants. The Retirement System and Successor Agency restated their beginning net position to be \$3.0 million and \$5.8 million less than previously reported, respectively, due to the cumulative effect of implementing GASB Statement No. 75.

### ***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 \$248.3 million higher than the final budget. The City realized \$146.3 million, \$104.0 million, \$31.8 million, \$17.1 million, \$11.7 million and \$9.9 million more revenue than budgeted in business taxes, property taxes, interest and investment, state health and welfare realignment subventions, Medi-Cal, Medicare and health service charges and hotel room tax, respectively. These increases were partly offset by reductions of \$25.8 million, \$20.4 million, \$19.6 million, and \$8.4 million, in other resources, state social service subventions, real property transfer tax and federal grants and subventions, respectively.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$88.1 million in expenditure savings. Major factors include:

- \$29.0 million in savings from the Human Services Agency, due largely to reductions in aid assistance and aid payments and lower than expected caseload levels, contracts and services needed by other departments. The Mayor's Office of Housing and Community Development has a saving of \$18.3 million primarily in the Housing Trust Fund, as actual loan repayments were less than budgeted and therefore the amount of loan expenditures were also reduced.
- \$15.1 million of savings in Treasurer's Office, City Attorney, City Planning, Assessor and Board of Supervisors and other departments in general administration and finance are mainly from salary and benefits and litigation expenses.
- \$12.3 million savings in services needed from other departments and programmatic projects from project delays for developer agreement implementation by Office of Economic and Workforce Development. Department of Public Works also has net saving of \$2.3 million in salaries and benefits, overhead costs and capital outlay due to lower than expected and delayed work on client projects.
- \$4.4 million savings in salary and benefits in Adult Probation, Juvenile Department and Police Accountability, and other departments in the public protection service area.
- The remaining lower than budgeted expenditures are savings from general city responsibilities, community health and culture and recreation.

The net effect of substantial revenue increases and savings in expenditures was a budgetary fund balance available for subsequent year appropriation of \$616.6 million at the end of fiscal year 2017-18. The City's fiscal year 2018-19 and 2019-20 Adopted Original Budget assumed an available balance of \$411.8 million fully appropriated in fiscal year 2018-19 and fiscal year 2019-20 and contingency reserves of \$160 million, leaving \$44.8 million available for future appropriations. (See also Note to the Required Supplementary Information for additional budgetary fund balance details).

### Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2018, increased by \$2.24 billion, 10.1 percent, to \$24.31 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 \$495.3 million or 22.1 percent to this total while \$1.74 billion or 77.9 percent was from business-type activities. Details are shown in the table below.

	Business-type				Total	
	Governmental Activities		Activities			
	2018	2017	2018	2017	2018	2017
Land.....	\$ 484,474	\$ 360,602	\$ 269,158	\$ 240,187	\$ 753,632	\$ 600,789
Construction in progress.....	849,925	624,711	5,484,328	4,073,686	6,334,253	4,698,397
Facilities and improvements...	3,407,411	3,262,136	10,528,058	10,473,740	13,935,469	13,735,876
Machinery and equipment.....	187,041	209,075	1,344,019	1,199,365	1,531,060	1,408,440
Infrastructure.....	775,405	753,919	830,084	722,116	1,605,489	1,476,035
Intangible assets.....	98,769	97,233	50,009	52,787	148,778	150,020
Total.....	<u>\$ 5,803,025</u>	<u>\$ 5,307,676</u>	<u>\$ 18,505,656</u>	<u>\$ 16,761,881</u>	<u>\$ 24,308,681</u>	<u>\$ 22,069,557</u>

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

- Under governmental activities, net capital assets increased by \$495.3 million or 9.3 percent. About \$204.9 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about \$74.9 million in the new Office of the Chief Medical Examiner and approximately \$57.5 million for the Central Shops Relocation Project. The remaining completed projects include public works, intangible assets, and traffic signal projects.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

- The Water Enterprise's net capital assets increased by \$209.8 million or 4.2 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Calaveras Dam Replacement, Recycled Water, Sunol Long Term Improvements, Regional Groundwater Storage and Recovery projects, Rollins Road Purchase, Habitat Reserve Program, San Francisco Groundwater Supply, and other upgrade and improvement programs. As of June 30, 2018, Water Enterprise's Water System Improvement Program was 96.0% completed with the construction of its multi-billion dollar, multi-year program to upgrade its regional and local water systems. The program consists of 35 local projects within San Francisco and 52 regional projects spread over seven different counties from the Sierra foothills to San Francisco. As of June 30, 2018, 34 local projects are completed and the target completion date is December 2018. For regional projects, 40 are completed and the expected completion date is December 2021. The Water System Improvement Program delivers capital improvements that enhance the Enterprise's ability to provide reliable, affordable, high quality drinking water to its customers.
- SFMTA's net capital assets increased by \$605.2 million or 16.7% mainly from construction in progress of \$263.7 million for the Central Subway Project, procurement of new revenue vehicles, and other projects. The remaining \$341.5 million is for rail replacement, system upgrade improvement, street improvement and various infrastructure work. Equipment costs of \$307.2 million were incurred during the fiscal year for the procurement of new hybrid motor buses, trolley buses, and light rail vehicles. Facilities and improvements cost totaling \$75.7 million was incurred in fiscal year 2018 for facility upgrades and Islais Creek annex renovation projects.
- LHH's net capital assets decreased by \$14.0 million or 2.7 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the new hospital facility in March 2014. LHH provides 780 resident beds in three state of the art buildings on LHH's 62-acre campus. The 500,000 square foot facility received silver certification by the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) program, becoming the first green-certified hospital in California.
- SFGH's net capital assets decreased by \$20.8 million or 12.1 percent due primarily higher depreciation expense and lower new construction in progress due to the completion of the Zuckerberg San Francisco General Hospital rebuild in fiscal year 2015-16.
- The Wastewater Enterprise net capital assets reported an increase of \$274.5 million or 12.2 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2018, 17 projects were completed, with 32 projects in preconstruction phase, 18 projects in construction phase, and 3 projects in close-out phase. The Lake Merced Green Infrastructure Project was completed on April 24, 2018. The project is designed to manage stormwater runoff from 2.1 acres, starting at Aston Avenue intersection and extends along eight blocks to the Lee Avenue intersection, removing 1.0 million gallons of storm water in a typical year. The Oceanside Plant and the Westside Pump Station Improvements are on-going construction with reported completion in October 2018.
- Hetch Hetchy's net capital assets increased by \$34.7 million or 7.8 percent to \$479.4 million primarily due to additions of facilities, improvements, machinery, and equipment for Cherry Dam Outlet Works Rehabilitation, Moccasin Facilities New Construction, Mountain Tunnel Improvement, and 2018 Moccasin Storm projects.
- The Airport's net capital assets increased \$647.4 million or 15.1 percent primarily due to the capitalization of capital improvement project costs. The Airport maintains a Capital Improvement Plan to build new facilities, improve existing facilities, renovate buildings, repair or replace infrastructure, preserve assets, enhance safety and security, develop systems functionality, and perform needed maintenance. Significant projects in design or under construction in fiscal year 2018-19 include the Terminal 1 (T1) Redevelopment Projects, which include the redevelopment of

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

Boarding Area B and the expansion of the T1 Central Area, as well as the Terminal 3 (T3) Redevelopment Projects, which include the redevelopment of the western portion of T3 and a new secure connector and office block between Terminal 2 (T2) and T3. Other notable ongoing projects include the on-airport hotel, upgrades and enhancements to the International Terminal, a second long-term parking garage, the extension of the AirTrain to the second long-term parking garage, replacement of the Superbay fire suppression system and a new industrial waste treatment plant, among others.

- The Port's net capital assets increased by \$7.0 million or 1.6 percent due to capitalization and depreciation of capital improvements in 2018, including the Crane Cove Park a major new open space in the Union Iron Works National Historic District located at Pier 70, Pier 23 and 19 1/2 Roof Replacement project for removal and replacement of existing roof. Piers 19 and 23 are a contributing resource within the San Francisco Embarcadero Historic District listed in the National Register of Historic Places. The China Basin Ferry Landing Float Gangway Project provides for major maintenance work required the China Basin Ferry Landing's east float and gangway: drydock, sandblast and recoat surfaces and necessary repair to certain structural members.

At the end of the year, the City's business-type activities had approximately \$1.46 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$290.9 million, MTA had \$585.6 million, Wastewater had \$226.0 million, Airport had \$230.8 million, Hetch Hetchy had \$113.4 million, Port had \$12.8 million, Laguna Honda Hospital had \$0.6 million and the General Hospital had \$3.1 million.

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

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

### **Debt Administration**

At the end of June 30, 2018, the City had total long-term and commercial paper debt outstanding of \$18.24 billion. Of this amount, \$2.69 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 \$15.55 billion is revenue bonds, commercial papers, certificates of participation and other debts of the City secured solely by specified revenue sources. As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by \$2.74 billion or 17.7 percent during the fiscal year.

For the year ended June 30, 2018, the net increase in long-term debt in the governmental and business-type activities was \$822.0 million and \$2.02 billion, respectively, as discussed in the financial highlights above.

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at \$233.79 billion in value as of the close of the fiscal year. As of June 30, 2018, the City had \$2.69 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.10 percent of gross (1.15 percent of net) taxable assessed value of property. As of June 30, 2018, there were an additional \$742.0 million in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.40 percent of gross (1.47 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2018 were:

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

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2018

During the fiscal year, Moody's Investors Service (Moody's) upgraded the City's rating from "Aa1" to "Aaa". Standard & Poor's and Fitch Ratings affirmed the City's ratings of "AA+" and "AA+", respectively. Moody's and Fitch Ratings maintained the "Stable" rating outlook and Standard & Poor's revised the rating outlook from "Stable" to "Positive" on all the City's outstanding general obligation bonds.

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

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

#### **Economic factors and future budgets and rates**

San Francisco has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2018-19 and 2019-20. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, the Port of San Francisco and Child Support Services, which each have a fixed two-year budget.

- The City's average unemployment for fiscal year 2017-18 was 2.6 percent, a decrease of 0.5 percent from the average unemployment rate in fiscal year 2016-17.
- Housing prices continued to show growth, reaching new historical highs. The average median home price in fiscal year 2017-18 was \$1.3 million, up 10.0 percent from the previous fiscal year.
- Commercial rents have shown strong growth, also reaching new historical highs. The monthly per square foot rental rates for commercial space grew to \$74.85 in fiscal year 2017-18, a 1.5 percent increases over the prior year.
- The resident population also continued to grow, reaching a new historical high of 884,363 in 2017 according to the U.S. Census Bureau. This represents a 1.5 percent increase versus the prior year, and cumulative growth of 120,000 or 15.0 percent over the last decade.

The Board of Supervisors approved a final two-year budget for fiscal years 2018-19 and 2019-20 in July 2018, which assumes use of prior year fund balance from General Fund of \$188.6 million and \$223.2 million, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2018

**REQUESTS FOR INFORMATION**

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

***City and County of San Francisco***

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

**Individual Department Financial Statements**

***San Francisco International Airport***

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

***Port of San Francisco***

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

***San Francisco Water Enterprise***

***Hetch Hetchy Water and Power***

***San Francisco Wastewater Enterprise***

Chief Financial Officer  
525 Golden Gate Avenue, 13<sup>th</sup> Floor  
San Francisco, CA 94102

***Laguna Honda Hospital***

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

***Municipal Transportation Agency***

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

***Health Service System***

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

***Zuckerberg San Francisco***

***General Hospital and Trauma Center***  
Chief Financial Officer  
1001 Potrero Avenue, Suite 2A5  
San Francisco, CA 94110

***San Francisco***

***Employees' Retirement System***  
Executive Director  
1145 Market Street, 5<sup>th</sup> Floor  
San Francisco, CA 94103

***Successor Agency to the***

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

***Retiree Health Care Trust***

c/o Employees' Retirement System  
1145 Market Street, 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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# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position

June 30, 2018  
(In Thousands)

	Primary Government			Component Unit	
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority	
<b>ASSETS</b>					
Current assets:					
Deposits and investments with City Treasury.....	\$ 4,952,776	2,394,027	\$ 7,346,803	\$ 1,991	-
Deposits and investments outside City Treasury.....	397,937	12,530	410,467		-
Receivables (net of allowance for uncollectible amounts of \$296,053 for the primary government):					
Property taxes and penalties.....	302,479	-	302,479		-
Other local taxes.....	317,144	-	317,144		-
Federal and state grants and subventions.....	322,295	344,231	666,526		-
Charges for services.....	97,974	304,047	402,021	806	
Interest and other.....	26,653	122,456	149,109	26	
Due from component units.....	4,226	28	4,254		-
Inventories.....	-	104,617	104,617		-
Other assets.....	8,030	7,948	15,978		-
Restricted assets:					
Deposits and investments with City Treasury.....	-	436,332	436,332		-
Deposits and investments outside City Treasury.....	23,229	385,901	409,130		-
Grants and other receivables.....	-	35,378	35,378		-
Total current assets.....	<u>6,452,743</u>	<u>4,147,495</u>	<u>10,600,238</u>		<u>2,823</u>
Noncurrent assets:					
Loan receivables (net of allowance for uncollectible amounts of \$1,376,217).....	200,827	-	200,827		-
Advance to component units.....	8,214	2,599	10,813		-
Other assets.....	-	10,870	10,870		-
Restricted assets:					
Deposits and investments with City Treasury.....	-	1,458,455	1,458,455		-
Deposits and investments outside City Treasury.....	2,249	531,838	534,087		-
Grants and other receivables.....	-	23,337	23,337		-
Capital assets:					
Land and other assets not being depreciated.....	1,343,131	5,765,529	7,108,660	27,481	
Facilities, infrastructure and equipment, net of depreciation.....	4,459,894	12,740,127	17,200,021	20	
Total capital assets.....	<u>5,803,025</u>	<u>18,505,656</u>	<u>24,308,681</u>		<u>27,501</u>
Total noncurrent assets.....	<u>6,014,315</u>	<u>20,532,755</u>	<u>26,547,070</u>		<u>27,501</u>
Total assets.....	<u>12,467,058</u>	<u>24,680,250</u>	<u>37,147,308</u>		<u>30,324</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss on refunding of debt.....	14,363	227,319	241,682		-
Deferred outflows on derivative instruments.....	-	29,245	29,245		-
Deferred outflows related to pensions.....	891,726	622,332	1,514,058	16	
Deferred outflows related to OPEB.....	109,222	94,137	203,359		-
Total deferred outflows of resources.....	<u>\$ 1,015,311</u>	<u>\$ 973,033</u>	<u>\$ 1,988,344</u>		<u>\$ 16</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, 2018  
(In Thousands)

	Primary Government			<b>Component Unit</b> <b>Treasure Island</b> <b>Development</b> <b>Authority</b>
	<b>Governmental</b> <b>Activities</b>	<b>Business-Type</b> <b>Activities</b>	<b>Total</b>	
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable.....	\$ 437,789	\$ 399,088	\$ 836,877	\$ 484
Accrued payroll.....	111,508	85,220	196,728	87
Accrued vacation and sick leave pay.....	98,233	68,784	167,017	-
Accrued workers' compensation.....	45,740	35,350	81,090	-
Estimated claims payable.....	100,867	48,182	149,049	-
Bonds, loans, capital leases, and other payables.....	412,949	645,179	1,058,128	-
Accrued interest payable.....	20,269	59,037	79,306	-
Unearned grant and subvention revenues.....	31,129	-	31,129	-
Due to primary government.....	-	-	-	1,032
Internal balances.....	28,697	(28,697)	-	-
Unearned revenues and other liabilities.....	753,935	454,935	1,208,870	1,747
Liabilities payable from restricted assets:				
Bonds, loans, capital leases, and other payables.....	-	65,195	65,195	-
Accrued interest payable.....	-	44,064	44,064	-
Other.....	-	325,399	325,399	-
Total current liabilities.....	<u>2,041,116</u>	<u>2,201,736</u>	<u>4,242,852</u>	<u>3,350</u>
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	66,419	44,904	111,323	-
Accrued workers' compensation.....	209,558	172,914	382,472	-
Estimated claims payable.....	173,813	62,149	235,962	-
Bonds, loans, capital leases, and other payables.....	3,907,885	13,209,415	17,117,300	-
Advance from primary government.....	-	-	-	2,599
Unearned revenues and other liabilities.....	1,744	131,243	132,987	-
Derivative instruments liabilities.....	-	37,558	37,558	-
Net pension liability.....	2,977,366	2,095,764	5,073,130	28
Net other postemployment benefits (OPEB) liability.....	<u>1,989,216</u>	<u>1,716,544</u>	<u>3,705,760</u>	<u>-</u>
Total noncurrent liabilities.....	<u>9,326,001</u>	<u>17,470,491</u>	<u>26,796,492</u>	<u>2,627</u>
Total liabilities.....	<u>11,367,117</u>	<u>19,672,227</u>	<u>31,039,344</u>	<u>5,977</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unamortized gain on refunding of debt.....	198	1,486	1,684	-
Unamortized gain on leaseback transaction.....	-	3,680	3,680	-
Deferred inflows related to pensions.....	219,839	151,039	370,878	3
Deferred inflows related to OPEB.....	3,238	2,769	6,007	-
Total deferred inflows of resources.....	<u>223,275</u>	<u>158,974</u>	<u>382,249</u>	<u>3</u>
<b>NET POSITION</b>				
Net investment in capital assets, Note 10(d).....	3,311,218	6,211,102	9,192,745	27,501
Restricted for:				
Reserve for rainy day.....	143,977	-	143,977	-
Debt service.....	136,132	294,499	430,631	-
Capital projects, Note 10(d).....	196,598	515,072	569,115	-
Community development.....	427,684	-	427,684	-
Transportation Authority activities.....	17,499	-	17,499	-
Building inspection programs.....	155,448	-	155,448	-
Children and families.....	134,548	-	134,548	-
Culture and recreation.....	151,544	-	151,544	-
Grants.....	97,945	-	97,945	-
Other purposes.....	70,106	294,122	364,228	-
Total restricted.....	<u>1,531,481</u>	<u>1,103,693</u>	<u>2,492,619</u>	<u>-</u>
Unrestricted (deficit), Note 10(d).....	<u>(2,950,722)</u>	<u>(1,492,713)</u>	<u>(3,971,305)</u>	<u>(3,141)</u>
Total net position.....	<u>\$ 1,891,977</u>	<u>\$ 5,822,082</u>	<u>\$ 7,714,059</u>	<u>\$ 24,360</u>

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

**CITY AND COUNTY OF SAN FRANCISCO**

**Statement of Activities**  
**Year Ended June 30, 2018**  
**(In Thousands)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
					Governmental Activities	Business-Type Activities	Total		
Primary government:									
Governmental activities:									
Public protection.....	\$ 1,496,749	\$ 87,614	\$ 195,183	\$ -	\$ (1,213,952)	\$ -	\$ (1,213,952)	\$ -	
Public works, transportation and commerce.....	321,577	157,416	35,344	59,944	(68,873)	-	(68,873)	-	
Human welfare and neighborhood development.....	1,552,060	82,925	691,657	-	(777,478)	-	(777,478)	-	
Community health.....	914,512	104,335	357,488	750	(451,939)	-	(451,939)	-	
Culture and recreation.....	425,668	125,776	-	2,487	(297,405)	-	(297,405)	-	
General administration and finance.....	430,711	73,235	-	-	(357,476)	-	(357,476)	-	
General City responsibilities.....	118,956	54,136	228	-	(64,592)	-	(64,592)	-	
Unallocated interest on long-term debt and cost of issuance...	138,048	-	-	-	(138,048)	-	(138,048)	-	
Total governmental activities.....	<u>5,398,281</u>	<u>685,437</u>	<u>1,279,900</u>	<u>63,181</u>	<u>(3,369,763)</u>	-	<u>(3,369,763)</u>	-	
Business-type activities:									
Airport.....	1,092,154	1,063,802	-	15,051	-	(13,301)	(13,301)	-	
Transportation.....	1,304,254	511,984	151,939	438,489	-	(201,842)	(201,842)	-	
Port.....	102,667	109,769	4,232	2,626	-	13,960	13,960	-	
Water.....	536,068	525,639	597	-	-	(9,832)	(9,832)	-	
Power.....	202,366	191,963	1,050	-	-	(9,353)	(9,353)	-	
Hospitals.....	1,294,045	967,936	59,688	-	-	(266,421)	(266,421)	-	
Sewer.....	235,985	315,096	-	-	-	79,111	79,111	-	
Total business-type activities.....	<u>4,767,539</u>	<u>3,686,189</u>	<u>217,506</u>	<u>456,166</u>	-	<u>(407,678)</u>	<u>(407,678)</u>	-	
Total primary government.....	<u>\$ 10,165,820</u>	<u>\$ 4,371,626</u>	<u>\$ 1,497,406</u>	<u>\$ 519,347</u>	<u>(3,369,763)</u>	<u>(407,678)</u>	<u>(3,777,441)</u>	-	
Component unit:									
Treasure Island Development Authority.....	\$ 15,813	\$ 10,079	\$ -	\$ 7,090			\$ 1,356		
General Revenues									
Taxes:									
Property taxes.....				2,363,863	-	2,363,863	-	-	
Business taxes.....				899,142	-	899,142	-	-	
Sales and use tax.....				293,916	-	293,916	-	-	
Hotel room tax.....				382,176	-	382,176	-	-	
Utility users tax.....				94,460	-	94,460	-	-	
Parking tax.....				83,484	-	83,484	-	-	
Real property transfer tax.....				280,416	-	280,416	-	-	
Other local taxes.....				60,287	-	60,287	-	-	
Interest and investment income.....				46,020	39,010	85,030	107		
Other.....				71,834	246,827	318,661	531		
Transfers - internal activities of primary government.....				(753,283)	753,283	-	-	-	
Total general revenues and transfers.....				<u>3,822,315</u>	<u>1,039,120</u>	<u>4,861,435</u>	<u>638</u>		
Special item:									
Receipt of Yerba Buena Garden assets.....				116,690	-	116,690	-	-	
Change in net position.....				569,242	631,442	1,200,684	1,994		
Net position at beginning of year, as previously reported.....				1,786,411	5,771,902	7,558,313	22,366		
Cumulative effect of accounting change.....				(463,676)	(581,262)	(1,044,938)	-	-	
Net position at beginning of year, as restated.....				1,322,735	5,190,640	6,513,375	22,366		
Net position at end of year.....				<u>\$ 1,891,977</u>	<u>\$ 5,822,082</u>	<u>\$ 7,714,059</u>	<u>\$ 24,360</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, 2018

(With comparative financial information as of June 30, 2017)  
(In Thousands)

	<b>General Fund</b>		<b>Other Governmental Funds</b>		<b>Total Governmental Funds</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>Assets:</b>						
Deposits and investments with City Treasury.....	\$ 2,727,607	\$ 2,144,741	\$ 2,188,574	\$ 1,736,620	\$ 4,916,181	\$ 3,881,361
Deposits and investments outside City Treasury.....	4,623	5,923	393,314	149,433	397,937	155,356
Receivables (net of allowance for uncollectible amounts of \$260,922 in 2018; \$223,508 in 2017):						
Property taxes and penalties.....	286,586	78,519	15,893	21,432	302,479	99,951
Other local taxes.....	299,841	248,905	17,303	18,414	317,144	267,319
Federal and state grants and subventions.....	223,578	198,490	98,717	96,317	322,295	294,807
Charges for services.....	77,641	71,476	20,221	13,431	97,862	84,907
Interest and other.....	16,749	8,331	9,348	4,670	26,097	13,001
Due from other funds.....	8,601	10,926	11,101	6,624	19,702	17,550
Due from component unit.....	-	-	4,226	1,581	4,226	1,581
Advance to component unit.....	-	-	8,214	13,149	8,214	13,149
Loans receivable (net of allowance for uncollectible amounts of \$1,376,217 in 2018; \$1,263,252 in 2017)....	11,694	9,666	189,133	128,557	200,827	138,223
Other assets.....	6,385	67,598	1,645	27,422	8,030	95,020
<b>Total assets.....</b>	<b>\$ 3,663,305</b>	<b>\$ 2,844,575</b>	<b>\$ 2,957,689</b>	<b>\$ 2,217,650</b>	<b>\$ 6,620,994</b>	<b>\$ 5,062,225</b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 256,870	\$ 154,195	\$ 172,506	\$ 123,620	\$ 429,376	\$ 277,815
Accrued payroll.....	91,270	84,637	17,876	17,961	109,146	102,598
Unearned grant and subvention revenues.....	7,829	8,146	23,300	17,748	31,129	25,894
Due to other funds.....	1,423	560	44,914	50,393	46,337	50,953
Unearned revenues and other liabilities.....	693,082	520,366	60,819	53,042	753,901	573,408
Bonds, loans, capital leases, and other payables.....	-	-	121,868	255,939	121,868	255,939
<b>Total liabilities.....</b>	<b>1,050,474</b>	<b>767,904</b>	<b>441,283</b>	<b>518,703</b>	<b>1,491,757</b>	<b>1,286,607</b>
Deferred inflows of resources.....	390,890	205,968	161,112	164,877	552,002	370,845
<b>Fund balances:</b>						
Nonspendable.....	1,512	525	82	82	1,594	607
Restricted.....	143,977	125,689	2,232,040	1,701,020	2,376,017	1,826,709
Committed.....	371,698	327,607	-	-	371,698	327,607
Assigned.....	1,291,499	1,088,288	124,076	78,413	1,415,575	1,166,701
Unassigned.....	413,255	328,594	(904)	(245,445)	412,351	83,149
<b>Total fund balances.....</b>	<b>2,221,941</b>	<b>1,870,703</b>	<b>2,355,294</b>	<b>1,534,070</b>	<b>4,577,235</b>	<b>3,404,773</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 3,663,305</b>	<b>\$ 2,844,575</b>	<b>\$ 2,957,689</b>	<b>\$ 2,217,650</b>	<b>\$ 6,620,994</b>	<b>\$ 5,062,225</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, 2018  
(In Thousands)

Fund balances – total governmental funds	\$ 4,577,235
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,791,482
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(4,717,206)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	552,002
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(19,116)
Deferred outflows and inflows of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	13,232
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,259,845)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,841,249)
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 internal service funds are included in governmental activities in the statement of net position.	<u>(204,558)</u>
Net position of governmental activities	<u>\$ 1,891,977</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2018  
(With comparative financial information year ended June 30, 2017)  
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2018	2017	2018	2017	2018	2017
<b>Revenues:</b>						
Property taxes.....	\$ 1,673,950	\$ 1,478,671	\$ 497,651	\$ 459,023	\$ 2,171,601	\$ 1,937,694
Business taxes.....	897,076	700,536	2,066	1,795	899,142	702,331
Sales and use tax.....	192,946	189,473	103,263	102,237	296,209	291,710
Hotel room tax.....	382,176	370,344	-	-	382,176	370,344
Utility users tax.....	94,460	101,203	-	-	94,460	101,203
Parking tax.....	83,484	84,278	-	-	83,484	84,278
Real property transfer tax.....	280,416	410,561	-	-	280,416	410,561
Other local taxes.....	60,287	47,728	-	-	60,287	47,728
Licenses, permits and franchises.....	28,803	29,336	14,377	15,061	43,180	44,397
Fines, forfeitures, and penalties.....	7,966	2,734	26,254	28,064	34,220	30,798
Interest and investment income.....	16,245	14,439	29,645	20,650	45,890	35,089
Rents and concessions.....	14,533	15,352	90,751	85,192	105,284	100,544
Intergovernmental:						
Federal.....	229,960	225,112	191,064	186,257	421,024	411,369
State.....	750,715	704,286	124,687	118,726	875,402	823,012
Other.....	3,134	3,178	13,859	10,636	16,993	13,814
Charges for services.....	248,926	220,877	166,643	157,560	415,569	378,437
Other.....	24,478	38,679	161,556	149,632	186,034	188,311
<b>Total revenues.....</b>	<b>4,989,555</b>	<b>4,636,787</b>	<b>1,421,816</b>	<b>1,334,833</b>	<b>6,411,371</b>	<b>5,971,620</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	1,312,582	1,257,948	66,172	65,629	1,378,754	1,323,577
Public works, transportation and commerce.....	223,830	166,285	218,038	166,408	441,868	332,693
Human welfare and neighborhood development.....	999,048	956,478	500,168	467,947	1,499,216	1,424,425
Community health.....	706,322	600,067	109,440	112,428	815,762	712,495
Culture and recreation.....	142,215	139,368	282,579	250,670	424,794	390,038
General administration and finance.....	244,773	238,064	67,668	65,049	312,441	303,113
General City responsibilities.....	110,812	121,444	108	3	110,920	121,447
<b>Debt service:</b>						
Principal retirement.....	-	-	381,141	283,356	381,141	283,356
Interest and other fiscal charges.....	178	-	136,747	125,091	136,925	125,091
Bond issuance costs.....	-	-	8,934	2,695	8,934	2,695
<b>Capital outlay:</b>						
Total expenditures.....	3,739,760	3,479,654	2,108,736	1,836,365	5,848,496	5,316,019
Excess (deficiency) of revenues over (under) expenditures.....	1,249,795	1,157,133	(686,920)	(501,532)	562,875	655,601
<b>Other financing sources (uses):</b>						
Transfers in.....	112,228	140,272	512,919	500,851	625,147	641,123
Transfers out.....	(1,010,785)	(857,629)	(387,777)	(364,534)	(1,398,562)	(1,222,163)
<b>Issuance of bonds and loans:</b>						
Face value of bonds issued.....	-	-	1,293,595	276,570	1,293,595	276,570
Face value of loans issued.....	-	-	-	46,000	-	46,000
Premium on issuance of bonds.....	-	-	76,243	12,432	76,243	12,432
Proceeds from sale of capital assets.....	-	-	-	122,000	-	122,000
Other financing sources - capital leases.....	-	1,765	2,027	35,971	2,027	37,736
Total other financing sources (uses).....	(898,557)	(715,592)	1,497,007	629,290	598,450	(86,302)
<b>Special item:</b>						
Receipt of Yerba Buena Garden assets.....	-	-	11,137	-	11,137	-
Net changes in fund balances.....	351,238	441,541	821,224	127,758	1,172,462	569,299
Fund balances at beginning of year.....	1,870,703	1,429,162	1,534,070	1,406,312	3,404,773	2,835,474
Fund balances at end of year.....	<b>\$ 2,221,941</b>	<b>\$ 1,870,703</b>	<b>\$ 2,355,294</b>	<b>\$ 1,534,070</b>	<b>\$ 4,577,235</b>	<b>\$ 3,404,773</b>

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, 2018  
(In Thousands)

Net changes in fund balances - total governmental funds	\$1,172,462
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 gains and loss on disposal of capital assets in the current period.	495,407
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.	(2,273,598)
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	192,262
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	(20,355)
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(9,402)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	139,005
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	1,841,249
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.	(912,454)
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.	(76,243)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	12,792
The activities of internal service funds are reported with governmental activities.	<u>8,117</u>
Change in net position of governmental activities	<u>\$ 569,242</u>

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



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**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Net Position - Proprietary Funds**  
June 30, 2018  
(With comparative financial information as of June 30, 2017)  
(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds			
	Major Funds									Total		2018	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital		2018	2017	2018	2017
<b>ASSETS</b>													
Current Assets:													
Deposits and investments with City Treasury.....	\$ 458,219	\$ 358,768	\$ 274,871	\$ 647,731	\$ 334,609	\$ 164,107	\$ 155,722	\$ 2	\$ 2,394,027	\$ 2,446,138	\$ 36,595	\$ 29,919	-
Deposits and investments outside City Treasury.....	6,408	274	10	5,559	10	262	5	2	12,530	15,576	-	-	-
Receivables (net of allowance for uncollectible amounts of \$35,131 and \$29,255 in 2018 and 2017, respectively):													
Federal and state grants and subventions.....	-	325	260	255,232	11	17,248	1,637	69,518	344,231	173,369	-	-	-
Charges for services.....	95,614	53,841	12,644	6,858	68,918	30,915	6,691	28,566	304,047	249,969	112	95	-
Interest and other.....	3,925	2,724	963	9,153	100,422	1,051	3,991	227	122,456	184,811	556	742	-
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	12,934	11,233	-
Due from other funds.....	-	288	8,133	23,739	2	116	440	-	32,718	40,764	-	-	-
Due from component unit.....	-	-	28	-	-	-	-	-	-	28	568	-	-
Inventories.....	51	5,561	401	81,370	12,802	2,082	1,352	998	104,617	98,374	-	-	-
Other assets.....	3,713	-	3,988	131	-	116	-	-	7,948	6,156	-	-	-
Restricted assets:													
Deposits and investments with City Treasury.....	382,560	-	-	-	-	-	30,877	22,895	436,332	351,472	-	-	-
Deposits and investments outside City Treasury.....	215,026	143,739	2,777	-	-	14,282	10,077	-	385,901	291,800	23,229	21,617	-
Grants and other receivables.....	34,647	-	-	-	-	731	-	-	35,378	22,271	-	-	-
Total current assets.....	1,200,163	565,520	304,075	1,029,773	516,774	230,910	210,792	122,206	4,180,213	3,881,268	73,426	63,606	-
Noncurrent assets:													
Other assets.....	-	4,262	957	-	-	2,019	3,632	-	10,870	11,452	-	-	-
Capital leases receivable.....	-	-	-	-	-	-	-	-	-	-	148,338	167,710	-
Advance to component unit.....	-	-	2,599	-	-	-	-	-	2,599	2,627	-	-	-
Restricted assets:													
Deposits and investments with City Treasury.....	962,619	102,011	41,420	316,351	-	36,054	-	-	1,458,455	569,877	-	-	-
Deposits and investments outside City Treasury.....	495,659	-	1,038	21,832	454	-	-	12,855	531,838	443,145	2,249	-	-
Grants and other receivables.....	2,243	4,491	174	1,689	-	-	-	14,740	23,337	36,029	-	-	-
Capital assets:													
Land and other assets not being depreciated.....	1,353,507	1,430,759	115,135	1,965,236	42,276	726,384	130,380	1,852	5,765,529	4,325,916	239	-	-
Facilities, infrastructure, and equipment, net of depreciation.....	3,576,522	3,832,474	364,287	2,256,879	108,952	1,799,822	304,322	496,869	12,740,127	12,435,965	11,304	11,601	-
Total capital assets.....	4,930,029	5,263,233	479,422	4,222,115	151,228	2,526,206	434,702	498,721	18,505,656	16,761,881	11,543	11,601	-
Total noncurrent assets.....	6,390,550	5,373,997	525,610	4,561,987	151,682	2,564,279	438,334	526,316	20,532,755	17,825,011	162,130	179,311	-
Total assets.....	7,590,713	5,939,517	829,685	5,591,760	668,456	2,795,189	649,126	648,522	24,712,968	21,706,279	235,556	242,917	-
<b>DEFERRED OUTFLOWS OF RESOURCES</b>													
Unamortized loss on refunding of debt.....	76,564	150,255	-	-	-	500	-	-	227,319	204,299	933	1,012	-
Deferred outflows on derivative instruments.....	29,245	-	-	-	-	-	-	-	29,245	54,870	-	-	-
Deferred outflows related to pensions.....	91,596	62,062	16,963	214,182	137,266	29,984	12,986	57,293	622,332	1,013,927	17,485	25,906	-
Deferred outflows related to OPEB.....	13,387	9,122	1,974	36,034	19,426	3,264	1,686	9,244	94,137	-	2,432	-	-
Total deferred outflows of resources.....	210,792	221,439	18,937	250,216	156,692	33,748	14,672	66,537	973,033	1,273,096	20,850	26,918	-

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, 2018  
(With comparative financial information as of June 30, 2017)  
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds			
	Major Funds								Total		2018		2017	
	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						
<b>LIABILITIES</b>														
Current liabilities:														
Accounts payable.....	\$ 68,643	\$ 15,554	\$ 19,385	\$ 146,641	\$ 62,303	\$ 18,080	\$ 9,551	\$ 58,931	\$ 399,088	\$ 194,413	\$ 8,413	\$ 3,647		
Accrued payroll.....	11,898	6,660	2,345	29,465	20,785	4,394	1,667	8,006	85,220	80,055	2,362	2,242		
Accrued vacation and sick leave pay.....	10,699	6,125	2,385	23,891	14,745	3,766	1,346	5,827	68,784	65,212	1,997	1,853		
Accrued workers' compensation.....	1,739	2,024	525	22,652	4,294	1,027	454	2,635	35,350	32,875	313	331		
Estimated claims payable.....	22	4,656	837	36,091	-	6,376	200	-	48,182	39,424	-	-		
Due to other funds.....	96	96	-	2,589	179	1,061	-	-	4,021	5,574	2,062	1,787		
Unearned revenues and other liabilities.....	-	17,810	6,337	43,467	338,116	4,185	14,775	30,245	454,935	513,027	12,840	15,815		
Accrued interest payable.....	-	38,769	525	5,119	81	11,528	1,535	1,480	59,037	55,187	1,153	1,224		
Bonds, loans, capital leases, and other payables.....	178,925	119,533	23,108	10,132	19,212	284,841	2,693	6,735	645,179	546,565	12,904	10,880		
Liabilities payable from restricted assets:														
Bonds, loans, capital leases, and other payables.....	65,195	-	-	-	-	-	-	-	65,195	228,895	-	-		
Accrued interest payable.....	44,064	-	-	-	-	-	-	-	44,064	36,062	-	-		
Other.....	189,596	45,882	11,826	28,693	-	48,720	-	682	325,399	155,406	-	-		
Total current liabilities.....	570,877	257,109	67,273	348,740	459,715	383,978	32,221	114,541	2,234,454	1,952,695	42,044	37,779		
Noncurrent liabilities:														
Accrued vacation and sick leave pay.....	7,356	4,561	1,566	14,589	9,958	2,649	909	3,316	44,904	43,824	1,454	1,363		
Accrued workers' compensation.....	6,254	8,933	2,424	108,163	25,223	4,757	2,546	14,614	172,914	161,053	1,446	1,469		
Estimated claims payable.....	28	8,746	1,629	43,806	-	7,690	250	-	62,149	55,256	-	-		
Unearned revenue and other liabilities.....	-	57,762	4,161	-	-	4,703	64,617	-	131,243	117,432	-	-		
Bonds, loans, capital leases, and other payables.....	6,570,653	4,943,651	66,994	369,695	12,612	1,048,092	83,622	114,096	13,209,415	11,224,019	160,020	171,903		
Derivative instruments liabilities.....	37,558	-	-	-	-	-	-	-	37,558	65,965	-	-		
Net pension liability.....	308,459	209,003	57,122	721,282	462,256	100,973	43,730	192,939	2,095,764	2,501,732	58,876	63,919		
Net other postemployment benefits (OPEB) liability.....	244,096	166,336	36,000	657,062	354,223	59,517	30,750	168,560	1,716,544	974,031	44,344	26,393		
Total noncurrent liabilities.....	7,174,404	5,398,992	169,896	1,914,597	864,272	1,228,381	226,424	493,525	17,470,491	15,143,312	266,140	265,047		
Total liabilities.....	7,745,281	5,656,101	237,169	2,263,337	1,323,987	1,612,359	258,645	608,066	19,704,945	17,096,007	308,184	302,826		
<b>DEFERRED INFLOWS OF RESOURCES</b>														
Unamortized gain on refunding of debt.....	1,221	-	-	265	-	-	-	-	1,486	297	-	-		
Unamortized gain on leaseback transaction.....	-	-	-	3,680	-	-	-	-	3,680	4,015	-	-		
Deferred inflows related to pensions.....	22,230	15,063	4,119	51,981	33,313	7,277	3,151	13,905	151,039	107,154	4,243	2,737		
Deferred inflows related to OPEB.....	394	268	58	1,060	571	96	50	272	2,769	-	71	-		
Total deferred inflows of resources.....	23,845	15,331	4,177	56,986	33,884	7,373	3,201	14,177	158,974	111,466	4,314	2,737		
<b>NET POSITION</b>														
Net investment in capital assets.....	(564,762)	504,476	410,717	3,836,904	119,810	1,207,703	305,609	390,645	6,211,102	5,752,069	10,286	11,601		
Restricted:														
Debt service.....	186,655	22,933	834	19,707	-	1,312	-	63,058	294,499	202,262	-	-		
Capital projects.....	419,486	32,978	11,712	-	19,399	-	20,738	10,759	515,072	394,634	-	-		
Other purposes.....	-	-	-	291,472	-	-	-	2,650	294,122	93,696	-	-		
Unrestricted (deficit).....	(9,000)	(70,863)	184,013	(626,430)	(671,932)	190	75,605	(374,296)	(1,492,713)	(670,759)	(66,378)	(47,329)		
Total net position.....	\$ 32,379	\$ 489,524	\$ 607,276	\$ 3,521,653	\$ (532,723)	\$ 1,209,205	\$ 401,952	\$ 92,816	\$ 5,822,082	\$ 5,771,902	\$ (56,092)	\$ (35,728)		

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



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**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds**  
Year Ended June 30, 2018  
(With comparative financial information year ended June 30, 2017)  
(In Thousands)

	Business-Type Activities - Enterprise Funds								Governmental Activities - Internal Service Funds			
	Major Funds								Total			
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2018	2017	2018	2017
Operating revenues:												
Aviation.....	\$ 670,282	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 670,282	\$ 545,310	\$ -	\$ -
Water and power service.....	-	495,138	191,667	-	-	-	-	-	686,805	627,871	-	-
Passenger fees.....	-	-	-	-	202,280	-	-	-	202,280	195,886	-	-
Net patient service revenue.....	-	-	-	-	765,464	-	-	193,694	959,158	863,559	-	-
Sewer service.....	-	-	-	-	-	303,037	-	-	303,037	267,601	-	-
Rents and concessions.....	158,594	12,906	296	8,111	2,587	611	80,605	-	263,710	244,975	436	176
Parking and transportation.....	151,731	-	-	228,304	-	-	22,281	-	402,316	400,072	-	-
Other charges for services.....	-	-	-	32,110	-	-	-	-	32,110	29,055	152,676	145,284
Other revenues.....	83,195	17,595	-	41,179	4,636	11,448	6,883	1,555	166,491	166,726	-	-
Total operating revenues.....	1,063,802	525,639	191,963	511,984	772,687	315,096	109,769	195,249	3,686,189	3,341,055	153,112	145,460
Operating expenses:												
Personal services.....	312,972	128,295	51,616	834,950	561,699	91,977	40,930	209,676	2,232,115	2,691,353	68,147	78,176
Contractual services.....	86,103	14,131	9,216	133,212	219,228	16,061	18,038	11,584	507,573	483,002	59,364	59,146
Light, heat and power.....	23,800	-	64,732	-	-	2,859	-	-	91,391	69,333	-	-
Materials and supplies.....	17,573	15,936	2,642	72,041	99,064	9,446	1,001	20,985	238,688	224,257	17,197	14,508
Depreciation and amortization.....	265,169	118,751	19,115	167,220	27,975	55,591	17,778	15,187	686,786	669,538	2,909	3,294
General and administrative.....	2,535	36,174	41,329	42,609	4,954	1,144	3,585	-	132,330	125,912	1,720	408
Services provided by other departments.....	23,369	56,860	8,965	69,261	50,212	36,374	19,310	10,741	275,092	272,050	7,977	9,590
Other.....	38,665	-	-	(25,148)	(969)	-	(6,678)	55,908	61,778	18,706	2,564	3,184
Total operating expenses.....	770,186	370,147	197,615	1,294,145	962,163	210,593	96,823	324,081	4,225,753	4,554,151	159,878	168,306
Operating income (loss).....	293,616	155,492	(5,652)	(782,161)	(189,476)	104,503	12,946	(128,832)	(539,564)	(1,213,096)	(6,766)	(22,846)
Nonoperating revenues (expenses):												
Operating grants:												
Federal.....	-	597	1,050	11,464	-	-	4,232	403	17,746	72,053	-	-
State / other.....	-	-	-	140,475	59,285	-	-	-	199,760	198,114	-	-
Interest and investment income.....	11,316	6,448	2,929	10,122	2,896	2,317	2,231	751	39,010	28,547	4,498	4,470
Interest expense.....	(211,461)	(164,001)	(3,204)	(10,109)	(1,695)	(24,978)	(4,461)	(6,106)	(426,015)	(409,529)	(4,981)	(4,664)
Other nonoperating revenues.....	113,742	52,007	10,261	44,349	-	10,730	-	15,738	246,827	257,419	256	739
Other nonoperating expenses.....	(110,507)	(1,920)	(1,547)	-	-	(414)	(1,383)	-	(115,771)	(107,794)	-	-
Total nonoperating revenues (expenses).....	(196,910)	(106,869)	9,489	196,301	60,486	(12,345)	619	10,786	(38,443)	38,810	(227)	545
Income (loss) before capital contributions and transfers.....	96,706	48,623	3,837	(585,860)	(128,990)	92,158	13,565	(118,046)	(578,007)	(1,174,286)	(6,993)	(22,301)
Capital contributions.....	15,051	-	-	438,489	-	-	2,626	-	456,166	369,327	-	-
Transfers in.....	-	382	30,087	726,090	97,373	-	19	57,668	911,619	751,924	414	2,153
Transfers out.....	(46,549)	(31,368)	(512)	(19,737)	(25,892)	(26,960)	-	(7,318)	(158,336)	(172,899)	-	(138)
Change in net position.....	65,208	17,637	33,412	558,982	(57,509)	65,198	16,210	(67,696)	631,442	(225,934)	(6,579)	(20,286)
Net position (deficit) at beginning of year, as previously reported.....	50,169	501,267	578,260	3,295,692	(412,424)	1,146,263	389,740	222,935	5,771,902	5,997,836	(35,728)	(15,442)
Cumulative effect of accounting change.....	(82,998)	(29,380)	(4,396)	(333,021)	(62,790)	(2,256)	(3,998)	(62,423)	(581,262)	-	(13,785)	-
Net position (deficit) at beginning of year, as restated....	(32,829)	471,887	573,864	2,962,671	(475,214)	1,144,007	385,742	160,512	5,190,640	5,997,836	(49,513)	(15,442)
Net position (deficit) at end of year.....	\$ 32,379	\$ 489,524	\$ 607,276	\$ 3,521,653	\$ (532,723)	\$ 1,209,205	\$ 401,952	\$ 92,816	\$ 5,822,082	\$ 5,771,902	\$ (56,092)	\$ (35,728)

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

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Cash Flows – Proprietary Funds

Year Ended June 30, 2018

(With comparative financial information year ended June 30, 2017)

(In Thousands)

	Business-Type Activities - Enterprise Funds									Governmental Activities - Internal Service Funds				
	Major Funds									Total				
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital		2018	2017	2018	2017	
<b>Cash flows from operating activities:</b>														
Cash received from customers, including cash deposits.....	\$ 988,320	\$ 525,886	\$ 198,412	\$ 559,313	\$ 857,275	\$ 312,769	\$ 27,625	\$ 157,715	\$ 3,627,315	\$ 3,345,857	\$ 175,852	\$ 163,461		
Cash received from tenants for rent.....	-	12,783	308	8,169	2,587	657	78,499	-	103,003	97,208	-	-		
Cash paid for employees' services.....	(290,061)	(121,352)	(49,243)	(767,412)	(543,606)	(85,045)	(38,631)	(203,909)	(2,099,259)	(1,978,699)	(61,144)	(58,641)		
Cash paid to suppliers for goods and services.....	(195,409)	(108,216)	(120,194)	(342,480)	(327,236)	(43,346)	(41,887)	(41,434)	(1,220,202)	(1,317,241)	(87,168)	(93,370)		
Cash paid for judgments and claims.....	-	(2,925)	(3,551)	(11,554)	-	(2,124)	-	-	(20,154)	(25,549)	-	-		
Net cash provided by (used in) operating activities.....	502,850	306,176	25,732	(553,964)	(10,980)	182,911	25,606	(87,628)	390,703	121,576	27,540	11,450		
<b>Cash flows from noncapital financing activities:</b>														
Operating grants.....	-	422	1,034	155,009	59,326	891	730	403	217,815	267,459	-	-		
Transfers in.....	-	382	30,087	678,791	97,373	-	-	57,668	864,301	652,101	414	2,153		
Transfers out.....	(46,549)	(31,368)	(512)	(35,514)	(25,892)	(26,960)	-	(7,318)	(174,113)	(172,899)	-	(138)		
Other noncapital financing sources.....	1,771	13,709	9,303	58,090	-	1,322	4,250	-	88,445	75,846	-	-		
Other noncapital financing uses.....	(89,254)	(1,920)	(1,878)	-	(171)	(414)	-	-	(93,637)	(86,607)	-	-		
Net cash provided by (used in) noncapital financing activities.....	(134,032)	(18,775)	38,034	856,376	130,636	(25,161)	4,980	50,753	902,811	735,900	414	2,015		
<b>Cash flows from capital and related financing activities:</b>														
Capital grants and other proceeds restricted for capital purposes...	4,945	-	-	293,609	-	-	443	29,260	328,257	297,434	-	-		
Transfers in.....	-	-	-	83,837	-	-	19	-	83,856	99,589	-	-		
Bond sale proceeds and loans received.....	1,023,750	928,694	-	4,689	-	-	-	-	1,957,133	1,822,183	-	-		
Proceeds from sale/transfer of capital assets.....	-	3,231	136	139	-	21	30	-	3,557	6,736	-	-		
Proceeds from commercial paper borrowings.....	557,700	15,664	222	-	1,088	151,448	-	-	726,122	477,604	-	-		
Proceeds from passenger facility charges.....	111,379	-	-	-	-	-	-	-	111,379	97,287	-	-		
Acquisition of capital assets.....	(807,048)	(257,777)	(48,606)	(732,397)	(7,200)	(287,297)	(15,498)	(1,015)	(2,156,838)	(1,712,583)	(1,279)	(3,910)		
Retirement of capital leases, bonds and loans.....	(201,300)	(648,233)	(2,768)	(12,394)	(4,738)	(13,939)	(2,567)	(6,440)	(892,379)	(1,551,389)	(11,194)	(14,025)		
Bond issue costs paid.....	-	(1,405)	-	(121)	-	(208)	-	-	(1,734)	(3,029)	-	-		
Interest paid on debt.....	(253,077)	(279,114)	(3,524)	(10,477)	(1,703)	(47,360)	(4,587)	(6,311)	(606,153)	(501,341)	(4,739)	(4,753)		
Federal interest income subsidy from Build America Bonds.....	-	24,042	756	-	-	4,008	-	-	28,806	28,688	-	-		
Other capital financing sources.....	-	-	-	13,877	-	-	-	550	-	14,427	16,150	-	-	
Other capital financing uses.....	-	-	-	-	-	-	-	(4,920)	-	(4,920)	(3,098)	-	-	
Net cash provided by (used in) capital and related financing activities.....	436,349	(214,898)	(53,784)	(359,238)	(12,553)	(193,327)	(26,530)	15,494	(408,487)	(925,769)	(17,212)	(22,688)		
<b>Cash flows from investing activities:</b>														
Purchases of investments with trustees.....	(619,746)	(436,878)	(3,446)	-	-	(77,977)	-	(12,733)	(1,150,780)	(1,305,756)	(2,260)	-		
Proceeds from sale of investments with trustees.....	666,304	485,074	4,990	-	-	85,012	-	-	1,241,380	1,206,922	-	-		
Interest and investment income.....	23,419	5,204	3,810	8,489	2,896	1,828	1,709	656	48,011	36,125	119	148		
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	(313)	(2)		
Net cash provided by (used in) investing activities.....	69,977	53,400	5,354	8,489	2,896	8,863	1,709	(12,077)	138,611	(62,709)	(2,454)	146		
Net increase (decrease) in cash and cash equivalents.....	875,144	125,903	15,336	(48,337)	109,999	(26,714)	5,765	(33,458)	1,023,638	(131,002)	8,288	(9,077)		
Cash and cash equivalents-beginning of year.....	971,852	461,701	305,521	1,039,810	225,074	240,531	190,651	56,477	3,491,617	3,622,619	51,536	60,613		
Cash and cash equivalents-end of year.....	\$ 1,846,996	\$ 587,604	\$ 320,857	\$ 991,473	\$ 335,073	\$ 213,817	\$ 196,416	\$ 23,019	\$ 4,515,255	\$ 3,491,617	\$ 59,824	\$ 51,536		

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

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Cash Flows – Proprietary Funds (Continued)

Year Ended June 30, 2018

(With comparative financial information year ended June 30, 2017)

(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds			
	Major Funds										2018		2017	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total	2018	2018	2017	2017	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>														
Operating income (loss).....	\$ 293,616	\$ 155,492	\$ (5,652)	\$ (782,161)	\$ (189,476)	\$ 104,503	\$ 12,946	\$ (128,832)	\$ (539,564)	\$ (1,213,096)	\$ (6,766)	\$ (22,846)		
Adjustments for non-cash and other activities:														
Depreciation and amortization.....	265,169	118,751	19,115	167,220	27,975	55,591	17,778	15,187	686,786	669,538	2,909	3,294		
Provision for uncollectibles.....	(198)	(37)	308	3	-	(248)	(180)	-	(352)	1,503	-	-		
Write-off of capital assets.....	-	910	58	-	-	4,729	-	-	5,697	5,890	-	-		
Other.....	4,150	-	-	-	-	-	-	-	4,150	1,912	99	409		
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:														
Receivables, net.....	(42,331)	454	991	(259)	64,056	(1,575)	763	(6,756)	15,343	1,575	17,363	12,609		
Due from other funds.....	-	338	2,026	225	-	44	-	(31,404)	(28,771)	34,048	-	-		
Inventories.....	7	1,875	-	(4,250)	(4,302)	(36)	240	223	(6,243)	4,200	-	-		
Other assets.....	(779)	-	(2,864)	589	-	-	428	-	(2,626)	(4,943)	-	-		
Accounts payable.....	13,870	8,286	8,568	(10,380)	49,556	12,563	1,580	57,562	141,605	(60,448)	4,750	(3,803)		
Accrued payroll.....	1,421	177	(23)	1,554	1,433	(184)	55	816	5,249	8,769	120	380		
Accrued vacation and sick leave pay.....	1,038	(325)	328	1,949	1,105	466	88	2	4,651	423	235	114		
Accrued workers' compensation.....	657	1,868	(20)	9,442	856	204	94	1,236	14,337	4,325	(41)	(64)		
Estimated claims payable.....	-	2,664	28	14,522	-	(83)	(675)	-	16,456	(21,766)	-	-		
Due to other funds.....	-	89	(2,054)	(887)	-	(84)	-	-	(2,936)	(82)	-	(24)		
Unearned revenue and other liabilities.....	(54,459)	12,592	3,432	(1,084)	23,119	2,140	(9,756)	625	(23,391)	(6,321)	2,182	2,276		
Net pension liability and pension related deferred outflows and inflows of resources.....	9,835	(3,730)	25	22,803	(81,368)	2,458	993	(3,149)	(52,133)	600,608	4,884	16,230		
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	10,854	6,772	1,466	26,750	96,066	2,423	1,252	6,862	152,445	95,441	1,805	2,875		
Total adjustments.....	209,234	150,684	31,384	228,197	178,496	78,408	12,660	41,204	930,267	1,334,672	34,306	34,296		
Net cash provided by (used in) operating activities.....	\$ 502,850	\$ 306,176	\$ 25,732	\$ (553,964)	\$ (10,980)	\$ 182,911	\$ 25,606	\$ (87,628)	\$ 390,703	\$ 121,576	\$ 27,540	\$ 11,450		
<b>Reconciliation of cash and cash equivalents to the statement of net position:</b>														
Deposits and investments with City Treasury:														
Unrestricted.....	\$ 458,219	\$ 358,768	\$ 274,871	\$ 647,731	\$ 334,609	\$ 164,107	\$ 155,722	\$ -	\$ 2,394,027	\$ 2,446,138	\$ 36,595	\$ 29,919		
Restricted.....	1,345,179	102,011	41,420	316,351	-	36,054	30,877	22,895	1,894,787	921,349	-	-		
Deposits and investments outside City Treasury:														
Unrestricted.....	6,408	274	10	5,559	10	262	5	2	12,530	15,576	-	-		
Restricted.....	710,685	143,739	3,815	21,832	454	14,282	10,077	12,855	917,739	734,945	25,478	21,617		
Total deposits and investments.....	2,520,491	604,792	320,116	991,473	335,073	214,705	196,681	35,752	5,219,083	4,118,008	62,073	51,536		
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(673,495)	(17,188)	741	-	-	(888)	(265)	(12,733)	(703,828)	(626,391)	(2,249)	-		
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 1,846,996	\$ 587,604	\$ 320,857	\$ 991,473	\$ 335,073	\$ 213,817	\$ 196,416	\$ 23,019	\$ 4,515,255	\$ 3,491,617	\$ 59,824	\$ 51,536		
<b>Non-cash capital and related financing activities:</b>														
Acquisition of capital assets on accounts payable and capital lease.....	\$ 189,596	\$ 45,882	\$ 11,826	\$ -	\$ -	\$ 48,720	\$ 5,033	\$ 175	\$ 301,232	\$ 156,712	\$ 3,599	\$ 1,997		
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	2,590	-	2,590	613	-	-		
Net capitalized interest.....	28,756	59,855	413	4,536	-	22,415	18	-	115,993	80,311	-	-		
Donated inventory.....	-	-	-	-	1,490	-	-	-	1,490	1,910	-	-		
Capital contributions and other noncash capital items.....	-	-	-	-	-	-	1,413	-	1,413	749	-	-		
Bond refunding through fiscal agent.....	26,789	-	-	-	-	-	-	-	26,789	184,536	-	-		
Bond proceeds held by fiscal agent.....	802,338	-	-	-	-	-	-	-	802,338	434,287	-	-		
Commercial paper repaid through fiscal agent.....	706,285	-	-	-	-	-	-	-	706,285	343,050	-	-		
Interfund loan.....	-	96	-	-	-	1,061	-	-	1,157	1,257	-	-		

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, 2018

(In Thousands)

	Pension, Other	Employee and Other Post- Employment Benefit Trust Funds	Investment Trust Fund	Private- Purpose Trust Fund	Agency Funds
<b>ASSETS</b>					
Deposits and investments with City Treasury.....	\$ 113,538	\$ 703,920	\$ 257,093	\$ 196,472	
Deposits and investments outside City Treasury:					
Cash and deposits.....	105,525	-	5,870	676	
Short-term investments.....	533,189	-	-	-	
Debt securities.....	3,373,593	-	-	-	
Equity securities.....	9,658,386	-	-	-	
Real assets.....	3,578,379	-	-	-	
Private equity and other alternative investments.....	7,423,881	-	-	-	
Foreign currency contracts, net.....	(1,157)	-	-	-	
Receivables:					
Employer and employee contributions.....	39,632	-	-	139,037	
Brokers, general partners and others.....	185,436	-	-	-	
Federal and state grants and subventions.....	-	-	404	-	
Interest and other.....	31,865	2,935	8,059	586,784	
Loans (net of allowance for uncollectible amounts).....	-	-	1,554	-	
Other assets.....	2,488	-	1,767	45,538	
Restricted asset:					
Deposits and investments outside City Treasury.....	-	-	319,895	-	
Capital assets:					
Land and other assets not being depreciated.....	-	-	18,525	-	
Facilities, infrastructure and equipment, net of depreciation.....	-	-	20,697	-	
Total assets.....	<u>25,044,755</u>	<u>706,855</u>	<u>633,864</u>	<u>968,507</u>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss on refunding of debt.....	-	-	46,774	-	
Deferred outflows related to pensions.....	-	-	7,725	-	
Deferred outflows related to OPEB.....	<u>641</u>	-	<u>2,932</u>	-	
Total deferred outflows of resources.....	<u>641</u>	-	<u>57,431</u>	-	
<b>LIABILITIES</b>					
Accounts payable.....	31,636	-	27,795	92,452	
Estimated claims payable.....	27,825	-	-	-	
Due to the primary government.....	-	-	3,222	-	
Agency obligations.....	-	-	-	876,055	
Accrued interest payable.....	-	-	15,492	-	
Payable to brokers.....	60,662	-	-	-	
Deferred Retirement Option Program.....	313	-	-	-	
Other liabilities.....	2,941	-	1,304	-	
Advance from primary government.....	-	-	8,214	-	
Long-term obligations.....	-	-	1,057,990	-	
Net pension liability.....	-	-	27,280	-	
Net other postemployment benefits (OPEB) liability.....	<u>11,694</u>	-	<u>6,337</u>	-	
Total liabilities.....	<u>135,071</u>	-	<u>1,147,634</u>	<u>968,507</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred inflows related to pensions.....	-	-	6,458	-	
Deferred inflows related to OPEB.....	<u>19</u>	-	-	-	
Total deferred inflows of resources.....	<u>19</u>	-	<u>6,458</u>	-	
<b>NET POSITION</b>					
Restricted for pension and other employee benefits.....	24,910,306	-	-	-	
Held for external pool participants.....	-	<u>706,855</u>	-	-	
Held for Redevelopment Agency dissolution.....	-	-	<u>(462,797)</u>	-	
Total net position.....	<u>\$ 24,910,306</u>	<u>\$ 706,855</u>	<u>\$ (462,797)</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, 2018  
(In Thousands)

	<b>Pension, Other Employee and Other</b>	<b>Post- Employment Benefit Trust</b>	<b>Investment Trust Fund</b>	<b>Private- Purpose Trust Fund</b>
<b>Additions:</b>				
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 152,567	
Charges for services.....	- -	- -	70,416	
<b>Contributions:</b>				
Employee contributions.....	550,795	- -	- -	
Employer contributions.....	1,595,079	- -	- -	
Contributions to pooled investments.....	- -	4,329,894	- -	
Total contributions.....	<u>2,145,874</u>	<u>4,329,894</u>	<u>222,983</u>	
<b>Investment income:</b>				
Interest.....	138,551	7,643	4,730	
Dividends.....	244,721	- -	- -	
Net appreciation in fair value of investments.....	2,232,122	- -	- -	
Securities lending income.....	393	- -	- -	
Total investment income.....	<u>2,615,787</u>	<u>7,643</u>	<u>4,730</u>	
<b>Less investment expenses:</b>				
Other investment expenses.....	(50,273)	- -	- -	
Net investment income.....	<u>2,565,514</u>	<u>7,643</u>	<u>4,730</u>	
<b>Other additions:</b>				
Other additions.....	- -	- -	3,832	
Total additions, net.....	<u>4,711,388</u>	<u>4,337,537</u>	<u>231,545</u>	
<b>Deductions:</b>				
Neighborhood development.....	- -	- -	235,982	
Depreciation.....	- -	- -	5,044	
Interest on debt.....	- -	- -	47,064	
Benefit payments.....	2,435,434	- -	- -	
Refunds of contributions.....	14,578	- -	- -	
Distribution from pooled investments.....	- -	4,493,298	- -	
Administrative expenses.....	18,376	- -	11,569	
Total deductions.....	<u>2,468,388</u>	<u>4,493,298</u>	<u>299,659</u>	
Change in net position.....	2,243,000	(155,761)	(68,114)	
Net position at beginning of year, as previously reported.....	22,670,302	862,616	(388,849)	
Cumulative effect of accounting change.....	(2,996)	- -	(5,834)	
Net position at beginning of year, as restated.....	22,667,306	862,616	(394,683)	
Net position at end of year.....	<u>\$ 24,910,306</u>	<u>\$ 706,855</u>	<u>\$ (462,797)</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, 2018

(Dollars in Thousands)

### **(1) THE FINANCIAL REPORTING ENTITY**

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

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

#### ***Blended Component Units***

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

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

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

*San Francisco Parking Authority (Parking Authority)* – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (SFMTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the SFMTA Chief Financial Officer at 1 South Van Ness Avenue, 8<sup>th</sup> Floor, San Francisco, CA 94103.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

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

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

#### ***Fiduciary Component Unit***

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

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

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

### ***Non-Disclosed Organizations***

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

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

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

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

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

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

The basic financial statements include certain prior year summarized comparative information. This information is presented only to facilitate financial analysis, and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2017, from which the summarized information was derived.

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

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

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

- The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The **San Francisco Water Enterprise Fund** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The **Hetch Hetchy Water and Power Enterprise Fund** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240.0 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

Enterprise and Hetch Hetchy. These charges have not been eliminated because elimination would distort the direct costs and program revenues reported in the statement of activities.

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

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

#### **(c) Deposits and Investments**

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

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

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

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2018, involuntary participants accounted for approximately 97.1% of the pool. Voluntary participants accounted for 2.9% 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, 2018, \$704.0 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 6.7%. Internal participants accounted for 93.3% of the pool.

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

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

*Retirement System* – Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Securities

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

that do not have an established market are reported at estimated fair value derived from third-party pricing services. Purchases and sales of investments are recorded on a trade date basis.

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

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

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

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

#### **Investment Income**

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

#### **(d) Loans Receivable**

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2018, it was determined that \$1,376.2 million of the \$1,577.0 million loan portfolio is not expected to be ultimately collected.

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

#### **(e) Inventories**

Inventories recorded in the proprietary funds primarily consist of construction materials and maintenance supplies, as well as pharmaceutical supplies maintained by the hospitals. Generally, proprietary funds value inventory at cost or average cost and expense supply inventory as it is consumed. This is referred to as the consumption method of inventory accounting. The governmental fund types use the purchase method to account for supply inventories, which are not material. This method records items as expenditures when they are acquired.

#### **(f) Property Held for Resale**

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

#### **(g) Capital Assets**

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities 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.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Facilities and improvements	15 to 175
Infrastructure	15 to 70
Machinery and equipment	2 to 75
Intangible assets	Varies with type

Works of art, historical treasures and zoological animals held for public exhibition, education, or research in furtherance of public service, rather than financial gain, are not capitalized. These items are protected, kept unencumbered, cared for, and preserved by the City. It is the City's policy to utilize proceeds from the sale of these items for the acquisition of other items for collection and display.

### **(h) Accrued Vacation and Sick Leave Pay**

Vacation pay, which may be accumulated up to ten weeks depending on an employee's length of service, is payable upon termination. Sick leave may be accumulated up to six months. Unused amounts accumulated prior to December 6, 1978, are vested and payable upon termination of employment by retirement or disability caused by industrial accident or death.

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

### **(i) Bond Issuance Costs, Premiums, Discounts, and Interest Accretion**

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. Bond issuance costs related to prepaid insurance costs, bond premiums and discounts for San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, SFMTA, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid insurance costs, bond premiums and discounts are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

### (j) Fund Equity

#### **Governmental Fund Balance**

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

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

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

#### **Encumbrances**

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

#### **Net Position**

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

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

## **CITY AND COUNTY OF SAN FRANCISCO**

### **Notes to Basic Financial Statements (Continued)**

June 30, 2018  
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#### **(k) Interfund Transfers**

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

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

#### **(l) Refunding of Debt**

In governmental and business-type activities and proprietary and fiduciary funds, losses or gains from advance refundings are recorded as deferred outflows of resources and deferred inflows of resources, respectively, and amortized into expense.

#### **(m) Pollution Remediation Obligations**

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

#### **(n) Cash Flows**

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

#### **(o) Pensions**

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the SFERS and the California Public Employees' Retirement System (CalPERS) plans and additions to/deductions from the plans' fiduciary net positions have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Plan member contributions are recognized in the period in which the contributions are due. Investments are reported at fair value.

#### **(p) Other Postemployment Benefits (OPEB)**

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### **(q) Restricted Assets**

Certain proceeds of the City's governmental activities, enterprise and internal service funds bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because the use of the proceeds is limited by applicable bond covenants and resolutions. Restricted assets account for the principal and interest amounts accumulated to pay debt service, unspent bond proceeds, and amounts restricted for future capital projects.

#### **(r) Deferred Outflows and Inflows of Resources**

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements for consumption or acquisition of net position that is applicable to a future reporting period. These financial statement elements are distinct from assets and liabilities.

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. In government-wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows and inflows of resources related to pensions and OPEB, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the SFMTA's leaseback transaction.

#### **(s) Special Item**

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

In accordance with the Redevelopment Dissolution Law, the Successor Agency transferred the Yerba Buena Gardens properties and other assets to the City during the year ended June 30, 2018. This transaction qualifies as a special item since this action was under the control of OCII's Board of Commissioners and met the criteria of infrequent (see Note 14).

#### **(t) Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(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, \$4,577,235, differs from net position of governmental activities, \$1,891,977 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 <sup>(1)</sup>	Internal Service Funds <sup>(2)</sup>	Reclassi- fications and Eliminations	Statement of Net Position Totals
<b>Assets</b>					
Deposits and investments with City Treasury.....	\$ 4,916,181	\$ -	\$ 36,595	\$ -	\$ 4,952,776
Deposits and investments outside City Treasury.....	397,937	-	25,478	-	423,415
Receivables, net					
Property taxes and penalties.....	302,479	-	-	-	302,479
Other local taxes.....	317,144	-	-	-	317,144
Federal and state grants and subventions.....	322,295	-	-	-	322,295
Charges for services.....	97,862	-	112	-	97,974
Interest and other.....	26,097	-	556	-	26,653
Due from other funds.....	19,702	-	-	(19,702)	-
Due from component unit.....	4,226	-	-	-	4,226
Advance to component unit.....	8,214	-	-	-	8,214
Loans receivable, net.....	200,827	-	-	-	200,827
Capital assets, net.....	-	5,791,482	11,543	-	5,803,025
Other assets.....	8,030	-	-	-	8,030
Total assets.....	<u>6,620,994</u>	<u>5,791,482</u>	<u>74,284</u>	<u>(19,702)</u>	<u>12,467,058</u>
<b>Deferred outflows of resources</b>					
Unamortized loss on refunding of debt.....	-	13,430	933	-	14,363
Deferred outflows related to pensions.....	-	874,241	17,485	-	891,726
Deferred outflows related to OPEB.....	-	106,790	2,432	-	109,222
Total deferred outflows of resources.....	<u>-</u>	<u>994,461</u>	<u>20,850</u>	<u>-</u>	<u>1,015,311</u>
<b>Liabilities</b>					
Accounts payable.....	429,376	-	8,413	-	437,789
Accrued payroll.....	109,146	-	2,362	-	111,508
Accrued vacation and sick leave pay.....	-	161,201	3,451	-	164,652
Accrued workers' compensation.....	-	253,539	1,759	-	255,298
Estimated claims payable.....	-	274,680	-	-	274,680
Accrued interest payable.....	-	19,116	1,153	-	20,269
Unearned grant and subvention revenues.....	31,129	-	-	-	31,129
Due to other funds.....	46,337	-	2,062	(19,702)	28,697
Unearned revenue and other liabilities.....	753,901	1,744	34	-	755,679
Bonds, loans, capital leases, and other payables.....	121,868	4,026,042	172,924	-	4,320,834
Net pension liability.....	-	2,918,490	58,876	-	2,977,366
Net OPEB liability.....	-	1,944,872	44,344	-	1,989,216
Total liabilities.....	<u>1,491,757</u>	<u>9,599,684</u>	<u>295,378</u>	<u>(19,702)</u>	<u>11,367,117</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue.....	552,002	(552,002)	-	-	-
Unamortized gain on refunding of debt.....	-	198	-	-	198
Deferred inflows related to pensions.....	-	215,596	4,243	-	219,839
Deferred inflows related to OPEB.....	-	3,167	71	-	3,238
Total deferred inflows of resources.....	<u>552,002</u>	<u>(333,041)</u>	<u>4,314</u>	<u>-</u>	<u>223,275</u>
<b>Fund balances/ net position</b>					
Total fund balances/ net position.....	<u>\$ 4,577,235</u>	<u>\$ (2,480,700)</u>	<u>\$ (204,558)</u>	<u>\$ -</u>	<u>\$ 1,891,977</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(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 .....	\$ 7,605,267
Accumulated depreciation .....	<u>(1,813,785)</u>
	<u><u>\$ 5,791,482</u></u>

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the statement of net position.

Accrued vacation and sick leave pay .....	\$ (161,201)
Accrued workers' compensation.....	(253,539)
Estimated claims payable.....	(274,680)
Unearned revenue and other liabilities.....	(1,744)
Bonds, loans, capital leases, and other payables .....	<u>(4,026,042)</u>
	<u><u>\$ (4,717,206)</u></u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (19,116)

Deferred outflows (inflows) of resources related to debt refundings in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt.....	\$ 13,430
Unamortized gain on refunding of debt .....	(198)
	<u><u>\$ 13,232</u></u>

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

Net pension liability.....	\$(2,918,490)
Deferred outflows of resources related to pensions .....	874,241
Deferred inflows of resources related to pensions .....	<u>(215,596)</u>
	<u><u>\$(2,259,845)</u></u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

Net OPEB liability .....	\$ (1,944,872)
Deferred outflows of resources related to OPEB .....	106,790
Deferred inflows of resources related to OPEB.....	(3,167)
	<u>\$ (1,841,249)</u>

Because the focus of governmental funds is on the availability of resources, some assets will not be available to pay for current period expenditures and thus are not included in fund balance.

Revenue not collected within 60 days of the end of the current fiscal period .....	<u>\$ 552,002</u>
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(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position before adjustments .....	\$ (56,092)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds .....	(161,272)
Unearned revenue and other liabilities.....	12,806
	<u>\$ (204,558)</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(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, \$1,172,462, differs from the change in net position for governmental activities, \$569,242, 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.....	\$ 2,171,601	\$ 192,262	\$ -	\$ -	\$ -	\$ 2,363,863
Business taxes.....	899,142	-	-	-	-	899,142
Sales and use tax.....	296,209	(2,293)	-	-	-	293,916
Hotel room tax.....	382,176	-	-	-	-	382,176
Utility users tax.....	94,460	-	-	-	-	94,460
Parking tax.....	83,484	-	-	-	-	83,484
Real property transfer tax.....	280,416	-	-	-	-	280,416
Other local taxes.....	60,287	-	-	-	-	60,287
Licenses, permits and franchises.....	43,180	888	-	-	-	44,068
Fines, forfeitures, and penalties.....	34,220	25	-	-	-	34,245
Interest and investment income.....	45,890	-	-	130	-	46,020
Rents and concessions.....	105,284	(81)	-	-	-	105,203
Intergovernmental:						
Federal.....	421,024	2,742	-	-	-	423,766
State.....	875,402	(20,072)	-	-	-	855,330
Other.....	16,993	(4,197)	-	-	-	12,796
Charges for services.....	415,569	1,073	-	-	-	416,642
Other.....	186,034	1,560	20,452	256	-	208,302
<b>Total revenues.....</b>	<b>6,411,371</b>	<b>171,907</b>	<b>20,452</b>	<b>386</b>	<b>-</b>	<b>6,604,116</b>
<b>Expenditures/ Expenses</b>						
Current:						
Public protection.....	1,378,754	107,672	12,958	(2,635)	-	1,496,749
Public works, transportation and commerce.....	441,868	(1,554)	(118,737)	-	-	321,577
Human welfare and neighborhood development.....	1,499,216	51,510	1,334	-	-	1,552,060
Community health.....	815,762	62,666	36,084	-	-	914,512
Culture and recreation.....	424,794	17,521	3,178	(19,825)	-	425,668
General administration and finance.....	312,441	63,661	53,240	1,369	-	430,711
General City responsibilities.....	110,920	1,270	-	6,766	-	118,956
Debt service:						
Principal retirement.....	381,141	-	-	-	(381,141)	-
Interest and other fiscal charges.....	136,925	-	-	4,981	(12,792)	129,114
Bond issuance costs.....	8,934	-	-	-	-	8,934
Capital outlay.....	337,741	-	(337,741)	-	-	-
<b>Total expenditures.....</b>	<b>5,848,496</b>	<b>302,746</b>	<b>(349,684)</b>	<b>(9,344)</b>	<b>(393,933)</b>	<b>5,398,281</b>
Excess (deficiency) of revenues over (under) expenditures.....	562,875	(130,839)	370,136	9,730	393,933	1,205,835
<b>Other financing sources (uses) / changes in net position</b>						
Net transfers in (out).....	(773,415)	-	19,718	414	-	(753,283)
Issuance of bonds and loans:						
Face value of bonds issued.....	1,293,595	-	-	-	(1,293,595)	-
Premium on issuance of bonds.....	76,243	-	-	-	(76,243)	-
Other financing sources - capital leases.....	2,027	-	-	(2,027)	-	-
Total other financing sources (uses).....	598,450	-	19,718	(1,613)	(1,369,838)	(753,283)
Special item: receipt of Yerba Buena Garden assets.....	11,137	-	105,553	-	-	116,690
<b>Net change for the year.....</b>	<b>\$ 1,172,462</b>	<b>\$ (130,839)</b>	<b>\$ 495,407</b>	<b>\$ 8,117</b>	<b>\$ (975,905)</b>	<b>\$ 569,242</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

(3) Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred outflows of resources increased in the governmental funds..	\$ 192,262
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources decreased in the governmental funds.	<u>(20,355)</u>
	<u><u>\$ 171,907</u></u>
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.	\$(2,273,598)
Changes to net pension liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	139,005
Changes to net OPEB liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds.	1,841,249
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	<u>(9,402)</u>
	<u><u>\$ (302,746)</u></u>
(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.....	\$ 536,944
Depreciation expense.....	(187,220)
Gain on disposal of capital assets.....	1,127
Loss on disposal of capital assets.....	(40)
Transfer of assets to enterprise fund.....	(19)
Transfer of assets from enterprise fund .....	19,737
Transfer of capital assets from the Successor Agency .....	105,553
Capital assets acquired by donation or funded by other revenues .....	21,200
Proceeds from sale of capital assets.....	(1,875)
Difference.....	<u><u>\$ 495,407</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

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

\$ 8,117

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

\$ (76,243)

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 .....\$ 381,141

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

General obligation bonds .....	\$ (632,990)
Certificates of participation .....	(412,355)
Sales tax revenue bonds .....	<u>(248,250)</u>
	<u>(1,293,595)</u>
	 <u>\$ (912,454)</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 premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest .....	\$ (8,100)
Amortization of bond premiums.....	22,770
Amortization of bond refunding losses and gains.....	<u>(1,878)</u>
	<u>\$ 12,792</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### (4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2018, the City implemented the following accounting standards:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB Statement No. 75 revises and establishes new accounting and financial reporting requirements for governments that provide their employees with other postemployment benefits (OPEB) and requires additional OPEB disclosures. The provisions of Statement No. 75 are effective for fiscal years beginning after June 15, 2017. While restatement of all prior periods was not practical because the actuarial information was not available, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017. As of July 1, 2017, the City restated its net position to record beginning OPEB liabilities and beginning deferred outflows of resources as follows:

	Net Position, Beginning of Year		
	As Previously Reported	Change in Accounting Principle	As Restated
<b>Primary Government:</b>			
Governmental Activities	\$ 1,786,411	\$ (463,676)	\$ 1,322,735
Business-type Activities	5,771,902	(581,262)	5,190,640
<b>Total Primary Government</b>	<b>\$ 7,558,313</b>	<b>\$ (1,044,938)</b>	<b>\$ 6,513,375</b>
San Francisco International Airport	\$ 50,169	\$ (82,998)	\$ (32,829)
San Francisco Water Enterprise	501,267	(29,380)	471,887
Hetch Hetchy Water and Power	578,260	(4,396)	573,864
Municipal Transportation Agency	3,295,692	(333,021)	2,962,671
General Hospital Medical Center	(412,424)	(62,790)	(475,214)
San Francisco Wastewater Enterprise	1,146,263	(2,256)	1,144,007
Port of San Francisco	389,740	(3,998)	385,742
Laguna Honda Hospital	222,935	(62,423)	160,512
<b>Total Business-type Activities</b>	<b>\$ 5,771,902</b>	<b>\$ (581,262)</b>	<b>\$ 5,190,640</b>
Internal Service Funds	<u>\$ (35,728)</u>	<u>\$ (13,785)</u>	<u>\$ (49,513)</u>
<b>Fiduciary Funds:</b>			
Private-Purpose Trust Fund - Successor Agency	\$ (388,849)	\$ (5,834)	\$ (394,683)
Pension Trust Fund - Employees' Retirement System	<u>\$ 22,410,350</u>	<u>\$ (2,996)</u>	<u>\$ 22,407,354</u>

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. GASB Statement No. 81 establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary. The new standard is effective for periods beginning after December 15, 2016. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. GASB Statement No. 86 clarifies accounting and financial reporting for in-substance defeasance of debt using existing resources other than proceeds of refunding debt. The new standard is effective for periods beginning after June 15, 2017. Application of this statement did not have a significant impact on the City for the year ended June 30, 2018.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. GASB Statement No. 83 addresses accounting and financial reporting for asset retirement obligations (AROs.) The statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs, and requires disclosures of methods and assumptions used. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2019.

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

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

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. GASB Statement No. 88 establishes a definition of debt for purposes of disclosure, requires that information provided for direct borrowings and direct placements of debt be reported separately from other debt, and requires more extensive disclosures about unused lines of credit, assets pledged as collateral, and terms related to default, termination, and acceleration. The new standard is effective for periods beginning after June 15, 2018. Application of this statement is effective for the City's year ending June 30, 2019.

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(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			Component Units	
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Deposits and investments with					
City Treasury.....	\$ 4,952,776	\$ 2,394,027	\$ 1,271,023	\$ 8,617,826	\$ 1,991
Deposits and investments outside					
City Treasury.....	397,937	12,530	24,678,342	25,088,809	-
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	1,894,787	-	1,894,787	-
Deposits and investments outside					
City Treasury.....	25,478	917,739	319,895	1,263,112	-
Total deposits & investments	<u>\$ 5,376,191</u>	<u>\$ 5,219,083</u>	<u>\$ 26,269,260</u>	<u>\$ 36,864,534</u>	<u>\$ 1,991</u>
Cash and deposits.....				\$ 219,759	\$ -
Investments.....				<u>36,644,775</u>	<u>1,991</u>
Total deposits and investments.....				<u>\$ 36,864,534</u>	<u>\$ 1,991</u>

#### **(b) Investment Policies**

##### *Treasurer's Pool*

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

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

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

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

#### ***Other Funds***

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

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

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The investment policy permits investments in domestic and international debt and equity securities, real estate, securities lending, foreign currency contracts, derivative instruments, and private equity investments, which include investments in a variety of commingled partnership vehicles. The Retirement Board's asset allocation policies for the year ended June 30, 2018, are as follows:

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

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

### ***Retiree Health Care Trust Fund (RHCTF)***

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

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

Asset Class	Target Allocation through October 2017	Range
Domestic Equity	37.0%	32.0-42.0%
International Equity	37.0%	32.0-42.0%
Investment Grade Bonds	26.0%	21.0-31.0%
	<b>100.0%</b>	

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### (c) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs (the City does not value any of its investments using Level 3 inputs). The inputs or methodology used for valuing securities are not an indication of risk associated with investing in those securities.

The following is a summary of inputs used in valuing the City's investments as of June 30, 2018:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	
Fair Value 6/30/2018				
<b>Primary Government:</b>				
<b>Investments in City Treasury:</b>				
U.S. Treasury Notes	\$ 1,069,988	\$ 1,069,988	\$ -	\$ -
U.S. Agencies - Discount	85,129	-	85,129	-
U.S. Agencies - Coupon (no call option)	2,984,716	-	2,984,716	-
U.S. Agencies - Coupon (callable option)	1,852,649	-	1,852,649	-
State and Local Agencies	189,487	-	189,487	-
Negotiable Certificates of Deposits	2,188,512	-	2,188,512	-
Corporate Notes	98,174	-	98,174	-
Supranationals	773,680	-	773,680	-
Commercial Paper	922,171	-	922,171	-
Public Time Deposits	25,240 *	-	-	-
Money Market Mutual Funds	407,023 *	-	-	-
Subtotal	<u>10,596,769</u>	<u>\$ 1,069,988</u>	<u>\$ 9,094,518</u>	<u>\$ -</u>
<b>Investments Outside City Treasury:</b>				
(Governmental and Business - Type)				
U.S. Treasury Notes	356,465	\$ 356,465	\$ -	\$ -
U.S. Agencies	355,435	70,605	284,830	-
State and Local Agencies	850	-	850	-
Corporate Notes	6,130	-	6,130	-
Supranationals	4,521	-	4,521	-
Commercial Paper	26,759	-	26,759	-
Negotiable Certificates of Deposit	4,999	-	4,999	-
Commercial Paper	73,661 *	-	-	-
Money Market Mutual Funds	654,641 *	-	-	-
Certificates of Deposit	265 *	-	-	-
Subtotal Investments Outside City Treasury	<u>1,483,726</u>	<u>\$ 427,070</u>	<u>\$ 328,089</u>	<u>\$ -</u>

\* Not subject to fair value hierarchy

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

	Fair Value 6/30/2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
<b>Employees' Retirement System Investments</b>				
Short-term Investments	499,570	\$ (39)	\$ 3,068	\$ 496,541
Debt Securities:				
U.S. Government and Agency Securities	1,593,955	1,519,716	74,239	-
Other Debt Securities	1,367,798	233,610	1,019,807	114,381
Equity Securities:				
Domestic	4,342,015	4,334,396	7,371	248
International	4,237,691	4,234,440	3,242	9
Foreign Currency Contracts, net	(1,157)	-	-	(1,157)
Subtotal Employees' Retirement System Investments	<u>12,039,872</u>	<u>\$ 10,322,123</u>	<u>\$ 1,107,727</u>	<u>\$ 610,022</u>
<b>Investments measured at the net asset value (NAV)</b>				
Short-term Investments	22,300			
Fixed Income invested in:				
Other debt securities	344,247			
Equity funds invested in:				
Domestic	891,509			
International	2,627			
Real Assets	3,578,379			
Private Equity	4,344,306			
Private Credit	454,199			
Absolute Return	<u>2,625,376</u>			
Total investments measured at the NAV	<u>12,262,943</u>			
Total investments measured at fair value	<u>24,302,815</u>			
<b>Retiree Health Care Trust Investments measured at the NAV</b>				
Short-term Investments	11,319			
Fixed Income:				
U.S. Debt Index Fund	67,593			
Equities:				
Domestic:				
S&P 500 Equity Index Fund	97,073			
International:				
EAFE Equity Index Fund	87,471			
Subtotal Investments in Retiree Health Care Trust	<u>263,456</u>			
Total Investments	<u><b>\$36,646,766</b></u>			

### ***Investments Held in City Treasury***

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### ***Investments Held Outside City Treasury***

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

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

##### **Investments at Fair Value**

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

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

##### **Investments at Net Asset Value (NAV)**

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

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

The General Partners may use one or more valuation methodologies outlined in FASB ASC 820, *Fair Value Measurement*. For some investments, little market activity may exist. The General Partners' determination of fair value is then based on the best information available in the circumstances and may involve subjective assumptions and estimates, including the General Partners' assessment of the information that market participants would use in valuing the investments. The General Partners may take into consideration a combination of internal and external factors, including but not limited to,

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

appropriate risk adjustments for nonperformance and liquidity. Such fair value estimates involve subjective judgments of unrealized gains and losses.

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

Private Credit investments are held in commingled funds. These investments are mostly illiquid with distributions received over the life of the investments. They are typically not redeemed, nor do they have set redemption schedules. Two opportunistic public equity investments, valued at \$2.4 million, are currently being liquidated. These proceeds are expected to be received over the next 2-4 years. The remaining five opportunistic public equity investments are subject to varying lock-up periods, notice requirements and withdrawal windows. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled fund and separate account partnerships, but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

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

#### Absolute Return Investments Measured at NAV as of June 30, 2018

% of NAV	Redemption Frequency	Redemption Notice Period
80%	Monthly	60-95 Days
16%	Quarterly	30-180 Days
<1%	Semi-annually	60 Days
4%	Greater Than Annually	90 Days
<b>100%</b>		

% of NAV in Lock Up	As of Fiscal Year End
13%	2018
11%	2019
11%	2020
0%	2021

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### ***Retiree Health Care Trust Fund***

##### **Investments at Net Asset Value (NAV)**

At June 30, 2018, the Retiree Health Care Trust Fund had cash and investments in the City Treasury pool, equity and debt commingled index funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the market value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2018, there are no redemption restrictions on the commingled index funds.

#### **(d) Investment Risks**

##### ***Custodial Credit Risk - Deposits***

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110.0% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2018, \$3.5 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

##### ***Interest Rate Risk***

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

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

	<b>S &amp; P Rating</b>	<b>Fair Value</b>	<b>Investment Maturities</b>		
			<b>Less than 1 year</b>	<b>1 to 5 years</b>	<b>5 years and longer</b>
<b>Primary Government:</b>					
Investments in City Treasury:					
U.S. Treasury Notes	AA+	\$ 1,069,988	\$ 754,034	\$ 315,954	
U.S. Agencies	NR - AA+	4,922,494	1,099,271	3,823,223	
Negotiable certificates of deposits	A-1 - A-1+	2,188,512	2,188,512	-	
Money Market Mutual Funds	AAAm	407,023	407,023	-	
Public time deposits	NR	25,240	25,240	-	
State and Local Agencies	A-1+, AA- - AA+	189,487	80,410	109,077	
Supranationals	AAA	773,680	274,994	498,686	
Corporate notes	A+ - AA-	98,174	68,808	29,366	
Commercial Paper	A-1-A-1+	922,171	922,171	-	
Less: Treasure Island Development Authority					
Investments with City Treasury	n/a	(1,991)	-	(1,991)	
Less: Employees' Retirement System					
Investments with City Treasury		(24,275)	-	(24,275)	
Less: Retiree Health Care Trust					
Investments with City Treasury	n/a	(2,269)	-	(2,269)	
Subtotal pooled investments		<u>10,568,234</u>	<u>\$ 5,820,463</u>	<u>\$ 4,747,771</u>	
Investments Outside City Treasury:					
(Governmental and Business - Type)					
U.S. Treasury Notes	AA+	\$ 356,465	\$ 113,647	\$ 242,818	
U.S. Agencies - Coupon	AA+, A+	297,563	22,116	275,447	
U.S. Agencies - Discount	AA+	57,872	-	57,872	
State and Local Agencies	AA, AA-	850	-	850	
Supranationals	AAA	4,521	-	4,521	
Corporate notes	AA+-AA-,AAA,A	6,130	718	5,412	
Money Market Mutual Funds	AAAm	572,748	572,748	-	
U.S. Treasury Money Market Funds	AAAm	81,893	81,893	-	
Commercial Paper	A-1+,A-1,AAAm	100,420	100,420	-	
Certificates of Deposit	NR,A-1,A-1+,A+,AA-	5,264	3,761	1,503	
Subtotal investments outside City Treasury		<u>1,483,726</u>	<u>\$ 895,303</u>	<u>\$ 588,423</u>	
Retiree Health Care Trust Investments		265,725			
Employees' Retirement System investments		<u>24,327,090</u>			
<b>Total Primary Government</b>		<b><u>\$ 36,644,775</u></b>			
<b>Component Unit:</b>					
Treasure Island Development Authority:					
Investments with City Treasury	n/a	1,991	\$ -	\$ -	
<b>Total Investments</b>		<b><u>\$ 36,646,766</u></b>			

As of June 30, 2018, the investments in the City Treasury had a weighted average maturity of 469 days.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

### ***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Standard & Poor's rating for each of the investment types are shown in the table above.

### ***Custodial Credit Risk for Investments***

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments; however, it is the practice of the City Treasurer that all investments are insured, registered or held by the Treasurer's custodial agent in the City's name. The governmental and business-type activities also have investments with trustees related to the issuance of bonds that are uninsured, unregistered and held by the counterparty's trust departments but not in the City's name. These amounts are included in the investments outside City Treasury shown in the table above.

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

The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code and/or its investment policy. U.S. Treasury and agency securities explicitly guaranteed by the U.S. government are not subject to single issuer limitation.

As of June 30, 2018, the City Treasurer has investments in U.S. Agencies that represent 5.0% or more of the total Pool in the following:

Federal Home Loan Mortgage Corporation .....	14.3%
Federal Farm Credit Bank.....	12.9%
Federal Home Loan Bank .....	12.8%

In addition, the following major funds hold investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2018:

#### Airport:

Federal National Mortgage Association .....	14.0%
Federal Home Loan Bank.....	12.0%
Federal Home Loan Mortgage Corporation.....	11.7%

#### Hetch Hetchy:

Federal Home Loan Bank .....	27.2%
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#### Wastewater:

Federal Home Loan Bank .....	14.1%
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#### Water:

Federal Home Loan Bank .....	5.3%
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#### Port:

Federal Home Loan Bank .....	28.8%
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#### Laguna Honda Hospital:

Federal Home Loan Bank .....	99.8%
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**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

**(e) Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2018:

**Statement of Net Position**

Net position held in trust for all pool participants.....	<u>\$10,514,604</u>
Equity of internal pool participants.....	\$9,807,749
Equity of external pool participants.....	<u>706,855</u>
Total equity.....	<u><u>\$10,514,604</u></u>

**Statement of Changes in Net Position**

Net position at July 1, 2017.....	\$8,628,146
Net change in investments by pool participants.....	<u>1,886,458</u>
Net position at June 30, 2018.....	<u><u>\$10,514,604</u></u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2018:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasuries.....	1.36% - 2.47%	08/06/18 - 06/30/22	\$ 1,085,000	\$ 1,069,988
U.S. Agencies.....	0.89% - 3.32%	07/02/18 - 06/14/23	4,976,915	4,922,494
State and local agencies.....	0.90% - 2.80%	08/01/18 - 05/15/21	191,080	189,487
Public time deposits.....	1.91% - 2.59%	09/12/18 - 05/16/19	25,240	25,240
Negotiable certificates of deposit..	1.48% - 2.69%	07/02/18 - 06/07/19	2,187,838	2,188,512
Commercial paper.....	1.85% - 2.59%	07/02/18 - 02/20/19	927,000	922,171
Corporate notes.....	2.25% - 2.62%	01/09/19 - 01/10/20	98,463	98,174
Money market mutual funds.....	1.65% - 1.73%	07/01/18 - 07/01/18	407,023	407,023
Supranationals.....	1.07% - 2.88%	07/02/18 - 07/20/21	782,262	773,680
			<u>\$10,680,821</u>	<u>10,596,769</u>
Carrying amount of deposits with Treasurer.....				(82,165)
Total cash and investments with Treasurer.....				<u><u>\$ 10,514,604</u></u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### **(f) Retirement System's Investments**

The Retirement System's investments as of June 30, 2018, are summarized as follows:

Fixed Income Investments:						
Short-term investments					\$ 521,870	
Investments in City Treasury					24,275	
Debt securities:						
U.S. Government and agencies					1,593,955	
Other debt securities					<u>1,712,045</u>	
Subtotal debt securities					<u>3,306,000</u>	
Total fixed income investments					<u>3,852,145</u>	
Equity securities:						
Domestic					5,233,524	
International					<u>4,240,318</u>	
Total equity securities					<u>9,473,842</u>	
Real assets					3,578,379	
Private credit					454,199	
Private equity					4,344,306	
Absolute return					2,625,376	
Foreign currency contracts, net					<u>(1,157)</u>	
<b>Total Retirement System Investments</b>					<u><u>\$ 24,327,090</u></u>	

### **Interest Rate Risk**

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2018:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$ 43,499	\$ -	\$ 9,771	\$ 4,212	\$ 29,516
Bank Loans	93,935	378	34,210	59,347	-
City Investment Pool	24,275	13,333	10,942	-	-
Commercial Mortgage-Backed	187,451	420	4,682	2,756	179,593
Commingled and Other					
Fixed Income Funds	592,013	14,401	-	344,247	233,365
Corporate Bonds	442,037	21,175	146,323	204,160	70,379
Corporate Convertible Bonds	223,175	11,399	115,464	70,313	25,999
Government Bonds	1,611,076	14,064	1,044,367	479,202	73,443
Government Mortgage-Backed Securities	60,858	-	-	7,475	53,383
Municipal/Provincial Bonds	4,558	-	-	118	4,440
Non-Government Backed					
Collateralized Mortgage Obligations	48,725	-	579	-	48,146
Options	(2)	(2)	-	-	-
Short Term Investment Funds	521,910	521,910	-	-	-
Swaps	(155)	(1,033)	897	(15)	(4)
<b>Total</b>	<b>\$ 3,853,355</b>	<b>\$ 596,045</b>	<b>\$ 1,367,235</b>	<b>\$ 1,171,815</b>	<b>\$ 718,260</b>

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

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

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

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2018. Investments issued or explicitly guaranteed by the U.S. government of \$1.53 billion as of June 30, 2018, are exempt from credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 47,859	2.1%
AA	77,040	3.3%
A	81,394	3.5%
BBB	295,078	12.7%
BB	175,659	7.6%
B	162,248	7.0%
CCC	35,781	1.5%
CC	1,318	0.1%
C	389	0.0%
D	5,502	0.2%
Not Rated	1,437,553	62.0%
Total	\$ 2,319,821	100.0%

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the "Not Rated" component of credit would be approximately 21% for 2018.

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

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System's investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2018, the Retirement System had no investments of a single issuer that equaled or exceeded 5.0% of total Retirement System's investments or net position.

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2018, \$157.1 million of the Retirement System's investments were exposed to custodial credit risk because

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

### **Foreign Currency Risk**

The Retirement System's exposure to foreign currency risk derives from its positions in foreign currency denominated cash, equity, fixed income, private equity investments, and real assets. 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, 2018, are as follows:

<b>Currency</b>	<b>Cash</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Private Equities</b>	<b>Real Assets</b>	<b>Private Credit</b>	<b>Foreign Currency Contracts</b>	<b>Total</b>
Argentine peso	\$ 3,008	\$ -	\$ 2,543	\$ -	\$ -	\$ -	\$ (3,843)	\$ 1,708
Australian dollar	-	\$ 93,034	(344)	\$ 3,384	-	-	\$ 32,083	128,157
Brazil real	-	\$ 30,672	6,930	-	-	-	4,651	42,253
Canadian dollar	-	\$ 81,863	-	-	-	-	110,296	192,159
Chilean peso	-	-	2,718	-	-	-	205	2,923
Chinese yuan renminbi	27,377	231,085	991	-	-	-	-	259,453
Colombian peso	-	-	9,465	-	-	-	171	9,636
Czech koruna	-	1,504	876	-	-	-	5,768	8,148
Danish krone	-	29,746	-	-	-	-	(1,528)	28,218
Egyptian pound	-	-	-	-	-	-	2,805	2,805
Euro	-	697,571	38,262	130,278	201,576	31,870	(103,680)	995,877
Hong Kong dollar	-	170,960	76	-	-	-	1,533	172,569
Hungarian forint	-	2,129	454	-	-	-	649	3,232
Indian rupee	-	-	-	-	-	-	645	645
Indonesian rupiah	-	4,741	10,965	-	-	-	(480)	15,226
Israeli shekel	-	10,225	-	-	-	-	3,157	13,382
Japanese yen	-	558,795	(1,455)	-	63,266	-	79,314	699,920
Kazakhstan tenge	-	-	314	-	-	-	-	314
Malaysian ringgit	-	8,825	5,581	-	-	-	658	15,064
Mexican peso	-	6,981	1,078	-	-	-	12,300	20,359
New Taiwan dollar	-	47,126	-	-	-	-	(969)	46,157
New Zealand dollar	-	299	-	-	-	-	18,841	19,140
Norwegian krone	-	12,570	-	-	-	-	(48,471)	(35,901)
Peruvian sol	-	-	5,431	-	-	-	(1,891)	3,540
Philippines peso	-	1,979	456	-	-	-	(1,349)	1,086
Polish zloty	-	400	13,259	-	-	-	1,424	15,083
Pound sterling	-	507,461	3,034	17,374	12,221	-	35,695	575,785
Qatari riyal	-	3,156	-	-	-	-	-	3,156
Romanian leu	-	-	628	-	-	-	794	1,422
New Russian ruble	-	-	9,575	-	-	-	767	10,342
Singapore dollar	-	14,001	-	-	-	-	3,208	17,209
South African rand	-	16,345	14,790	-	-	-	(2,907)	28,228
South Korean won	-	86,791	-	-	-	-	34	86,825
Swedish krona	-	65,639	69	-	-	-	(66,631)	(923)
Swiss franc	-	166,744	452	-	-	-	(96,530)	70,666
Thailand baht	-	7,471	1,661	-	-	-	8,226	17,358
Turkish lira	-	10,301	7,135	-	-	-	964	18,400
United Arab Emirates dirham	-	4,967	-	-	-	-	-	4,967
Ukraine hryvna	-	-	230	-	-	-	-	230
Uruguayan peso	-	-	373	-	-	-	-	373
<b>Total</b>	<b>\$ 30,385</b>	<b>\$ 2,873,381</b>	<b>\$ 135,547</b>	<b>\$ 151,036</b>	<b>\$ 277,063</b>	<b>\$ 31,870</b>	<b>\$ (4,091)</b>	<b>\$ 3,495,191</b>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### ***Derivative Instruments***

As of June 30, 2018, 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, 2018:

<b>Derivative Type / Contracts</b>	<b>Notional Amount</b>	<b>Fair Value</b>	<b>Net Appreciation (Depreciation) in Fair Value</b>
Forwards			
Foreign Exchange Contracts	\$ 1,382,441	\$ (1,157)	\$ (1,321)
Futures			
Currency Futures Long	2,742	(39)	(39)
Equity Index Futures Long	201,613	(3,824)	1,169
Equity Index Futures Short	(99,762)	443	(1,444)
Treasury Futures Long	47,329	391	391
Options			
Foreign Exchange Contracts	(700)	(2)	(69)
Swaps			
Credit Contracts	3,100	(23)	12
Equity Index Contracts	27,438	(1,561)	(1,409)
Total Return Contracts	101	(220)	(1,453)
Interest Rate Contracts	64,646	88	(225)
Rights/Warrants			
Equity Contracts	45,291 shares	<u>86,250</u>	<u>(11,268)</u>
<b>Total</b>	<b><u>\$ 80,346</u></b>	<b><u>\$ (15,656)</u></b>	

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### ***Counterparty Credit Risk***

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. As of June 30, 2018, the fair value of forward currency contracts in asset positions (including foreign exchange contract options) to purchase and sell international currencies were \$1.7 million and \$2.8 million, respectively. The Retirement System's counterparties to these contracts held credit ratings of A or better on 53.6% and credit ratings of B on 46.4% of the positions as assigned by one or more of the major credit rating organizations (S&P and/or Moody's).

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

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2018, 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, 2018.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Foreign Exchange Contracts	\$ (1,157)	\$ (1,157)	\$ -	\$ -	\$ -
Options					
Foreign Exchange Contracts	(2)	(2)	-	-	-
Swaps					
Credit Contracts	(23)	(5)	(18)	-	-
Total Return Contracts	(220)	(220)	-	-	-
Interest Rate Contracts	88	(808)	915	(15)	(4)
Total	\$ (1,314)	\$ (2,192)	\$ 897	\$ (15)	\$ (4)

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2018:

<b>Investment Type</b>	<b>Reference Rate</b>	<b>Notional Value</b>	<b>Fair Value</b>
Interest Rate Swap	Receive Fixed 1.93%, Payable Variable 6-Month THB	\$ 319	\$ 2
Interest Rate Swap	Receive Fixed 10.30%, Payable Variable 1-Day BIDOR	390	(8)
Interest Rate Swap	Receive Fixed 10.33%, Payable Variable 1-Day BIDOR	2,157	(44)
Interest Rate Swap	Receive Fixed 11.33%, Payable Variable 1-Day BIDOR	2,261	36
Interest Rate Swap	Receive Fixed 11.35%, Payable Variable 1-Day BIDOR	2,729	185
Interest Rate Swap	Receive Fixed 11.38%, Payable Variable 1-Day BIDOR	182	11
Interest Rate Swap	Receive Fixed 12.06%, Payable Variable 1-Day BIDOR	725	49
Interest Rate Swap	Receive Fixed 12.20%, Payable Variable 1-Day BIDOR	1,349	110
Interest Rate Swap	Receive Fixed 12.29%, Payable Variable 1-Day BIDOR	182	8
Interest Rate Swap	Receive Fixed 15.96%, Payable Variable 1-Day BIDOR	4,237	(581)
Interest Rate Swap	Receive Fixed 16.40%, Payable Variable 1-Day BIDOR	3,119	634
Interest Rate Swap	Receive Fixed 2.00%, Payable Variable 6-Month WIBOR	641	-
Interest Rate Swap	Receive Fixed 2.01%, Payable Variable 6-Month THB	1,078	(5)
Interest Rate Swap	Receive Fixed 2.02%, Payable Variable 6-Month THB	604	5
Interest Rate Swap	Receive Fixed 2.12%, Payable Variable 6-Month THB	1,053	7
Interest Rate Swap	Receive Fixed 2.19%, Payable Variable 6-Month THB	211	2
Interest Rate Swap	Receive Fixed 2.22%, Payable Variable 6-Month THB	423	5
Interest Rate Swap	Receive Fixed 2.25%, Payable Variable 6-Month BUBOR	3,260	(11)
Interest Rate Swap	Receive Fixed 2.51%, Payable Variable 6-Month THB	329	4
Interest Rate Swap	Receive Fixed 2.56%, Payable Variable 6-Month THB	706	5
Interest Rate Swap	Receive Fixed 2.58%, Payable Variable 6-Month THB	395	6
Interest Rate Swap	Receive Fixed 2.63%, Payable Variable 6-Month THB	661	12
Interest Rate Swap	Receive Fixed 2.78%, Payable Variable 6-Month THB	28	1
Interest Rate Swap	Receive Fixed 2.81%, Payable Variable 6-Month THB	556	17
Interest Rate Swap	Receive Fixed 3.54%, Payable Variable 6-Month CLP	762	(7)
Interest Rate Swap	Receive Fixed 4.84%, Payable Variable 1-Day CIBR	876	(5)
Interest Rate Swap	Receive Fixed 4.91%, Payable Variable 1-Day CIBR	935	(2)
Interest Rate Swap	Receive Fixed 5.23%, Payable Variable 1-Day CIBR	123	1
Interest Rate Swap	Receive Fixed 5.31%, Payable Variable 1-Day CIBR	48	-
Interest Rate Swap	Receive Fixed 5.32%, Payable Variable 1-Day CIBR	562	5
Interest Rate Swap	Receive Fixed 5.33%, Payable Variable 1-Day CIBR	569	6
Interest Rate Swap	Receive Fixed 5.61%, Payable Variable 28-Day MXIBR	397	(26)
Interest Rate Swap	Receive Fixed 5.63%, Payable Variable 28-Day MXIBR	946	(64)
Interest Rate Swap	Receive Fixed 5.84%, Payable Variable 28-Day MXIBR	321	(19)
Interest Rate Swap	Receive Fixed 6.12%, Payable Variable 1-Day CIBR	111	2
Interest Rate Swap	Receive Fixed 6.20%, Payable Variable 1-Day CIBR	102	2
Interest Rate Swap	Receive Fixed 6.43%, Payable Variable 1-Day CIBR	32	(1)
Interest Rate Swap	Receive Fixed 6.49%, Payable Variable 28-Day MXIBR	290	(27)
Interest Rate Swap	Receive Fixed 6.80%, Payable Variable 28-Day MXIBR	122	(6)
Interest Rate Swap	Receive Fixed 7.25%, Payable Variable 3-Month JIBAR	540	(14)

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

<b>Investment Type</b>	<b>Reference Rate</b>	<b>Notional Value</b>	<b>Fair Value</b>
Interest Rate Swap	Receive Fixed 7.38%, Payable Variable 28-Day MXIBR	1,190	(45)
Interest Rate Swap	Receive Fixed 7.65%, Payable Variable 28-Day MXIBR	2,915	(27)
Interest Rate Swap	Receive Fixed 7.83%, Payable Variable 28-Day MXIBR	621	(1)
Interest Rate Swap	Receive Fixed 7.86%, Payable Variable 28-Day MXIBR	870	(1)
Interest Rate Swap	Receive Fixed 7.88%, Payable Variable 28-Day MXIBR	1,262	-
Interest Rate Swap	Receive Fixed 7.92%, Payable Variable 28-Day MXIBR	2,015	4
Interest Rate Swap	Receive Fixed 8.04%, Payable Variable 28-Day MXIBR	2,081	(54)
Interest Rate Swap	Receive Fixed 8.28%, Payable Variable 28-Day MXIBR	198	-
Interest Rate Swap	Receive Fixed 8.31%, Payable Variable 28-Day MXIBR	81	-
Interest Rate Swap	Receive Fixed 8.32%, Payable Variable 28-Day MXIBR	412	6
Interest Rate Swap	Receive Fixed 9.65%, Payable Variable 1-Day BIDOR	624	(28)
Interest Rate Swap	Receive Fixed 9.76%, Payable Variable 1-Day BIDOR	26	(1)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 12.44%	3,743	(229)
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 6.54%	6,444	1
Interest Rate Swap	Receive Variable 1-Day BIDOR, Pay Fixed 9.60%	1,066	81
Interest Rate Swap	Receive Variable 1-Day CIBR, Pay Fixed 5.28%	472	(6)
Interest Rate Swap	Receive Variable 1-Day CIBR, Pay Fixed 6.42%	72	(2)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.71%	148	16
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 6.87%	2,330	56
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.00%	580	(3)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.02%	376	(2)
Interest Rate Swap	Receive Variable 28-Day MXIBR, Pay Fixed 8.20%	575	(7)
Interest Rate Swap	Receive Variable 3-Month JIBAR, Pay Fixed 7.75%	679	28
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.74%	594	3
Interest Rate Swap	Receive Variable 3-Month KLIBOR, Pay Fixed 3.75%	941	4
Total Interest Rate Swaps		<u>\$ 64,646</u>	<u>\$ 88</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### **Foreign Currency Risk**

At June 30, 2018, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps and futures denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2018:

<u>Currency</u>	<u>Forwards</u>	<u>Rights/ Warrants</u>	<u>Swaps</u>	<u>Futures</u>	<u>Total</u>
Argentina peso	\$ (3,843)	\$ -	\$ -	\$ -	\$ (3,843)
Australian dollar	32,083	-	(344)	(213)	31,526
Brazil real	4,651	-	224	-	4,875
Canadian dollar	110,296	-	-	23	110,319
Chilean peso	205	-	(7)	-	198
Colombian peso	171	-	1	-	172
Czech koruna	5,768	-	-	-	5,768
Danish krone	(1,528)	-	-	-	(1,528)
Egyptian pound	2,805	-	-	-	2,805
Euro	(103,680)	244	(171)	(390)	(103,997)
Hong Kong dollar	1,533	-	76	18	1,627
Hungarian forint	649	-	(11)	-	638
Indian rupee	645	-	-	-	645
Indonesian rupiah	(480)	-	-	-	(480)
Israeli shekel	3,157	-	-	-	3,157
Japanese yen	79,314	-	(1,455)	(427)	77,432
Malaysian ringgit	658	-	6	-	664
Mexican peso	12,300	-	(200)	-	12,100
New Taiwan dollar	(969)	-	-	-	(969)
New Zealand dollar	18,841	-	-	-	18,841
Norwegian krone	(48,471)	-	-	-	(48,471)
Peruvian sol	(1,891)	-	-	-	(1,891)
Philippines peso	(1,349)	-	-	-	(1,349)
Polish zloty	1,424	-	-	-	1,424
Pound sterling	35,695	-	-	263	35,958
Romanian leu	794	-	-	-	794
New Russian ruble	767	-	-	-	767
Singapore dollar	3,208	-	-	7	3,215
South African rand	(2,907)	-	14	-	(2,893)
South Korean won	34	-	-	-	34
Swedish krona	(66,631)	-	69	8	(66,554)
Swiss franc	(96,530)	-	44	-	(96,486)
Thailand baht	8,226	-	61	-	8,287
Turkish lira	964	-	-	-	964
<b>Total</b>	<b><u>\$ (4,091)</u></b>	<b><u>\$ 244</u></b>	<b><u>\$ (1,693)</u></b>	<b><u>\$ (711)</u></b>	<b><u>\$ (6,251)</u></b>

### **Contingent Features**

At June 30, 2018, 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, 2018

(Dollars in Thousands)

#### ***Investments in Real Assets***

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2018, are summarized as follows:

Beginning of the year	\$ 2,975,974
Capital investments	748,528
Equity in net earnings	76,834
Net appreciation in fair value	391,107
Capital distributions	(614,064)
<b>End of the year</b>	<b>\$ 3,578,379</b>

The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40.0% and 65.0%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were none as of June 30, 2018. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice. Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third parties in a purchase and sale transaction.

#### **(g) Retiree Health Care Trust Fund**

##### ***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The RHCTF does not have a specific policy to manage interest rate risk.

As of June 30, 2018, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

<b>Investment Type</b>	<b>Weighted Average Maturity in Years</b>
US Debt Index Fund	8.23
Emerging Markets Debt Fund	11.7
City Investment Pool	1.29
Treasury Money Market Fund	0.13

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

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

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

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2018, the RHCTF held investments issued by Blackrock, Inc. and Northern Trust Company that exceeded 5% of the RHCTF's fiduciary net position.

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2018, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the counterparty's trust department or agent but not in the RHCTF's name.

#### ***Foreign Currency Risk***

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

#### ***Rate of Return***

For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 7.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### (6) PROPERTY TAXES

The City is responsible for assessing, collecting, and distributing property taxes in accordance with enabling state law. Property taxes are levied on both real and personal property. Liens for secured property taxes attach on January 1st preceding the fiscal year for which taxes are levied. Secured property taxes are levied on the first business day of September and are payable in two equal installments: the first is due on November 1st and delinquent with penalties after December 10th; the second is due February 1st and delinquent with penalties after April 10th. Secured property taxes that are delinquent and unpaid as of June 30th are subject to redemption penalties, costs, and interest when paid. If not paid at the end of five years, the secured property may be sold at public auction and the proceeds used to pay delinquent amounts due. Any excess is remitted, if claimed, to the taxpayer. Unsecured personal property taxes do not represent a lien on real property. Those taxes are levied on January 1st and become delinquent with penalties after August 31st. Supplemental property tax assessments associated with changes in the assessed valuation due to transfer of ownership in property or upon completion of new construction are levied in two equal installments and have variable due dates based on the date the bill is mailed.

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1.0% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2.0% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$283.0 million for the year ended June 30, 2018.

Taxable valuation for the year ended June 30, 2018, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$212.4 billion, an increase of 9.1%. The secured tax rate was \$1.1723 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and \$0.1723 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.58% and 4.97%, respectively, of the current year tax levy, for an average delinquency rate of 0.86% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2018, was \$25.6 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### (7) CAPITAL ASSETS

#### ***Primary Government***

Capital asset activity of the primary government for the year ended June 30, 2018, was as follows:

<b>Governmental Activities:</b>	<b>Balance July 1, 2017</b>	<b>Increases *</b>	<b>Decreases *</b>	<b>Balance June 30, 2018</b>
Capital assets, not being depreciated:				
Land.....	\$ 360,602	\$ 124,620	\$ (748)	\$ 484,474
Intangible assets.....	54,762	3,836	(49,866)	8,732
Construction in progress.....	624,711	430,069	(204,855)	849,925
Total capital assets, not being depreciated.....	<u>1,040,075</u>	<u>558,525</u>	<u>(255,469)</u>	<u>1,343,131</u>
Capital assets, being depreciated:				
Facilities and improvements.....	4,361,139	251,411	-	4,612,550
Machinery and equipment.....	576,843	17,511	(1,200)	593,154
Infrastructure.....	954,733	61,895	-	1,016,628
Intangible assets.....	55,816	51,645	-	107,461
Total capital assets, being depreciated.....	<u>5,948,531</u>	<u>382,462</u>	<u>(1,200)</u>	<u>6,329,793</u>
Less accumulated depreciation for:				
Facilities and improvements.....	1,099,003	106,136	-	1,205,139
Machinery and equipment.....	367,768	39,505	(1,160)	406,113
Infrastructure.....	200,814	40,409	-	241,223
Intangible assets.....	13,345	4,079	-	17,424
Total accumulated depreciation.....	<u>1,680,930</u>	<u>190,129</u>	<u>(1,160)</u>	<u>1,869,899</u>
Total capital assets, being depreciated, net.....	<u>4,267,601</u>	<u>192,333</u>	<u>(40)</u>	<u>4,459,894</u>
Governmental activities capital assets, net.....	<u><u>\$ 5,307,676</u></u>	<u><u>\$ 750,858</u></u>	<u><u>\$ (255,509)</u></u>	<u><u>\$ 5,803,025</u></u>
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land.....	\$ 240,187	\$ 32,888	\$ (3,917)	\$ 269,158
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	4,073,686	2,582,229	(1,171,587)	5,484,328
Total capital assets, not being depreciated.....	<u>4,325,916</u>	<u>2,615,117</u>	<u>(1,175,504)</u>	<u>5,765,529</u>
Capital assets, being depreciated:				
Facilities and improvements.....	16,628,911	539,308	(152,721)	17,015,498
Machinery and equipment.....	2,689,986	335,072	(59,210)	2,965,848
Infrastructure.....	1,349,120	151,194	-	1,500,314
Property held under Lease.....	697	-	-	697
Intangible assets.....	199,933	7,988	-	207,921
Total capital assets, being depreciated.....	<u>20,868,647</u>	<u>1,033,562</u>	<u>(211,931)</u>	<u>21,690,278</u>
Less accumulated depreciation for:				
Facilities and improvements.....	6,155,171	446,633	(114,364)	6,487,440
Machinery and equipment.....	1,490,621	185,927	(54,719)	1,621,829
Infrastructure.....	627,004	43,460	(234)	670,230
Property held under lease.....	697	-	-	697
Intangible assets.....	159,189	10,766	-	169,955
Total accumulated depreciation.....	<u>8,432,682</u>	<u>686,786</u>	<u>(169,317)</u>	<u>8,950,151</u>
Total capital assets, being depreciated, net.....	<u>12,435,965</u>	<u>346,776</u>	<u>(42,614)</u>	<u>12,740,127</u>
Business-type activities capital assets, net.....	<u><u>\$ 16,761,881</u></u>	<u><u>\$ 2,961,893</u></u>	<u><u>\$ (1,218,118)</u></u>	<u><u>\$ 18,505,656</u></u>

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

#### Governmental Activities:

Public protection.....	\$ 27,556
Public works transportation and commerce.....	36,146
Human welfare and neighborhood development.....	665
Community Health.....	38,388
Culture and recreation.....	52,583
General administration and finance.....	31,882
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	<u>2,909</u>
Total depreciation expense - governmental activities.....	<u>\$ 190,129</u>

#### Business-type activities:

Airport.....	\$ 265,169
Water.....	118,751
Power.....	19,115
Transportation.....	167,220
Hospitals.....	43,162
Wastewater.....	55,591
Port.....	<u>17,778</u>
Total depreciation expense - business-type activities.....	<u>\$ 686,786</u>

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled \$3.90 billion as of June 30, 2018. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled \$45.6 million as of June 30, 2018. The Airport had \$6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2018.

During the year ended June 30, 2018, the City's enterprise funds incurred total interest expense and interest income of approximately \$541.9 million and \$35.4 million, respectively. Of these amounts, net interest expense of approximately \$116.0 million was capitalized. The Airport had write-offs and loss on disposal in the amount of \$21.3 million primarily due to disposal. The Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$0.9 million, \$0.1 million, and \$4.7 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### **Component Unit**

Capital asset activity of the component unit for the year ended June 30, 2018 was as follows:

Treasure Island Development Authority:	Balance July 1, 2017	Increases	Decreases	Balance June 30, 2018
Capital assets, not being depreciated:				
Land.....	\$ 20,390	\$ 7,091	\$ -	\$ 27,481
Total capital assets, not being depreciated.....	<u>20,390</u>	<u>7,091</u>	<u>-</u>	<u>27,481</u>
Capital assets, being depreciated:				
Machinery and equipment.....	22	14	-	36
Total capital assets, being depreciated.....	<u>22</u>	<u>14</u>	<u>-</u>	<u>36</u>
Less accumulated depreciation for:				
Machinery and equipment.....	10	6	-	16
Total accumulated depreciation.....	<u>10</u>	<u>6</u>	<u>-</u>	<u>16</u>
Total capital assets, being depreciated, net.....	<u>12</u>	<u>8</u>	<u>-</u>	<u>20</u>
Component unit capital assets, net.....	<u>\$ 20,402</u>	<u>\$ 7,099</u>	<u>\$ -</u>	<u>\$ 27,501</u>

During the year ended June 30, 2018, the Navy transferred approximately 19 acres of land to TIDA as part of the overall Treasure Island Development Project. Construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

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

#### **Changes in Short-Term Obligations**

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2018, are as follows:

Type of Obligation	July 1, 2017	Additional Obligation	Current Maturities	June 30, 2018
Governmental activities:				
Commercial paper				
Multiple Capital Projects.....	\$ 206,939	\$ 144,750	\$ (332,821)	\$ 18,868
Direct placement revolving certificates of participation				
Transbay Transit Center Project.....	49,000	54,000	-	103,000
Governmental activities short-term obligations.....	<u>\$ 255,939</u>	<u>\$ 198,750</u>	<u>\$ (332,821)</u>	<u>\$ 121,868</u>
Business-type activities:				
Commercial paper				
San Francisco General Hospital.....	\$ 19,802	\$ 1,088	\$ (3,250)	\$ 17,640
San Francisco International Airport.....	178,000	557,700	(706,290)	29,410
San Francisco Water Enterprise.....	145,000	40,312	(145,000)	40,312
Hetch Hetchy Water and Power.....	20,058	20,280	(20,058)	20,280
San Francisco Wastewater Enterprise.....	111,411	262,859	(111,411)	262,859
Business-type activities short-term obligations.....	<u>\$ 474,271</u>	<u>\$ 882,239</u>	<u>\$ (986,009)</u>	<u>\$ 370,501</u>

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### City and County of San Francisco Commercial Paper Program

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

CP is an alternative form of short-term (or interim) financing for certain capital projects, vehicles and equipment, that permits the City to pay project costs as project expenditures are incurred. The CP notes are issued, and short-term debt is incurred only when needed to pay project costs as they are incurred. The CP has a fixed maturity date from one to 270 days and generally matures between 30 to 90 days. The CP notes are supported by two Revolving Credit Agreements (RCA) issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank N.A. with both fees of 0.45% on the commitment amounts, and a Letter of Credit Agreement (LOC) issued by State Street Bank with a fee of 0.50%. The State Street Bank and US Bank N.A. RCAs are scheduled to expire in May 2021 and the State Street Bank LOC is scheduled to expire in February 2019 (see Note 19).

In fiscal year 2018, the City retired \$332.8 million and issued \$144.8 million CP to provide interim financing for various approved capital projects including the acquisition, construction and improvement of an animal care and control facility; the development of the 49 South Van Ness office building and related furniture, fixtures and equipment, technology and moving costs; and the development, acquisition, construction or rehabilitation of affordable rental housing projects. As of June 30, 2018, the outstanding principal of taxable and tax-exempt CP was \$13.7 million and \$5.2 million, respectively, with interest rates ranging from 2.35% to 2.40% and 1.15% to 1.27%, respectively.

#### Transbay Transit Center Project Interim Financing

In April 2001, the City, the Alameda-Contra Costa Transit District, and the Peninsula Corridor Joint Powers Board executed a Joint Powers Agreement which created and established the Transbay Joint Powers Authority (TJPA). The TJPA has primary jurisdiction with respect to all matters concerning financing, design, development, construction, and operation of the Transbay Transit Center. In order to address a temporary cash flow shortfall during the construction of the Transbay Transit Center (now called the Salesforce Transit Center), the City, in partnership with the Metropolitan Transportation Commission (MTC), approved in May 2016 a short-term financing with the TJPA in an amount not to exceed \$260.0 million. The City has entered into a Certificate Purchase Agreement with Wells Fargo to establish a credit facility in an amount not to exceed \$160.0 million with a floating rate based on the London Interbank Offered Rate (LIBOR) plus a spread of 0.56% for taxable certificates. In partnership with the MTC, the City also entered into a Certificate Purchase Agreement with the Bay Area Toll Authority (BATA) to establish a credit facility in an amount not to exceed \$100.0 million with an annualized floating rate based on LIBOR plus a spread of 0.61%. The floating interest rates for the facilities reset monthly. The City has issued short term variable rate notes at times and in amounts necessary to meet construction funding needs for the project. As of June 30, 2018, the TJPA had drawn a total of \$103.0 million from the Wells Fargo financing facility, with an interest rate ranging from 1.79% to 2.54% throughout fiscal year 2018. As of June 30, 2018, the TJPA had not drawn on the BATA financing facility. The City has recorded a receivable, in the amount of \$102.2 million, from the TJPA along with a loan payable related to this financing activity. The short-term notes are expected to be repaid in part from Community Facilities District special taxes and tax increment. It is anticipated that long-term debt will be issued to retire the notes, and such long-term debt is also expected to be repaid from such sources (see Note 19).

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed \$41.0 million to provide financing for the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. As of June 2018, the outstanding principal amount of CP (tax-exempt) was \$17.6 million with interest rate of 1.15% and 1.27%.

#### San Francisco International Airport

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

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

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

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

During fiscal year 2018, the CP program was supported by two \$100.0 million principal amount direct-pay LOC issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, which, as of June 30, 2018 had expiration dates of May 2, 2019, and May 31 2019, respectively; and a third LOC issued by Royal Bank of Canada acting through a branch located in New York in the principal amount of \$200.0 million had expiration date of May 1, 2020, as of June 30, 2018; and a LOC issued on June 22, 2017 by Sumitomo Mitsui Banking Corporation acting through its New York Branch, in the principal amount of \$100.0 million and with expiration date of June 21, 2022. Each of the LOC supports separate subseries of CP. In the aggregate, the LOC permit the Airport to issue CP up to a combined maximum principal amount of \$500.0 million as of June 30, 2018.

As of June 30, 2018, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2018, the Airport issued new money CP notes in the aggregate principal amount of \$390.1 million (AMT) and \$167.6 million (Non-AMT) to fund capital improvement projects. As of June 30, 2018, the interest rates on AMT and Non-AMT CP were 0.85% to 1.88%, and 0.82% to 1.68%, respectively.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### San Francisco Water Enterprise

The Board of Supervisors and the San Francisco Public Utilities Commission (SFPUC) have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2018, the amount outstanding under Proposition E was \$40.3 million. CP interest rates ranged from 0.8% to 2.2%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

#### Hetch Hatchy Water and Power

Effective December 2015, under Charter Sections 9.107(6) and 9.107(8), the Board of Supervisors and the SFPUC authorized the issuance of up to \$90.0 million in CP for the reconstruction or replacement of existing generation, transmission and distribution facilities of the Hetchy Power. Interest rates for the CP ranged from 0.85% to 1.64% in fiscal year 2018. The Hetch Hatchy Water and Power had \$20.3 million CP outstanding as of June 30, 2018.

#### San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, in fiscal year 2017 the Board of Supervisors and the SFPUC authorized an increase in the CP authorization from \$500.0 million to \$750.0 million for reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had \$262.9 million CP outstanding as June 30, 2018.

#### San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the SFMTA Board of Directors authorized the issuance of CP in an aggregate principal amount not to exceed \$100.0 million. In July 2013, the Board of Supervisors concurred with the issuance. The CP is secured by an irrevocable LOC from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. In June 2018, the SFMTA substituted the 2013 State Street LOC with a new irrevocable LOC from Sumitomo Mitsui Banking Corporation (SMBC) in an aggregate principal amount not to exceed \$100.0 million for a term of five years. The LOC will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and SFMTA. OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. The CP will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules. SFMTA has no CP outstanding as of June 30, 2018.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2018:

#### GOVERNMENTAL ACTIVITIES

Type Of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
GENERAL OBLIGATION BONDS <sup>(a)</sup> :			
Affordable housing.....	2038	2.00% - 3.95%	\$ 192,940
Earthquake safety and emergency response.....	2038	2.25% - 5.00%	616,180
Parks and playgrounds .....	2037	2.00% - 6.26%	205,375
Public health and safety .....	2038	3.00% - 5.00%	171,405
Road repaving and street safety .....	2035	2.00% - 5.00%	161,535
San Francisco General Hospital.....	2033	3.25% - 6.26%	509,620
Seismic safety loan program .....	2035	2.563% - 5.83%*	44,094
Transportation and road improvement .....	2037	2.75% - 5.00%	149,380
Refunding .....	2030	4.00% - 5.00%	429,505
General obligation bonds .....			<u>2,480,034</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation <sup>(b), (e) &amp; (f)</sup> .....	2034	1.125% - 5.75% **	171,150
SALES TAX REVENUE BONDS			
SFCTA revenue bonds <sup>(g)</sup> .....	2034	3.0% - 4.0%	248,250
CERTIFICATES OF PARTICIPATION:			
Certificates of participation <sup>(c) &amp; (d)</sup> .....	2047	1.674% - 5.00%	924,405
OTHER LONG TERM OBLIGATIONS:			
Loans <sup>(d), (f) &amp; (g)</sup> .....	2045	2.00% - 4.5% ***	47,462
Lease Purchase Financing - Public Safety Radio Replacement <sup>(d)</sup> .....	2027	1.6991%	29,397
Capital Lease <sup>(d)</sup> .....	2023	1.080%	1,257
Governmental activities total long-term obligations .....			<u>\$ 3,901,955</u>

\* Includes the 1992 Seismic Safety Loan Program GOB Series 2015A which bears variable interest rate that resets monthly. The rate for GOB Series 2015A at June 30, 2018 was 2.563%.

\*\* 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, 2018 for Series 2008 -1 & 2 averaged to 1.125%.

\*\*\* Includes SFCTA revolving credit loan of \$24.7 million with interest rate of 2.074%

Debt service payments are made from the following sources:

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### BUSINESS-TYPE ACTIVITIES

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rates	Amount
San Francisco International Airport:			
Revenue bonds * .....	2058	1.72% - 6.00%*	\$ 6,244,840
San Francisco Water Enterprise:			
Revenue bonds .....	2051	0.87% - 6.95%	4,514,070
Certificates of participation .....	2042	2.00% - 6.49%	106,661
Accreted interest.....	2019	-	6,725
Hetch Hetchy Water and Power:			
Energy and revenue bonds .....	2046	4.00% - 5.00%	51,182
Certificates of participation.....	2042	2.00% - 6.49%	14,521
Municipal Transportation Agency:			
Revenue bonds.....	2047	3.00% - 5.00%	343,675
Loans.....	2047	3.30%	5,495
San Francisco General Hospital:			
Certificates of participation.....	2026	5.55%	14,184
San Francisco Wastewater Enterprise:			
Revenue bonds .....	2047	1.00% - 5.82%	937,250
Certificates of participation .....	2042	2.00% - 6.49%	28,203
Loans.....	2051	1.60% - 1.80%	22,607
Port of San Francisco:			
Revenue bonds .....	2044	2.60% - 7.408%	51,535
Certificates of participation.....	2043	4.75% - 5.25%	31,170
Loans .....	2029	4.50%	1,976
Laguna Honda Hospital:			
Certificates of participation .....	2031	4.40% - 5.25%	119,130
Business-type activities total long-term obligations ....			<u><u>\$ 12,493,224</u></u>

\* Includes Second Series Revenue Bonds Issue 37C, 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2018, the average interest rates on Issue 37C, and 2010A were 1.07%, and 1.08%, respectively. For Issue 2018B and 2018C, the average interest rates were 1.13%, and 1.20%, respectively.

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

### Debt Compliance

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

### Legal Debt Limit and Legal Debt Margin

As of June 30, 2018, the City's general obligation bond debt limit (3% of valuation subject to taxation) was \$7.01 billion. The total amount of debt applicable to the debt limit was \$2.69 billion. The resulting legal debt margin was \$4.32 billion.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds and certificates of participation issued and the Finance Corporation has evaluated each series of tax-exempt lease revenue bonds. The City and the Finance Corporation do not have a rebatable arbitrage liability as of June 30, 2018. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have a rebatable arbitrage liability as of June 30, 2018.

#### Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgage for first time homebuyers to facilitate affordable housing and the construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes. These obligations are not considered obligations of the City. As of June 30, 2018, the total obligation outstanding was \$2.10 billion.

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

In November 2017, the City on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District") issued Special Tax Bonds, Series 2017A and Series 2017B (the "2017 Bonds") with a par amount of \$36.1 million and \$171.4 million, respectively, in order to facilitate the construction of the Transbay Transit Center (now called the Salesforce Transit Center) and adjacent infrastructure. The 2017 Bonds bear interest rates ranging from 1.5% to 4.0% with principal amortizing from September 2018 through September 2048. At June 30, 2018, the total outstanding balance for the 2017 Bonds was \$207.5 million. The City has no obligation for these bonds as the bonds are secured under the provisions of the Indenture and will be payable solely from Special Tax Revenues and funds pledged under the Fiscal Agent Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof are pledged for the payment of the principal or interest on the 2017 Bonds.

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

**Changes in Long-Term Obligations**

The changes in long-term obligations for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2018	Amounts Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds .....	\$ 2,069,872	\$ 632,990	\$ (222,828)	\$ 2,480,034	\$ 235,391
Lease revenue bonds.....	182,030	-	(10,880)	171,150	12,595
Sales tax revenue bonds.....	-	248,250	-	248,250	-
Certificates of participation .....	551,760	412,355	(39,710)	924,405	39,110
Subtotal.....	<u>2,803,662</u>	<u>1,293,595</u>	<u>(273,418)</u>	<u>3,823,839</u>	<u>287,096</u>
Issuance premiums / discounts:					
Add: unamortized premiums .....	243,914	76,243	(23,014)	297,143	-
Less: unamortized discounts .....	<u>(140)</u>	<u>-</u>	<u>8</u>	<u>(132)</u>	<u>-</u>
Total bonds payable, net.....	<u>3,047,436</u>	<u>1,369,838</u>	<u>(296,424)</u>	<u>4,120,850</u>	<u>287,096</u>
Loans.....	162,876	-	(115,414)	47,462	433
Capital leases .....	32,586	1,572	(3,504)	30,654	3,552
Accrued vacation and sick leave pay.....	156,140	128,447	(119,935)	164,652	98,233
Accrued workers' compensation.....	241,823	64,865	(51,390)	255,298	45,740
Estimated claims payable.....	<u>202,489</u>	<u>95,870</u>	<u>(23,679)</u>	<u>274,680</u>	<u>100,867</u>
Governmental activities long-term obligations.....	<u><u>\$ 3,843,350</u></u>	<u><u>\$ 1,660,592</u></u>	<u><u>\$ (610,346)</u></u>	<u><u>\$ 4,893,596</u></u>	<u><u>\$ 535,921</u></u>
 <b>Business-type Activities:</b>					
Bonds payable:					
Revenue bonds .....	\$10,381,479	\$ 2,816,725	\$ (1,106,834)	\$ 12,091,370	\$ 318,830
Clean renewable energy bonds.....	53,615	-	(2,433)	51,182	2,480
Certificates of participation .....	<u>326,308</u>	<u>-</u>	<u>(12,439)</u>	<u>313,869</u>	<u>13,047</u>
Subtotal.....	<u>10,761,402</u>	<u>2,816,725</u>	<u>(1,121,706)</u>	<u>12,456,421</u>	<u>334,357</u>
Issuance premiums / discounts:					
Add: unamortized premiums .....	755,284	395,823	(94,370)	1,056,737	-
Less: unamortized discounts .....	<u>(719)</u>	<u>-</u>	<u>46</u>	<u>(673)</u>	<u>-</u>
Total bonds payable, net .....	<u>11,515,967</u>	<u>3,212,548</u>	<u>(1,216,030)</u>	<u>13,512,485</u>	<u>334,357</u>
Accrued interest payable.....	6,278	447	-	6,725	5,000
Notes, loans, and other payables.....	2,963	27,296	(181)	30,078	516
Accrued vacation and sick leave pay.....	109,036	66,094	(61,442)	113,688	68,784
Accrued workers' compensation.....	193,928	54,309	(39,973)	208,264	35,350
Estimated claims payable.....	<u>94,680</u>	<u>38,574</u>	<u>(22,923)</u>	<u>110,331</u>	<u>48,182</u>
Business-type activities long-term obligations.....	<u><u>\$ 11,922,852</u></u>	<u><u>\$ 3,399,268</u></u>	<u><u>\$ (1,340,549)</u></u>	<u><u>\$ 13,981,571</u></u>	<u><u>\$ 492,189</u></u>

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2018 for governmental and business-type activities are as follows:

<b>Governmental Activities <sup>(1)</sup></b>										
Fiscal Year Ending June 30	General Obligation			Lease Revenue		Other Long-Term				
	Bonds		Bonds		Obligations		Total			
	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(3)</sup>	Principal	Interest	Principal	Interest		
2019.....	\$ 235,391	\$ 106,639	\$ 12,595	\$ 4,919	\$ 43,095	\$ 48,881	\$ 291,081	\$ 160,439		
2020.....	139,126	94,934	6,110	4,598	72,983	47,692	218,219	147,224		
2021.....	138,365	88,279	12,740	4,313	49,727	45,279	200,832	137,871		
2022.....	145,103	81,932	13,380	3,961	49,346	43,327	207,829	129,220		
2023.....	149,576	75,192	13,845	3,582	50,959	41,381	214,380	120,155		
2024-2028...	778,414	269,042	73,905	11,797	270,307	174,395	1,122,626	455,234		
2029-2033...	669,704	108,907	36,240	3,037	290,196	113,091	996,140	225,035		
2034-2038..	224,355	19,251	2,335	134	235,902	61,406	462,592	80,791		
2039-2043..	-	-	-	-	165,052	21,659	165,052	21,659		
2044-2048...	-	-	-	-	23,204	1,665	23,204	1,665		
Total.....	<u>\$ 2,480,034</u>	<u>\$ 844,176</u>	<u>\$ 171,150</u>	<u>\$ 36,341</u>	<u>\$ 1,250,771</u>	<u>\$ 598,776</u>	<u>\$ 3,901,955</u>	<u>\$ 1,479,293</u>		

<b>Business-Type Activities <sup>(1)</sup></b>										
Fiscal Year Ending June 30	Certificates of Participation <sup>(4) (5)</sup>				Other Long-Term					
	Revenue Bonds <sup>(4) (5)</sup>		of Participation <sup>(5)</sup>		Obligations		Total			
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest		
2019.....	\$ 321,310	\$ 588,781	\$ 13,047	\$ 17,617	\$ 516	\$ 383	\$ 334,873	\$ 606,781		
2020.....	355,813	578,703	13,700	16,958	685	468	370,198	596,129		
2021.....	375,384	562,162	14,399	16,262	761	542	390,544	578,966		
2022.....	386,025	544,094	15,128	15,531	894	615	402,047	560,240		
2023.....	405,378	525,366	15,908	14,759	917	592	422,203	540,717		
2024-2028...	2,135,355	2,325,493	81,753	60,646	3,958	1,871	2,221,066	2,388,010		
2029-2033...	1,724,287	1,833,501	70,434	37,505	4,536	1,813	1,799,257	1,872,819		
2034-2038..	1,715,580	1,402,311	44,476	21,309	3,924	1,159	1,763,980	1,424,779		
2039-2043..	2,476,340	881,695	45,024	6,185	4,281	802	2,525,645	888,682		
2044-2048...	2,028,780	341,805	-	-	8,621	364	2,037,401	342,169		
2049-2053...	139,880	27,194	-	-	985	48	140,865	27,242		
2054-2058...	78,420	7,839	-	-	-	-	78,420	7,839		
Total.....	<u>\$ 12,142,552</u>	<u>\$ 9,618,944</u>	<u>\$ 313,869</u>	<u>\$ 206,772</u>	<u>\$ 30,078</u>	<u>\$ 8,657</u>	<u>\$ 12,486,499</u>	<u>\$ 9,834,373</u>		

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

(2) The interest is before federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately \$25.5 million and \$5.2 million, respectively, through the fiscal year ending 2030. The federal sequester reduction was 6.6% in fiscal year 2018 and will be 6.2% in fiscal year 2019. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bear interest at a weekly rate. An assumed rate of 1.125%, together with liquidity fee of 0.350% and remarketing fee of 0.0725% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be \$313.7 million less.

(5) The interest is before federal subsidy for the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power of \$427.1 million, \$60.4 million and \$6.0 million through the fiscal year ending 2051, respectively. The federal sequester reduction was 6.6% in fiscal year 2018 and will be 6.2% in fiscal year 2019. Future interest subsidy may be reduced as well.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

#### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2018 are as follows:

#### **Governmental Activities - General Obligation Bonds**

Authorized and unissued as of June 30, 2017.....	\$ 1,374,975
Bonds issued:	
Series 2018A Clean and Safe Neighborhood Parks .....	(76,710)
Series 2018B Transportation and Road Improvement.....	(174,445)
Series 2018C Earthquake Safety and Emergency Response.....	(189,735)
Series 2018D Affordable Housing.....	(142,145)
Series 2018E Public Health & Safety.....	(49,955)
Net authorized and unissued as of June 30, 2018.....	<u>\$ 741,985</u>

In April 2018, the City issued General Obligation Bonds Series 2018A (Clean and Safe Neighborhood Parks) and Series 2018B (Transportation and Road Improvement) in the amount of \$76.7 million and \$174.4 million, respectively. Both series bear interest rates ranging from 3.0% to 5.0% with principal amortizing from June 2018 to June 2037. The proceeds of the Series 2018A bonds will be used to improve the safety and quality of the City's neighborhood parks and waterfront open spaces, enhancing water quality and cleaning up environmental contamination along the Bay, replacing unsafe playgrounds, fixing restrooms, improving access for the disabled, and ensuring the seismic safety of park and recreational facilities and to pay certain costs related to the issuance of the Series 2018A bonds. The proceeds of the Series 2018B bonds will be used to construct and rebuild streets and sidewalks, make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, improve disabled access and to pay the cost of issuance of the Series 2018B bonds.

In May 2018, the City issued General Obligation Bonds Series 2018C (Earthquake Safety and Emergency Response), Series 2018D (Affordable Housing), and Series 2018E (Public Health and Safety) in the amount of \$189.7 million, \$142.1 million and \$50.0 million, respectively. The Series 2018C, 2018D, and 2018E bonds bear interest rates ranging from 2.5% to 5.0% with maturities from June 2019 through June 2038. The proceeds of the Series 2018C bonds will be used to improve fire, earthquake and emergency response by improving and/or replacing deteriorating cisterns, pipes, and tunnels and related facilities to ensure firefighters a reliable water supply for fires and disasters; improving and/or replacing neighborhood fire and police stations; replacing certain seismically-unsafe police and medical examiner facilities with earthquake-safe buildings. The proceeds of the Series 2018D bonds will be used to finance the construction, development, acquisition, and preservation of housing affordable to low- and middle-income households; to assist in the acquisition, rehabilitation, and preservation of affordable rental apartment buildings; to repair or reconstruct dilapidated public housing; to fund middle-income rental program; and to provide homeownership down payment assistance opportunities for educators and middle-income households. The Series 2018E will be used to provide funds to protect public health and safety, improve community medical and mental health care services, earthquake safety, and emergency medical response; to seismically improve and modernize neighborhood fire stations and vital public health and homeless service sites; to construct a seismically safe and improved San Francisco Fire Department ambulance deployment facility. The proceeds of Series 2018C, 2018D and 2018E bonds will also be used to pay certain costs related to the issuance of the respective series.

The general obligation bonds' debt service payments are funded through ad valorem taxes on property.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### Certificates of Participation

In July 2017, the City issued Certificates of Participation, Series 2017B (Moscone Convention Center Expansion Project) in the amount of \$412.4 million to finance or refinance a portion of the costs of additions and improvements to the existing site and facilities of Moscone Center; fund capitalized interest payable with respect to the Certificates through April 1, 2018; fund the Reserve Fund established under the Trust Agreement for the Certificates; and pay costs of issuance of the Certificates. The Series 2017B Certificates bear interest rates ranging from 3.0% to 5.0% with principal amortizing from April 2019 through April 2042.

As of June 30, 2018, the City has a total of \$924.4 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. The total debt service requirement on the certificates of participation is \$1.42 billion payable through April 1, 2047. For the year ended June 30, 2018, principal and interest paid by the City totaled \$39.7 million and \$35.7 million, respectively.

#### Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2018 were as follows:

#### **Governmental Activities - Lease Revenue Bonds**

Authorized and unissued as of June 30, 2017.....	\$ 183,263
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.....	3,556
Current year maturities in Finance Corporation's equipment program.....	1,115
Net authorized and unissued as of June 30, 2018.....	<u>\$ 187,934</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 amount that is not applied towards the acquisition or construction of real and personal property such as unapplied acquisition fund, bond issuance costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as unearned revenues in the internal service fund until such time it is used for its intended purpose. The unearned amounts are eliminated in the governmental activities statement of net position.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is \$207.5 million payable through June 2034. For the year ended June 30, 2018, principal and interest paid by the Finance Corporation in the form of lease payments made by the City totaled \$10.9 million and \$4.7 million, respectively.

*Equipment Lease Program* - In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to \$20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to \$20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2018, the amount authorized and outstanding was \$74.7 million and \$0.9 million, respectively.

#### Sales Tax Revenue Bonds - San Francisco County Transportation Authority

In June 2015, the Transportation Authority substituted its \$200.0 million commercial paper notes (Limited Tax Bonds), Series A and B with a \$140.0 million tax-exempt Revolving Credit Agreement. The CP provided a source of financing for the Transportation Authority's voter-approved Proposition K Expenditure Plan (see Note 12). In June 2018, the Transportation Authority entered into a new Revolving Credit (loan) Agreement with State Street Public Lending Corporation and US Bank for a total amount of \$140.0 million for the next three years and has a rate of interest equal to the sum of 80% of 1-month LIBOR plus 0.40%. As of June 30, 2018, the Transportation Authority has \$24.7 million outstanding in the Revolving Credit Agreement. The interest payments are due the first business day of each month and have an interest rate of 2.074%. The Revolving Credit Agreement is secured by a first lien gross pledge of the Transportation Authority's sales tax revenues.

In November 2017, the Transportation Authority issued Senior Sales Tax Revenue Bonds, Series 2017 with a par value of \$248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street and traffic facilities and other transportation projects described in the Expenditure Plan, repay a portion of the revolving loan, pay a portion of the capitalized interest and costs of issuance. The Series 2017 bonds bear interest rates ranging from 3.0% to 4.0% and will mature in February 2034. At June 30, 2018, the Transportation Authority has \$248.3 million of bonds outstanding. The Series 2017 bonds are limited obligations of the Transportation Authority payable solely from and secured exclusively by sales tax revenue and capitalized interest held by the trustee pursuant to the indenture.

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

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

#### **San Francisco International Airport**

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

Pursuant to resolutions adopted in fiscal years 2009, 2013, 2015, 2017 and 2018, the Airport has authorized the issuance of up to \$7.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2018, \$3.8 billion of the authorized capital plan bonds remained unissued.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

#### *Second Series Revenue Bonds, Series 2017A/B/C*

In October 2017, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2017A (AMT), 2017B (Non-AMT/Governmental Purpose), and 2017C (Federally Taxable) in aggregate principal amount of \$602.4 million to finance and refinance (through the repayment of CP) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal, (d) construction of a new long-term parking garage and extension of AirTrain service to that garage, (e) improvements to the Airport's security infrastructure, (f) certain airfield improvements, and (g) the construction of a new administration campus to consolidate some Airport administrative departments, to fund deposits to the Issue 1 Reserve Account and the 2017 Reserve Account, to fund a deposit to the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance.

#### *Second Series Revenue Bonds, Series 2018D/E/F*

In May 2018, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2018D (AMT), Series 2018E (Non-AMT/Governmental Purpose), and Series 2018F (Federally Taxable) in aggregate principal amount of \$846.1 million to finance and refinance (through the repayment of CP) a portion of the costs of the following projects, among others: (a) redevelopment of Terminal 1, (b) redevelopment of Terminal 3 West, (c) renovation of the International Terminal departures level, (d) extension of AirTrain service to the long-term parking garages, (e) improvements to the Airport's security and technology infrastructure, (f) certain airfield improvements, (g) and the completion of a new administration campus to consolidate some Airport administrative departments, to fund a deposit to the Issue 1 Reserve Account, to fund a deposit to the Contingency Account, to fund deposits to capitalized interest accounts, and to pay costs of issuance.

#### *Second Series Revenue Bonds, Series 2018B/C*

In June 2018, the Airport issued its Second Series Variable Rate Revenue Bonds, Series 2018B (Non-AMT/Governmental Purpose) and 2018C (Non-AMT/Governmental Purpose) in aggregate principal amount of \$276.3 million to purchase \$260.0 million of Hotel Special Facility Bonds (described below), to finance the development and construction of an AirTrain station adjacent to the on-Airport hotel being constructed, and to pay costs of issuance.

#### Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2018, the Airport has authorized the issuance of up to \$11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding subordinate CP notes, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. The Board has authorized the issuance of up to \$8.4 billion of such refunding bonds. As of June 30, 2018, \$730.5 million of the Board-approved refunding bonds remained authorized but unissued.

During the fiscal year 2018, the Airport issued the following new refunding bonds under the 1991 Master Bond Resolution:

#### *Second Series Revenue Bonds, Series 2017C and Second Series Revenue Refunding Bonds, Series 2017D*

In October 2017, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2017D (AMT), in the aggregate principal amount of \$144.8 million to refund \$93.1 million of its Issue 36A, \$37.8 million of its Issue 36B, and \$33.7 million of its Issue 36C variable rate bonds and to fund a deposit to the 2017 Reserve Account. In addition, the Airport issued its \$14.3 million fixed rate Second Series Revenue Bonds, Series 2017C (Federally Taxable), which was used for refunding purposes, including to make swap termination payments in conjunction with the refunded bonds, to fund a deposit to the 2017 Reserve Account, and to pay costs of issuance.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The net proceeds of the Series 2017D Bonds (consisting of \$144.8 million par amount of the Series 2017D Bonds and original issue premium of \$25.5 million), together with \$9.3 million accumulated in the debt service fund and \$0.1 million accumulated in the holding account relating to the refunded bonds were used to deposit \$15.0 million into the 2017 Reserve Account and \$164.7 million into irrevocable escrow funds with the Senior Trustee to refund \$164.6 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
Issue 36A (Non-AMT/Private Activity)	\$ 93,130	Variable rate	100%
Issue 36B (Non-AMT/Private Activity)	37,820	Variable rate	100%
Issue 36C (Non-AMT/Private Activity)	33,655	Variable rate	100%
<b>Total</b>	<b><u>\$ 164,605</u></b>		

The refunded bonds were redeemed on November 1, 2017. In aggregate, the Series 2017C/D refundings resulted in the recognition of a deferred accounting loss of \$14.5 million for the year ended June 30, 2018. In aggregate, the Series 2017C/D refundings increased the Airport's aggregate gross debt service payments by approximately \$17.2 million over the next ten years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of \$7.0 million.

#### *Second Series Revenue Refunding Bonds, Series 2018A*

In February 2018, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2018A (AMT) in the aggregate principal amount of \$115.4 million to refund \$140.1 million of its Issue 34E fixed rate bonds, to fund a deposit to the 2017 Reserve Account, and to pay costs of issuance.

The net proceeds of the Series 2018A Bonds (consisting of \$115.4 million par amount of the Series 2018A Bonds and original issue premium of \$12.5 million), together with \$2.0 million accumulated in the debt service fund relating to the refunded bonds, and a \$26.3 million release from the Issue 1 Reserve Account relating to the refunded bonds, were used to pay \$0.3 million in costs of issuance and \$0.2 million underwriter's discount and deposit \$11.5 million into the 2017 Reserve Account and \$144.1 million into irrevocable escrow funds with the Senior Trustee to refund \$140.1 million in revenue bonds as described below.

	Amount refunded	Interest rate	Redemption price
Second Series Revenue Bonds Issue:			
Issue 34E (AMT)	\$ 140,090	5.75%	100%
<b>Total</b>	<b><u>\$ 140,090</u></b>		

The refunded bonds were redeemed on May 1, 2018. The Series 2018A refunding resulted in the recognition of a deferred accounting loss of \$3.5 million for the year ended June 30, 2018. The Series 2018A refunding reduced the Airport's aggregate gross debt service payments by approximately \$33.5 million over the next six years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of \$16.6 million.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### *Second Series Revenue Bonds, Series 2018G*

In May 2018, the Airport issued its fixed rate Second Series Revenue Refunding Bonds, Series 2018G (AMT) in the aggregate principal amount of \$35.7 million to refund \$41.7 million of its Series 2013A fixed rate bonds and to pay costs of issuance. The net proceeds of the Series 2018G Bonds (consisting of \$35.7 million par amount of the Series 2018G Bonds and original issue premium of \$6.2 million), together with \$0.2 million accumulated in the debt service fund relating to the refunded bonds, were used to pay \$0.1 million in costs of issuance and \$0.1 million underwriter's discount and deposit \$41.9 million into irrevocable escrow funds with the Senior Trustee to refund \$41.7 million in revenue bonds as described below.

	<u>Amount refunded</u>	<u>Interest rate</u>	<u>Redemption price</u>
<b>Second Series Revenue Bonds Issue:</b>			
2013A (AMT)	\$ 41,705	5.50%	100%
<b>Total</b>	<b>\$ 41,705</b>		

The refunded bonds were redeemed on June 1, 2018. The Series 2018G refunding resulted in the recognition of a deferred accounting gain of \$ 1.2 million for the year ended June 30, 2018. The Series 2018G refunding reduced the Airport's aggregate gross debt service payments by approximately \$10.6 million over the next eight years and obtained an economic gain (the difference between the present values of the old debt and the new debt) of \$8.7 million.

### Variable Rate Demand Bonds

As of June 30, 2018, the Airport had outstanding an aggregate principal amount of \$567.3 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 37C, Series 2010A, Series 2018B, and Series 2018C (collectively, the "Variable Rate Bonds"), with final maturity dates of May 1, 2029 (Issue 37C), May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

The scheduled payment of the principal of and interest on, and payment of purchase price of, the Variable Rate Bonds is secured by separate irrevocable letters of credit (LOC) issued to the Senior Trustee for the benefit of the applicable bondholders by the banks identified in the table below.

Amounts drawn under a LOC that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.39% and 0.63% per annum. As of June 30, 2018, there were no unreimbursed draws under these facilities.

The LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2018, are as follows:

	<b>Issue 37C</b>	<b>Series 2010A</b>	<b>Series 2018B</b>	<b>Series 2018C</b>
Principal amount	\$ 85,135	\$ 205,865	\$ 138,170	\$ 138,170
Expiration date	January 28, 2019	June 29, 2020	June 3, 2022	June 3, 2022
Credit provider	MUFG Union Bank N.A. <sup>(1)</sup>	Bank of America <sup>(2)</sup>	Barclays <sup>(3)</sup>	SMBC <sup>(4)</sup>

(1) Formerly Union Bank, N.A.

(2) Bank of America, National Association

(3) Barclays Bank PLC

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

#### Hotel Special Facility Bonds

Pursuant to resolutions adopted in fiscal years 2016, 2017 and 2018, the Airport authorized the issuance of \$260.0 million of Special Facility Bonds to finance an on-Airport hotel. These resolutions also designated the on-Airport hotel as a "Special Facility" under the 1991 Master Bond Resolution, which will allow the hotel revenues to be segregated from the Airport's other revenues and used to pay hotel operating expenses and debt service on the Hotel Special Facility Bonds through the Hotel Special Facility Bond trustee. In June 2018, the Airport issued its fixed rate Special Facility Revenue Bonds (San Francisco International Airport Hotel), Series 2018 (the "Hotel Special Facility Bonds"), in the aggregate principal amount of \$260.0 million to finance the on-Airport hotel and to fund a capitalized interest account. The Hotel Special Facility Bonds bear interest at a fixed rate of 3.0% per annum, mature in 2058, and are subject to mandatory sinking fund redemption each year starting in 2022.

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

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are not payable from or secured by the Airport's Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel.

#### Interest Rate Swaps

As of June 30, 2018, the Airport's derivative instruments were comprised of three interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps continued to be effective as of June 30, 2018.

No.	Current bonds	Initial notional amount	Notional amount		Effective date
			June 30, 2018		
1	2010A (37B)*	\$ 79,684	\$ 75,473		5/15/2008
2	37C	89,856	85,107		5/15/2008
3	2010A**	143,947	137,980		2/1/2010
	Total	\$ 313,487	\$ 298,560		

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

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

#### Fair Value

The fair values take into consideration the prevailing interest rate environment and the specific terms and conditions of each swap. All values were estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement payment on the swaps to arrive

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

at the so-called “settlement amount”, i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

In addition, pursuant to GASB Statement No. 72, the settlement amounts are then adjusted for the nonperformance risk of each party to the swap to arrive at the fair value. For each swap, the nonperformance risk was computed as the total cost of the transactions required to hedge the default exposure, i.e., a series of European swaptions, exercisable on each of the future payment exchange dates under the swap that are structured to reverse the remaining future cash flow obligations as of such dates, adjusted by probability of default on each future date. Default probabilities were derived from recovery rate adjusted credit default swap quotes or generic ratings based borrowing curves that fall into Level 2 of the GASB Statement No. 72 fair value hierarchy.

As of June 30, 2018, the fair value of the Airport’s three outstanding swaps, counterparty credit ratings, and fixed rate payable by the Airport are shown in the following table. Where a swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P’s Long-Term Local Issuer Credit Rating, Moody’s Long-Term Counterparty Rating for Merrill Lynch Derivative Products AG, Moody’s Long-Term Senior Unsecured Rating for JP Morgan Chase Bank N.A. and Goldman Sachs Group, Inc., and Fitch’s Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A (37B)**	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	AA/Aa3/NR*	3.773%	\$ (9,080)
2	Issue 37C	JP Morgan Chase Bank, NA	A+/Aa3/AA	3.898%	(10,211)
3	2010A***	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A3/A*	3.925%	(18,267)
		Total			\$ (37,558)

\* Reflects ratings of the guarantor.

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

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

In June 2018, Fitch upgraded the credit rating of J.P. Morgan Chase Bank N.A., the swap counterparty on the Issue 37C Bonds, from “AA-” to “AA”.

### Fair Value Hierarchy

	Fair Value June 30, 2018	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	\$ (37,558)	\$ (37,558)

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2018 is as follows:

	<b>Deferred outflows</b>	
	<b>on derivative Instruments</b>	<b>Derivative instruments</b>
Balance as of June 30, 2017	\$ 54,870	\$ 65,965
Change in fair value to year-end	(25,625)	(28,407)
<b>Balance as of June 30, 2018</b>	<b>\$ 29,245</b>	<b>\$ 37,558</b>

The fair value of the interest rate swap portfolio is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statements 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 a termination payment would be due to the counterparty) or deferred inflows of resources (if a termination payment would be due to the Airport). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows and derivative instruments presented in the table above constitutes the unamortized off-market portions of the swaps as of June 30, 2018.

*Basis Risk* – During the year ended June 30, 2018, the Airport paid a total of \$0.89 million less in interest on its variable rate bonds than the floating-rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

*Credit Risk* – As of June 30, 2018, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

*Counterparty Risk* – As of June 30, 2018, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated).

*Termination Risk* – The Airport has secured municipal swap insurance for all its regular payments and some termination payments due under all its interest rate swaps, except the swaps associated with the Series 2010A Bonds, from the following insurers, which are rated as to their claims-paying ability and financial strength as follows as of June 30, 2018:

No.	Swap	Swap Insurer	Insurer Credit ratings June 30, 2018 (S&P/Moody's/Fitch)
			(S&P/Moody's/Fitch)
1	Series 2010A (37B)	Assured Guaranty Municipal Corp.	AA/A2/NR
2	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
3	Series 2010A	None	N/A

As of June 30, 2018, the fair value of each swap was negative to the Airport as shown above.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### Water Enterprise

##### *Water Revenue Bonds 2017 Series ABC*

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 ABC in the aggregate amount of \$339.5 million. The purpose of the 2017 Series ABC Bonds was to refund approximately \$120.5 million aggregate principal amount of CP and to provide \$230.5 million new money for WSIP capital projects, other various capital projects of the Water Enterprise, and capital projects of Hetch Hetchy Water. The bonds carried "Aa3" and "AA-" ratings from Moody's and S&P, respectively. The 2017 Series ABC bonds include serial bonds with coupon rates of 5.0% and have final maturity in 2045, and four term bonds with coupons of 5.0% and final maturities from 2045 to 2047.

The \$121.1 million 2017 Series A bonds were issued as tax-exempt Green Bonds to refund approximately \$60.3 million of commercial paper notes and to provide \$65.5 million in new money for WSIP capital projects. The Series A bonds were issued as serial and term bonds with coupons of 5.0% and a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series A bonds outstanding was \$121.1 million.

The \$147.7 million 2017 Series B bonds were issued as tax-exempt bonds to provide \$150.0 million in new money for Water Enterprise capital projects (non-WSIP). The Series B bonds were issued as serial and term bonds with coupons of 5.0% and have a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series B bonds outstanding was \$147.7 million

The \$70.7 million 2017 Series C bonds were issued as tax-exempt bonds to refund approximately \$60.3 million of CP and to provide \$15.0 million in new money for Hetch Hetchy Water capital projects. The Series C bonds were issued as serial bonds and a term bond with coupons of 5.0% and have a final maturity of 2047. As of June 30, 2018, the principal amount of 2017 Series C bonds outstanding was \$70.7 million.

##### *Water Revenue Refunding Bonds 2017 Series DEFG*

In December 2017, the Water Enterprise issued tax-exempt revenue bonds, 2017 Series DEF, and taxable 2017 Series G refunding bonds in the aggregate amount of \$442.2 million. The 2017 Series D (WSIP, Green) bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series A (WSIP) bonds maturing on and after November 1, 2022, and a portion of the outstanding 2012 Series A bonds maturing on and after November 1, 2031.

The 2017 Series E bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series C bonds maturing on or after November 1, 2022, a portion of the outstanding 2011 Series D bonds maturing on and after November 1, 2022, and a portion of 2012 Series C1 bonds maturing on or after November 1, 2029.

The 2017 Series F bonds were issued for the purpose of refunding a portion of the outstanding 2011 Series B bonds maturing on or after November 1, 2022.

The taxable 2017 Series G (WSIP, Green) bonds were issued to refund a portion of the outstanding 2011 Series A bonds maturing on and after November 1, 2022.

The 2017 Series DEFG bonds include serial bonds with interest rates varying from 2.00% to 5.00% and have a final maturity in 2035. The refunding resulted in the recognition of a deferred accounting loss of \$34.3 million, gross debt service savings of \$68.9 million, and an economic gain of \$51.7 million or 10.70% of refunded principal. As of June 30, 2018, the principal amount of 2017 Series DEFG bonds outstanding was \$442.2 million.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

#### **Wastewater Enterprise**

##### *Lake Merced Green Infrastructure Project CWSRF Loan*

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$7.4 million. The loan bears an interest rate of 1.6%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2020. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$2.0 million. As of June 30, 2018, the principal amount outstanding of the loan was \$4.9 million.

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

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$40.0 million. The loan bears an interest rate of 1.8%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected by July 2019. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2018.

##### *North Point Facility Outfall Rehabilitation Project CWSRF Loan*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$4.7 million. As of June 30, 2018, the principal amount outstanding of the loan was \$17.7 million.

##### *SEP Primary/Secondary Clarifier Upgrade Project CWSRF Loan*

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund ("CWSRF") Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$34.4 million. The loan bears an interest rate of 1.8%, which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Wastewater Enterprise's outstanding revenue bonds. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2018.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

### (9) EMPLOYEE BENEFIT PROGRAMS

#### (a) Retirement Plans

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

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

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

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

#### **Benefits**

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

- Miscellaneous Non-Safety Members – staff, operational, supervisory, and all other eligible employees who are not in special membership categories.

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### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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- Sheriff's Department and Miscellaneous Safety Members – sheriffs assuming office on and after January 7, 2012, and undersheriffs, deputized personnel of the Sheriff's Department, and miscellaneous safety employees hired on and after January 7, 2012.
- Firefighter Members – firefighters and other employees whose principal duties are in fire prevention and suppression work or who occupy positions designated by law as firefighter member positions.
- Police Members – police officers and other employees whose principal duties are in active law enforcement or who occupy positions designated by law as police member positions.

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

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

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

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

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

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

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

*Firefighter Members and Police Members* who became members on or after July 1, 2010 and prior to January 7, 2012 qualify for a service retirement benefit if they are at least 50 years old and have at least 5 years of credited service. The service retirement benefit is calculated using the member's final

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

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

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

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

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

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## Notes to Basic Financial Statements (Continued)

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The CalPERS' provisions and benefits in effect at June 30, 2018, are summarized as follows:

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60		2% @ 50, 2% @ 55 or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule		5 years of service		5 years of service
Benefit payments		Monthly for life		Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	10.75% to 13.00%
Required employer contribution rates	10.30%		20.24%	20.24%
Transportation Authority Miscellaneous Plan				
	Prior to January 1, 2013		Prior to January 1, 2013	
	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule		5 years of service		5 years of service
Benefit payments		Monthly for life		Monthly for life
Required employee contribution rates	7.00%	6.25%	7.00%	6.50%
Required employer contribution rates	8.92%	6.53%	49.18%	7.19%

At June 30, 2018, the CalPERS' City Safety Plan had a total of 2,298 members who were covered by these benefits, which includes 1,039 inactive employees or beneficiaries currently receiving benefits, 175 inactive employees entitled to but not yet receiving benefits, and 1,084 active employees.

### ***Contributions***

For the year ended June 30, 2018, the City's actuarial determined contributions were as follows:

SFERS Plan.....	\$ 582,568
City CalPERS Miscellaneous Plan.....	42
City CalPERS Safety Plan.....	30,743
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	403
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	1,283
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	6
<b>Total.....</b>	<b><u>\$ 615,045</u></b>

**SFERS – Contributions** are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2018 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2017, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2016 actuarial report, the required employer contribution rates for fiscal year 2018 were 18.96% to 23.46%.

**CalPERS – Section 20814(c)** of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for the PERP is determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by public employees during the year, with an additional amount to finance any unfunded accrued liability.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$3.1 million replacement benefits in the year ended June 30, 2018.

#### ***Net Pension Liability***

The table below shows how the net pension liability (NPL) as of June 30, 2018 is distributed.

Governmental activities.....	\$ 2,977,366
Business-type activities.....	2,095,764
Fiduciary funds.....	27,280
Component Unit - Treasure Island Development Authority	28
Total.....	<u><u>\$ 5,100,438</u></u>

As of June 30, 2018, the City's NPL is comprised of the following:

	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.0674%	\$ 4,697,131
City CalPERS Miscellaneous Plan.....	-0.1388%	(13,766)
City CalPERS Safety Plan.....	N/A	303,328
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	0.0216%	2,142
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	0.2751%	27,280
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28
Replacement Benefits Plan.....	N/A	84,295
Total.....		<u><u>\$ 5,100,438</u></u>

The City's NPL for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL. The City's NPL for each of its cost-sharing plans is measured as of June 30, 2017, and the total pension liability for each cost-sharing plan used to calculate the NPLs was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017, using standard update procedures. The City's proportion of the NPL for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL for the CalPERS plans were actuarially determined as of the valuation date.

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

The City's proportionate share and NPL of each of its cost-sharing plans as of June 30, 2017 and 2016 were as follows:

	June 30, 2017 (Measurement Date)		June 30, 2016 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.0674%	\$ 4,697,131	94.2175%	\$ 5,476,653
City CalPERS Miscellaneous Plan.....	-0.1388%	(13,766)	-0.1469%	(12,711)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	0.0216%	2,142	0.0204%	1,765
Successor Agency Classic & PEPRA CalPERS Miscellaneous Plans.....	0.2751%	27,280	0.2691%	23,281
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0003%	28	0.0003%	27
Total.....		<u>\$ 4,712,815</u>		<u>\$ 5,489,015</u>

The City's NPL for the CalPERS City Safety Plan (agent plan) is measured as the total pension liability, less the CalPERS Safety Plan's fiduciary net position. The change in the NPL for the City CalPERS Safety Plan is as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016 (VD).....	\$ 1,189,116	\$ 925,208	\$ 263,908
Change in year:			
Service cost.....	33,886	-	33,886
Interest on the total pension liability.....	88,729	-	88,729
Changes of assumptions.....	75,057	-	75,057
Differences between expected and actual			
experience.....	(14,353)	-	(14,353)
Plan to plan resource movement.....	-	-	-
Contributions from the employer.....	-	30,575	(30,575)
Contributions from employees.....	-	10,307	(10,307)
Net investment income.....	-	104,383	(104,383)
Benefit payments, including refunds of			
employee contributions.....	(51,579)	(51,579)	-
Administrative expense.....	-	(1,366)	1,366
Net changes during measurement period.....	<u>131,740</u>	<u>92,320</u>	<u>39,420</u>
Balance at June 30, 2017 (MD) .....	<u>\$ 1,320,856</u>	<u>\$ 1,017,528</u>	<u>\$ 303,328</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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The City's pension liability for the Replacement Benefits Plan is measured as the total pension liability as there are no assets in a plan. The change in the total pension liability for the City Replacement Benefits Plan is as follows:

	<u>Increase (Decrease)</u>
	<u>Total Pension Liability</u>
Balance at June 30, 2016 (VD).....	\$ 78,600
Change in year:	
Service cost.....	1,605
Interest.....	2,218
Differences between expected and actual experience.....	15,326
Assumption changes.....	(10,290)
Benefit payments, including refunds of employee contributions.....	(3,164)
Net changes during measurement period....	5,695
Balance at June 30, 2017 (MD).....	<u><u>\$ 84,295</u></u>

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

For the year ended June 30, 2018, the City recognized pension expense including amortization of deferred outflows/inflows related to pension items as follows:

	Primary Government			Component Unit		
	Governmental Activities	Business-type Activities	Fiduciary Funds	Treasure Island Development Authority	Total	
SFERS Plan.....	\$ 430,768	\$ 302,127	\$ -	\$ -	\$ 732,895	
City CalPERS Miscellaneous Plan.....	(2,462)	-	-	-	(2,462)	
City CalPERS Safety Plan.....	53,172	-	-	-	53,172	
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	671	-	-	-	671	
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	-	-	1,423	-	1,423	
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	-	-	-	10	10	
Replacement Benefits Plan.....	3,970	-	-	-	3,970	
Total pension expense.....	<u><u>\$ 486,119</u></u>	<u><u>\$ 302,127</u></u>	<u><u>\$ 1,423</u></u>	<u><u>\$ 10</u></u>	<u><u>\$ 789,679</u></u>	

At June 30, 2018, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		Miscellaneous Plans		City CalPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources								
Pension contributions subsequent to measurement date.....	\$ 582,568	\$ -	\$ 1,734	\$ -	\$ 30,743	\$ -	\$ -	\$ -	\$ 615,045	\$ -
Change in assumptions.....	761,633	13,793	6,015	459	54,208	6,031	6,910	8,232	828,766	28,515
Difference between expected and actual experience.....	43,581	141,812	49	694	475	14,664	12,262	-	56,367	157,170
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	7,019	7,681	1,131	8,751	-	-	-	-	8,150	16,432
Net differences between projected and actual earnings on plan investments.....	-	175,222	1,360	-	12,111	-	-	-	13,471	175,222
Total.....	<u><u>\$ 1,394,801</u></u>	<u><u>\$ 338,508</u></u>	<u><u>\$ 10,289</u></u>	<u><u>\$ 9,904</u></u>	<u><u>\$ 97,537</u></u>	<u><u>\$ 20,695</u></u>	<u><u>\$ 19,172</u></u>	<u><u>\$ 8,232</u></u>	<u><u>\$ 1,521,799</u></u>	<u><u>\$ 377,339</u></u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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At June 30, 2018, the City reported \$615.0 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as a reduction to net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending June 30</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2019.....	\$ 30,121
2020.....	429,896
2021.....	270,602
2022.....	(201,204)
<b>Total</b>	<b>\$ 529,415</b>

### ***Actuarial Assumptions***

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2017 is provided below, including any assumptions that differ from those used in the July 1, 2016 actuarial valuation.

	<b>SFERS Plan Actuarial Assumptions</b>	<b>CalPERS Miscellaneous and Safety Plans</b>
Valuation date.....	June 30, 2016 updated to June 30, 2017	June 30, 2016
Measurement date.....	June 30, 2017	June 30, 2017
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.50%, net of pension plan investment expenses	7.50%, net of pension plan investment and administrative expenses, including inflation
Municipal bond yield.....	2.85% as of June 30, 2016 3.58% as of June 30, 2017 Bond Buyer 20-Bond GO Index, June 30, 2016 and June 29, 2017	
Inflation.....	3.25%	2.75%
Projected salary increases.....	3.75% plus merit component based on employee classification and years of service	Varies by Entry Age and Service
Discount rate.....	7.50% as of June 30, 2017	7.15% as of June 30, 2017
Basic COLA.....	Old Miscellaneous and All New Plans..... Old Police and Fire: Pre 7/1/75 Retirements..... Chapters A8.595 and A8.596..... Chapters A8.559 and A8.585.....	2.00% 2.70% 3.30% 4.40% Miscellaneous Contract COLA up to 2.75% until Purchasing Protection Allowance Floor on Purchasing Power applies. 2.75% thereafter. Safety standard COLA 2.0%

Mortality rates for active members and healthy annuitants were based upon adjusted Employee and Healthy Annuitant CalPERS mortality tables projected generationally from the 2009 base year using a modified version of the MP-2015 projection scale.

The actuarial assumptions used in the SFERS June 30, 2016 valuation were based upon the results of an experience study for the period July 1, 2009 through June 30, 2014.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. All other actuarial assumptions used in the CalPERS June 30, 2016 valuation were based on the results of an actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount rate was 7.15% as of the June 30, 2017 measurement date.

For the Replacement Benefits Plan beginning of the year measurements are also based on the census data as of June 30, 2016. Because the beginning and ending values are based on the same census data, no liability gains or losses due to experience are reported this year.

#### ***Discount Rates***

**SFERS** – The discount rate used to measure SFERS's total pension liability as of June 30, 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2014 actuarial valuation.

The amortization payment is based on closed periods that vary in length depending on the source. Charter amendments prior to July 1, 2014 are amortized over 20 years. After July 1, 2014, any Charter changes to active member benefits are amortized over 15 years and changes to inactive member benefits, including Supplemental COLAs, are amortized over 5 years. The remaining Unfunded Actuarial Liability not attributable to Charter amendments as of July 1, 2013 is amortized over a 19-year period commencing July 1, 2014. Experience gains and losses and assumption or method changes on or after July 1, 2014 are amortized over 20 years. For the July 1, 2016 valuation, the increase in the Unfunded Actuarial Liability attributable to the Supplemental COLAs granted on July 1, 2013 and July 1, 2014 are amortized over 17-years and 5-years respectively. All amortization schedules are established as a level percentage of payroll so payments increase 3.75% each year. The Unfunded Actuarial Liability is based on an Actuarial Value of Assets that smooths investment gains and losses over five years and a measurement of the Actuarial Liability that excludes the value of any future Supplemental COLAs.

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

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2017, of the probability and amount of Supplemental COLA for each future year.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

<b>Year Ending</b>	<b>Before 11/6/96 or</b>	
<b>June 30</b>	<b>96 - Prop C</b>	<b>After Prop C</b>
2018	0.75%	0.00%
2023	0.75%	0.29%
2028	0.75%	0.35%
2033	0.75%	0.38%
2038+	0.75%	0.38%

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

Based on these assumptions, the Retirement System's fiduciary net position was projected to be available to make projected future benefit payments for current members until fiscal year end 2096 when only a portion of the projected benefit payments are expected to be made from the projected fiduciary net position. Projected benefit payments are discounted at the long-term expected return on assets of 7.50% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 3.58% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2017 is 7.50%.

The long-term expected rate of return on pension plan investments was 7.50%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Target allocation and best estimates of geometric long-term expected real rates of return (net of pension plan investment expense and inflation) for each major asset class are summarized in the following table.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	40.0%	5.3%
Fixed Income	20.0%	1.6%
Private Equity	18.0%	6.5%
Real Assets	17.0%	4.6%
Hedge Funds/Absolute Return	5.0%	3.6%

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

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

Asset Class	Target Allocation	Real Return Years 1 - 10 <sup>(1)</sup>	Real Return Years 11+ <sup>(2)</sup>
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive	6.00%	0.60%	1.39%
Private equity	12.00%	6.60%	6.63%
Real estate	11.00%	2.80%	5.21%
Infrastructure and forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

<sup>(1)</sup> An expected inflation of 2.5% used for this period.

<sup>(2)</sup> An expected inflation of 3.0% used for this period.

Replacement Benefits Plan – The beginning and end of year measurements are based on different assumptions that result in different discount rates. The discount rate was 2.85% as of June 30, 2016 and 3.58% as of June 30, 2017. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yields are the Bond Buyer 20-Year GO Index as of June 30, 2016 and June 29, 2017. These are the rates used to determine the total pension liability as of June 30, 2016 and June 30, 2017.

The inflation assumption of 3.25% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of \$215 for 2017 was used for the 2017 measurement date.

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

At June 30, 2018, the membership in the RBP had a total of 281 active members and 144 retirees and beneficiaries currently receiving benefits.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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### ***Sensitivity of Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

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

Cost-Sharing Pension Plans Proportionate Share of Net Pension Liability	1% Decrease Share of NPL @ 6.50%	Current Share of NPL @ 7.50%	1% Increase Share of NPL @ 8.50%
	1% Decrease Share of NPL @ 6.15%	Current Share of NPL @ 7.15%	1% Increase Share of NPL @ 8.15%
SFERS.....	\$ 8,046,939	\$ 4,697,131	\$ 1,925,410
City CalPERS Miscellaneous Plan.....	\$ (10,800)	\$ (13,766)	\$ (16,222)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	3,591	2,142	942
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	42,681	27,280	14,526
Treasure Island District Authority CalPERS Miscellaneous Plan.....	39	28	19

The following presents the NPL for the City's CalPERS Safety Plan (agent-multiple employer plan) and the total pension liability for the City's Replacement Benefits Plan, calculated using the discount rate, in effect as of the measurement date, as well as what the net/total pension liability would be if it were calculated using a discount rate that is 1.0% lower or 1.0% higher than the current rate:

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
	1% Decrease @ 2.58%	Measurement Date @ 3.58%	1% Increase @ 4.58%
City CalPERS Safety Plan.....	\$ 487,327	\$ 303,328	\$ 151,865
Replacement Benefits Plan.....	\$ 99,123	\$ 84,295	\$ 72,566

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

### **Deferred Compensation Plan**

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

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

### **Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$758.8 million in fiscal year 2017-18. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$217.6

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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million to provide postemployment health care benefits for 28,305 retired participants, of which \$178.0 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

### **(b) Postemployment Health Care Benefits**

#### *City (excluding the Transportation Authority and the Successor Agency)*

The City maintains a defined benefit other postemployment benefits plan (the OPEB Plan) which is administered through the City's Health Service System in the Retiree Health Care Trust Fund (RHCTF), an agent multiple-employer plan. The OPEB Plan provides postemployment medical, dental and vision insurance benefits to eligible employees, retired employees, surviving spouses, and domestic partners. Health benefit provisions are established and may be amended through negotiations between the City and the respective bargaining units. The City does not issue a separate report on its other postemployment benefit plan.

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

#### San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2016 updated to June 30, 2017
Measurement Date (MD)	June 30, 2017
Measurement Period (MP)	July 1, 2016 to June 30, 2017

The City prefunds its OPEB obligations through the RHCTF that allows participating employers to prefund certain postemployment benefits other than pensions for their covered employees. The RHCTF is an agent multiple-employer plan and has two participating employers: (i) the City and County of San Francisco and (ii) the San Francisco Community College District. The RHCTF is administered by the City and is presented as an other postemployment benefit trust fund herein.

Permanent full-time and elected employees are eligible to retire and receive postretirement health insurance benefits when they are eligible for retirement benefits from the City and County of San Francisco's Retirement System. The eligibility requirements are as follows:

Normal Retirement	Miscellaneous	Age 50 with 20 years of credited service <sup>1</sup>
		Age 60 with 10 years of credited service
	Safety	Age 50 with 5 years of credited service
Disabled Retirement <sup>2</sup>		Any age with 10 years of credited service
Terminated Vested <sup>3</sup>		Age 50 with 5 years of credited service at separation
Active Death <sup>2</sup>		Any age with 10 years of credited service

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

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

<sup>3</sup> Effective with Proposition B, passed June 3, 2008, participants hired on or after January 10, 2009 must retire within 180 days of separation in order to be eligible for retiree healthcare benefits.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

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

Medical: PPO – City Health Plan (self-insured)  
HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)

Dental: Delta Dental & DeltaCare USA

Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

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

As of the June 30, 2016 valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	<b>City Plan</b>
Active plan members	31,864
Inactive employees entitled to but not yet receiving benefit payments	2,613
Inactive employees or beneficiaries currently receiving benefit payments	20,636
Total	<u><u>55,113</u></u>

### ***San Francisco County Transportation Authority and Successor Agency***

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

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

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

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

#### Contributions

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

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

For the year ended June 30, 2018, the City's funding was based on "pay-as-you-go" plus a contribution of \$25.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was \$178.0 million for a total contribution subsequent to the measurement date of \$203.9 million for the year ended June 30, 2018.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2018, the Transportation Authority contributed \$0.1 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2018, the Successor Agency contributed \$2.9 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

#### Net OPEB Liability

The table below shows how the net OPEB liability (NOL) as of June 30, 2018 is distributed.

Governmental activities.....	\$ 1,989,216
Business-type activities.....	1,716,544
Fiduciary funds.....	18,031
<b>Total.....</b>	<b><u>\$ 3,723,791</u></b>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

As of June 30, 2018, the City's NOL is comprised of the following:

City defined benefit healthcare plan.....	\$ 3,717,209
Transportation Authority defined benefit healthcare plan.....	245
Successor Agency defined benefit healthcare plan.....	6,337
<b>Total.....</b>	<b><u>\$ 3,723,791</u></b>

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

	Increase (Decrease)		
	Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016.....	\$ 3,659,019	\$ 107,104	\$ 3,551,915
Changes during the measurement period.....			
Service cost.....	125,195	-	125,195
Interest.....	272,942	-	272,942
Contributions - employer.....	-	183,898	(183,898)
Contributions - member.....	-	31,686	(31,686)
Net investment income.....	-	17,368	(17,368)
Benefit payments.....	(165,470)	(165,470)	-
Administrative expense.....	-	(109)	109
Net changes during the measurement period.....	232,667	67,373	165,294
Balance at June 30, 2017.....	<u>\$ 3,891,686</u>	<u>\$ 174,477</u>	<u>\$ 3,717,209</u>

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

	Transportation Authority			Successor Agency		
	Plan			Plan		
	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability	Total OPEB Liability	Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2016.....	\$ 1,573	\$ 1,268	\$ 305	\$ 10,208	\$ 3,275	\$ 6,933
Changes during the measurement period.....						
Service cost.....	122	-	122	159	-	159
Interest.....	117	-	117	692	-	692
Contributions.....						
trust deposits.....	-	101	(101)	-	-	-
employer - explicit subsidy.....	-	53	(53)	-	1,097	(1,097)
employer - implicit subsidy.....	-	12	(12)	-	-	-
Benefit payments.....	(64)	(64)	-	(797)	(797)	
Administrative expense.....	-	(1)	1	-	(3)	3
Expected investment return.....	-	96	(96)	-	-	-
Investment experience (loss)/gain.....	-	38	(38)	-	353	(353)
Net changes during the measurement period....	175	235	(60)	54	650	(596)
Balance at June 30, 2017.....	<u>\$ 1,748</u>	<u>\$ 1,503</u>	<u>\$ 245</u>	<u>\$ 10,262</u>	<u>\$ 3,925</u>	<u>\$ 6,337</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

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

For the year ended June 30, 2018, the City recognized OPEB expense including amortization of deferred outflows/inflows related to OPEB items as follows:

	<b>Primary Government</b>				<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>	
City defined benefit healthcare plan.....	\$ 185,813	\$ 168,256	\$ 1,117	\$ 355,186	
Transportation Authority defined benefit healthcare plan.....	136	-	-	136	
Successor Agency defined benefit healthcare plan.....	-	-	501	501	
Total pension expense.....	<u>\$ 185,949</u>	<u>\$ 168,256</u>	<u>\$ 1,618</u>	<u>\$ 355,823</u>	

As of June 30, 2018, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	<b>City Plan</b>		<b>Transportation Authority</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to measurement date.....	\$ 203,858	\$ -	\$ 143	\$ -
Net difference between projected and actual earnings on plan investments.....	-	5,996	-	30
Total.....	<u>\$ 203,858</u>	<u>\$ 5,996</u>	<u>\$ 143</u>	<u>\$ 30</u>

	<b>Successor Agency</b>		<b>Total</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Contributions subsequent to measurement date.....	\$ 2,932	\$ -	\$ 206,933	\$ -
Net difference between projected and actual earnings on plan investments.....	-	-	-	6,026
Total.....	<u>\$ 2,932</u>	<u>\$ -</u>	<u>\$ 206,933</u>	<u>\$ 6,026</u>

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

<b>Year ending June 30:</b>	<b>Deferred Inflows of Resources</b>
2019.....	\$ (1,506)
2020.....	(1,506)
2021.....	(1,507)
2022.....	(1,507)
Total	<u>\$ (6,026)</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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### Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2017 (measurement date) is provided below:

#### Key Actuarial Assumptions

Valuation Date	June 30, 2016 updated to June 30, 2017
Measurement Date	June 30, 2017
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 7.25% and trends down to ultimate rate of 4.5% for 2033 and beyond Medicare trend starts at 7.0% and trends down to ultimate rate of 4.5% for 2033 and beyond 10-County average trend starts at 6.0% and trends down to ultimate rate of 4.5% for 2033 and beyond Vision and expenses trend remains a flat 3.5% for all years

Expected Rate of Return on Plan Assets	7.50%
Discount Rate	7.50%
Salary Increase Rate	Wage Inflation Component: 3.50% Additional Merit Component (dependent on years of service): Police: 0.00% - 8.00% Fire: 0.00% - 15.00% Muni Drivers: 0.00% - 15.00% Craft: 0.00% - 3.50% Misc: 0.00% - 5.25%

Inflation Rate
Consumer Price Inflation: 3.00% compounded annually

Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2014.
	Non-Annuitant - CalPERS employee mortality tables without scale BB projection

Gender	Adjustment Factor	Base Year
Female	0.918	2009
Male	0.948	2009

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

Gender	Adjustment Factor	Base Year
Female	1.014	2009
Male	0.909	2009

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

Gender	Adjustment Factor	Base Year
Female	1.066	2006
Male	0.942	2006

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

Gender	Adjustment Factor	Base Year
Female	0.983	2009
Male	0.909	2009

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The Transportation Authority and Successor Agency net OPEB liabilities were measured as of June 30, 2017 and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation dated June 30, 2017, based on the following actuarial methods and assumptions:

Key Actuarial Assumptions	June 30, 2017 Measurement Date	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2017	June 30, 2017
Discount Rate	7.28%	7.00%
General Inflation	3.00% per annum	2.75% per annum
Salary Increases	3.25% per annum, in aggregate	3.00% per annum
Investment Rate of Return	7.28%	7.00%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS Experience Study for the period from 1997 to 2011
Healthcare Cost Trend Rate	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	7.00%

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

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

Plan	June 30, 2017 (measurement year)		
	-1.00%	Baseline	1.00%
City Plan	\$ 3,244,026	\$ 3,717,209	\$ 4,302,150
Transportation Authority	1	245	554
Successor Agency	5,492	6,337	7,311

### Discount Rate

**City OPEB Plan** - The discount rate used to measure the total OPEB liability as of June 30, 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

The long-term expected rate of return on OPEB plan investments was 7.5% based on expected future returns and historical returns experienced by the RHCTF. Expected future returns were determined based on 10-year and 20-year capital market assumptions for the RHCTF's asset allocation. Target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
<b>Equities</b>		
U.S. Equities	41.0%	7.5%
Developed Market Equity (non-U.S.)	20.0%	7.3%
Emerging Market Equity	16.0%	9.8%
<b>Credit</b>		
High Yield Bonds	3.0%	6.0%
Bank Loans	3.0%	5.5%
Emerging Market Bonds	3.0%	5.5%
<b>Rate Securities</b>		
Treasury Inflation Protected Securities	5.0%	3.5%
Investment Grade Bonds	9.0%	3.5%
Total	100.0%	

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**Transportation Authority and Successor Agency** - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.28 percent and 7.00 percent, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	
		Transportation Authority	Successor Agency
Global Equity	57.00%	4.82%	7.80%
Fixed Income	27.00%	1.47%	4.50%
Treasury Inflation Protection Securities	5.00%	1.29%	7.80%
Real Estate Investment Trusts	8.00%	0.84%	7.80%
Commodities	3.00%	3.76%	7.80%
Total	<u>100.00%</u>		

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

Plan	June 30, 2017 (measurement year)		
	1% Decrease in NOL @ 6.50%	NOL @ 7.50%	1% Increase in NOL @ 8.50%
City Plan	\$ 4,258,310	\$ 3,717,209	\$ 3,273,465
June 30, 2017 (measurement year)			
Transportation Authority	1% Decrease in NOL @ 6.28%	NOL @ 7.28%	1% Increase in NOL @ 8.28%
	\$ 510	\$ 245	\$ 29
June 30, 2017 (measurement year)			
Successor Agency	1% Decrease in NOL @ 6.00%	NOL @ 7.00%	1% Increase in NOL @ 8.00%
	\$ 7,302	\$ 6,337	\$ 5,515

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

**(10) FUND EQUITY**

**(a) Governmental Fund Balance**

Fund balances for all the major and nonmajor governmental funds as of June 30, 2018, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Imprest Cash, Advances, and Long-Term Receivables..	\$ 1,512	\$ 82	\$ 1,594
<b>Restricted</b>			
Rainy Day.....	143,977	47,906	191,883
Public Protection			
Police.....	-	18,150	18,150
Sheriff.....	-	990	990
Other Public Protection.....	-	11,212	11,212
Public Works, Transportation & Commerce.....	-	316,654	316,654
Human Welfare & Neighborhood Development.....	-	458,823	458,823
Affordable Housing.....	-	235,471	235,471
Community Health.....	-	30,869	30,869
Culture & Recreation.....	-	178,567	178,567
General Administration & Finance.....	-	34,317	34,317
Capital Projects.....	-	712,848	712,848
Debt Service.....	-	186,233	186,233
Total Restricted.....	143,977	2,232,040	2,376,017
<b>Committed</b>			
Budget Stabilization.....	369,958	-	369,958
Recreation and Park Expenditure Savings.....	1,740	-	1,740
Total Committed.....	371,698	-	371,698
<b>Assigned</b>			
Public Protection			
Police.....	6,804	2,410	9,214
Sheriff.....	2,152	2,884	5,036
Other Public Protection.....	60,302	-	60,302
Public Works, Transportation & Commerce.....	26,380	74,664	101,044
Human Welfare & Neighborhood Development.....	109,947	13,822	123,769
Affordable Housing.....	25,927	-	25,927
Community Health.....	219,712	-	219,712
Culture & Recreation.....	31,625	15,003	46,628
General Administration & Finance.....	97,124	15,293	112,417
General City Responsibilities.....	39,108	-	39,108
Capital Projects.....	150,350	-	150,350
Litigation and Contingencies.....	235,925	-	235,925
Subsequent Year's Budget.....	286,143	-	286,143
Total Assigned.....	1,291,499	124,076	1,415,575
Unassigned.....	413,255	(904)	412,351
<b>Total.....</b>	<b>\$ 2,221,941</b>	<b>\$ 2,355,294</b>	<b>\$ 4,577,235</b>

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### **(b) General Fund Stabilization and Other Reserves**

##### ***Rainy Day Reserve***

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

##### ***Budget Stabilization Reserve***

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

##### ***Recreation and Park Expenditure Savings Reserve***

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

#### **(c) Encumbrances**

At June 30, 2018, encumbrances recorded in the General Fund and nonmajor governmental funds were \$345.6 million and \$282.0 million, respectively.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### **(d) Restricted Net Position**

At June 30, 2018, the government-wide statement of net position reported restricted net position of \$1.53 billion in governmental activities and \$1.10 billion in business-type activities, of which \$30.1 million and \$291.5 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified \$472.1 million of unrestricted net position of governmental activities, of which \$329.6 million reduced net investment in capital assets and \$142.5 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

#### **(e) Deficit Fund Balances and Net Position**

The Senior Citizens Program Fund had a deficit of \$0.9 million as of June 30, 2018. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2018.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$26.1 million and \$32.7 million, respectively, as of June 30, 2018, mainly due to the accrual of the net pension and other postemployment benefits liabilities. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in 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, 2018, the Successor Agency has a deficit of \$462.8 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

### **(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS**

The deferred inflows of resources balance in governmental funds as of June 30, 2018 consists of the following unavailable resources:

	General Fund	Other Governmental Funds	Total Governmental Funds
Grant and subvention revenues.....	\$ 69,174	\$ 55,034	\$ 124,208
Property Tax.....	272,687	10,904	283,591
Teeter Plan.....	25,495	-	25,495
SB 90.....	8,218	-	8,218
Advances to Successor Agency.....	-	8,214	8,214
PG&E franchise tax.....	3,622	-	3,622
Loans.....	<u>11,694</u>	<u>86,960</u>	<u>98,654</u>
<b>Total.....</b>	<b><u>\$ 390,890</u></b>	<b><u>\$ 161,112</u></b>	<b><u>\$ 552,002</u></b>

California Senate Bill 90 (SB90), was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

### **(12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY**

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

**Sales Tax Program.** On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project—Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to \$485.2 million per year and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

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

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

**Vehicle Registration Fee for Transportation Improvements Program.** On November 2, 2010, San Francisco voters approved Proposition AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional \$10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Proposition AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In 2012, the Transportation Authority Board approved the first Proposition AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). In May 2017, the Transportation Board approved the 2017 Proposition AA Strategic Plan and programmed revenues for projects over the five-year period, covering fiscal years 2017/18 to 2021/22. The Proposition AA program is a pay-as-you-go program.

**Treasure Island Mobility Management Authority (TIMMA).** The Treasure Island Transportation Management Act of 2008 (AB 981) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141, establishing TIMMA as a legal entity distinct from the Transportation Authority to help firewall the Transportation Authority's other functions. The eleven members of the Transportation Authority Board act as the Board of Commissioners for TIMMA. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

#### (13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

##### (a) San Francisco International Airport

San Francisco International Airport (the Airport or SFO), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation, development and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2017 North American Traffic Report from the Airports Council International (ACI), the Airport is the seventh busiest airport in the United States in terms of passengers and fifteenth in terms of cargo tonnage. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

**Revenue Pledge** – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2018, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge .....	\$ 2,035,005
Bond principal and interest remaining due at end of the fiscal year .....	11,392,276
Bond principal and interest paid in the fiscal year .....	408,425
Commercial paper issued with subordinate revenue pledge .....	557,700
Commercial paper principal and interest remaining due at end of the fiscal year ...	29,550
Commercial paper principal, interest and fees paid in the fiscal year .....	5,530
Net revenues .....	497,372

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the on-Airport Hotel and certain other assets pledged under the Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. As of June 30, 2018, the Hotel Special Facility Bonds mature in fiscal year 2058.

**Debt Service Requirement** – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit with the trustee an amount equal to the maximum annual debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified levels of insurance or self-insurance.

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

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

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

**Passenger Facility Charges** – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 or \$3.00 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2018, the FAA has approved Airport applications (PFC #2 to PFC #7) for collection with a total cumulative collection amount of \$2.1 billion while Airport applications (PFC #2 to PFC #6) has been approved for use with a total cumulative use amount of \$1.8 billion. The final charge expiration date is estimated to be February 1, 2030. The Airport is working with the FAA to change the expiration date for PFC #3 and the charge effective date for PFC #5 from January 1, 2017 to November 1, 2013, because PFC #3 was fully collected earlier than originally anticipated due to increased passenger levels. For the year ended June 30, 2018, the Airport reported approximately \$112.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

**Commitments and Contingencies** – In addition to the long-term obligations discussed in Note 8, there were \$62.8 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2018, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel), a special purpose limited liability company founded by certain airlines operating at the Airport. SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

Purchase commitments for construction, material and services as of June 30, 2018 are as follows:

Construction .....	\$ 230,771
Operating.....	<u>22,056</u>
Total.....	<u>\$ 252,827</u>

**Transactions with Other Funds** – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment to the City's General Fund equal to 15% of concession revenue (net of certain adjustments), but not less than \$5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2018 was \$46.5 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, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2018, was \$156.3 million.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

**Business Concentrations** - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2018, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines .....	24.6%
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#### **(b) Port of San Francisco**

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

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

The Port pledged future net revenues to repay its revenue bonds. Annual principal and interest payments through 2044 are expected to require less than 12% 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 \$87.2 million. The principal and interest payments made in 2018 were \$4.2 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2018, were \$36.2 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$2.5 million. Annual principal and interest payments were \$0.23 million in 2018 and pledged harbor revenues were \$0.1 million for the year ended June 30, 2018.

**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, 2018, the Port's purchase commitments for construction-related services, materials and supplies, and other services were \$12.8 million for capital projects and \$2.6 million for general operations.

Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30.0 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. Through June 30, 2018, \$46.6 million expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

**Transactions with Other Funds** – The Port receives from, and provides services to, various City departments. In 2018, the \$19.3 million in services provided by other City departments included \$2.7 million of insurance premiums and \$0.5 million in workers' compensation expense.

In connection with the planning phase of the Seawall Resiliency Project, which commenced July 2016, the Port received \$0.5 million from the SFMTA and \$0.3 million from the Planning Department in support of the project.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

The Port and SFMTA entered into an MOU dated January 25, 2001, which granted the SFMTA the right to use an approximately 17-acre portion of certain Port property for permitted uses, as defined therein. Pursuant to the MOU, SFMTA paid to the Port \$29.7 million in 2001 for the perpetual use and future jurisdictional transfer of this property, subject to the satisfaction of various conditions. With the jurisdiction transfer conditions satisfied and the necessary approvals in place, the Board of Supervisors in July 2017 approved the interdepartmental jurisdictional transfer of this property from the Port to the SFMTA for no additional consideration. The transfer price of \$29.7 million paid in 2001 was the estimated fair market value determined by an independent appraisal at the time it was paid.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2018, rent credits of \$2.2 million have been approved by the Port based on completed work.

**South Beach Harbor Project Obligations** – A portion of the Rincon Point South Beach Redevelopment Project Area is within the Port Area and the former Redevelopment Agency held leasehold interests to certain Port properties. In 2015, the Port and the Successor Agency completed discussions concerning the transition, termination of Port agreements, and the transfer of operations, assets, and certain associated obligations. The resultant memorandum of agreement has received essential approvals and is in executory status, pending the completion of several closing conditions.

Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately \$7.9 million, including certain structural repairs, soft costs and recommended contingencies. The Port is working with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. An extension of time will also be sought to complete the necessary public access improvements. Port management believes that the alternate proposal will provide significant public access improvements that are relevant to the project area and at lower cost.

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

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

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents the estimated contract value for the soil cap between Crane Cove Park and the shipyard and a sediment cap underwater northwest of the shipyard, is estimated at \$3.0 million at June 30, 2018.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2018, is as follows:

	Environmental Remediation	Miscellaneous Compliance	Total
Environmental liabilities at July 1, 2017	\$ 11,211	\$ 231	\$ 11,442
Current year claims and changes in estimates	(8,211)	-	(8,211)
Vendor payments	-	(187)	(187)
Environmental liabilities at June 30, 2018	<u>\$ 3,000</u>	<u>\$ 44</u>	<u>\$ 3,044</u>

#### (c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2018, the Water Enterprise sold water, approximately 69,344 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy and CleanPowerSF), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**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 2018 and applicable revenues for 2018 are as follows:

Bonds issued with revenue pledge .....	\$ 4,760,930
Bond principal and interest remaining due at end of the fiscal year .....	8,023,429
Bond principal and interest paid in the fiscal year .....	233,959
Net revenues .....	312,831
Funds available for revenue debt service .....	499,583

**Water Balancing Account** – During fiscal year 2018, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$248.1 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, 2018, the City owed the Wholesale Customers \$55.9 million under the Water Supply Agreement.

**Commitments and Contingencies** – As of June 30, 2018, the Water Enterprise had outstanding commitments with third parties of \$290.9 million for various capital projects and for materials and supplies.

**Environmental Issue** – As of June 30, 2018, the total pollution remediation liability was \$2.3 million, consisting of \$1.4 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area, and \$0.9 million for the 17<sup>th</sup> and Folsom site.

**Transactions with Other Funds** – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately \$32.6 million and \$9.0 million, respectively, for the year ended June 30, 2018, 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 \$15.2 million for the year ended June 30, 2018 and have been included in services provided by other departments.

#### **(d) Hetch Hetchy Enterprise**

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

Approximately 81.0% of the electricity generated by Hetchy Power is used to provide electric service to the City's municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 19.0% balance of electricity is sold to CleanPowerSF and other utility districts. As a result of the 1913 Raker Act, energy produced above the

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

City's Municipal Load is sold first to the Districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, state and federal power matters before the California Public Utilities Commission (CPUC), the CAISO, and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

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

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPower SF	Elimination	Total
<b>Assets*:</b>					
Current assets.....	\$ 79,277	\$ 196,576	\$ 20,263	\$ -	\$ 296,116
Receivables from other funds and component units.....	-	16,333	-	(5,601)	10,732
Noncurrent restricted cash and investments.....	18,137	24,321	-	-	42,458
Other noncurrent assets.....	164	793	-	-	957
Capital assets.....	139,799	339,623	-	-	479,422
<b>Total assets.....</b>	<b>237,377</b>	<b>577,646</b>	<b>20,263</b>	<b>(5,601)</b>	<b>829,685</b>
<b>Deferred outflows of resources:</b>					
Pensions.....	7,488	9,152	323	-	16,963
Other postemployment benefits.....	870	1,064	40	-	1,974
<b>Total deferred outflows of resources.....</b>	<b>8,358</b>	<b>10,216</b>	<b>363</b>	<b>-</b>	<b>18,937</b>
<b>Liabilities:</b>					
Current liabilities.....	8,978	54,043	4,252	-	67,273
Noncurrent liabilities.....	43,123	124,940	7,434	(5,601)	169,896
<b>Total liabilities.....</b>	<b>52,101</b>	<b>178,983</b>	<b>11,686</b>	<b>(5,601)</b>	<b>237,169</b>
<b>Deferred inflows of resources:</b>					
Pensions.....	1,818	2,222	79	-	4,119
Other postemployment benefits.....	26	31	1	-	58
<b>Total deferred inflows of resources.....</b>	<b>1,844</b>	<b>2,253</b>	<b>80</b>	<b>-</b>	<b>4,177</b>
<b>Net position:</b>					
Net investment in capital assets.....	139,799	270,918	-	-	410,717
Restricted for capital projects.....	11,712	-	-	-	11,712
Restricted for debt service.....	-	834	-	-	834
Unrestricted.....	40,279	134,874	8,860	-	184,013
<b>Total net position.....</b>	<b>\$ 191,790</b>	<b>\$ 406,626</b>	<b>\$ 8,860</b>	<b>\$ -</b>	<b>\$ 607,276</b>

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

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

<b>Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position</b>	Hetch Water	Hetchy Power	Hetch SF	CleanPower	Total
Operating revenues.....	\$ 33,560	\$ 118,835	\$ 39,568	\$ 191,963	
Depreciation expense.....	(5,066)	(14,049)	-	(19,115)	
Other operating expenses.....	(34,726)	(105,346)	(38,428)	(178,500)	
Operating income (loss).....	(6,232)	(560)	1,140	(5,652)	
Nonoperating revenues (expenses):					
Federal grants.....	1,050	-	-	1,050	
Interest and investment income .....	218	2,537	174	2,929	
Interest expense.....	-	(3,103)	(101)	(3,204)	
Other nonoperating revenues net of expenses.....	119	8,594	1	8,714	
Transfers in (out), net.....	30,000	(425)	-	29,575	
Change in net position.....	25,155	7,043	1,214	33,412	
Net position at beginning of year:					
Net position at beginning of year, as previously reported.....	168,356	401,686	8,218	578,260	
Cumulative effect of accounting change*.....	(1,721)	(2,103)	(572)	(4,396)	
Net position at beginning of year as restated.....	166,635	399,583	7,646	573,864	
Net position at end of year.....	<u>\$ 191,790</u>	<u>\$ 406,626</u>	<u>\$ 8,860</u>	<u>\$ 607,276</u>	

\* Cumulative effect of accounting change per GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

<b>Condensed Statements of Cash Flows</b>	Hetch Water	Hetchy Power	Hetch SF	CleanPower	Total
Net cash provided by (used in):					
Operating activities.....	\$ 583	\$ 26,852	\$ (1,703)	\$ 25,732	
Noncapital financing activities.....	31,110	7,006	(82)	38,034	
Capital and related financing activities.....	(14,780)	(39,004)	-	(53,784)	
Investing activities.....	658	4,500	196	5,354	
Increase (Decrease) in cash and cash equivalents.....	17,571	(646)	(1,589)	15,336	
Cash and cash equivalents at beginning of year.....	79,546	211,921	14,054	305,521	
Cash and cash equivalents at end of year.....	<u>\$ 97,117</u>	<u>\$ 211,275</u>	<u>\$ 12,465</u>	<u>\$ 320,857</u>	

**Pledged Revenues** – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), the 2012 New Clean Renewable Energy Bonds (NCREBs), and the 2015 NCREBs. Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The Series 2015 AB power revenue bonds are payable through fiscal year 2046 and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2018, and applicable revenues for 2018 are as follows:

#### **Hetch Hetchy Power (excluding CleanPowerSF)**

Bonds issued with revenue pledge .....	\$ 64,871
Bond principal and interest remaining due at end of the fiscal year .....	86,356
Bond principal and interest paid in the fiscal year* .....	4,824
Net revenues .....	30,687
Funds available for revenue debt service .....	67,212

\* Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 series AB power revenue bonds, which has a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB power revenue bonds was \$2,570.

**Commitments and Contingencies** – As of June 30, 2018, Hetch Hetchy had outstanding commitments with third parties of \$113.4 million for various capital projects and other purchase agreements for materials and services.

#### **Hetch Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water's operating expenses. Total payments were \$4.8 million in fiscal year 2018. The payments are to be made for the duration of the license but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

#### **Hetch Hetchy Power**

In April 1988, Hetch Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with the two irrigation districts, the MID and TID, which expired June 30, 2015. In April 2015, the City approved the extension of both agreements for one year to June 30, 2016. A second extension agreement was subsequently approved to extend both agreements for an additional year to June 30, 2017, with an automatic six-month extension through December 31, 2017. Terms and conditions for the MID extension agreement were the same as the original agreement. The second extension agreement for TID removed the District's rights to excess energy from the project and terminated those conditions with the first extension agreement on June 30, 2016. Extended agreements for MID and TID expired on December 31, 2017. Hetch Hetchy will continue to comply with the Raker Act by making generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from its project is available after meeting Hetch Hetchy's municipal load obligations. For fiscal year 2018, energy sales to the Districts totaled 46,651 Megawatt hours (MWh) or \$2.6 million.

In 1987, the City entered into an interconnection agreement with PG&E to provide transmission, distribution, and other support services for the City's use of PG&E's transmission and distribution system to deliver the City's Hetchy power and purchases to the City's customers. The renegotiated agreement in 2007 expired on July 1, 2015. In December 2014, PG&E filed several separate replacement service and facilities agreements with the FERC for its approval. By FERC order, the City is currently taking transmission service on PG&E's transmission system using the CAISO Open-Access Transmission Tariff and is taking distribution service under PG&E's Wholesale Distribution Tariff pursuant to PG&E's replacement agreements, but subject to waiver of certain terms and conditions and subject to refund by PG&E, pending the FERC's final decision. During fiscal year 2018, Hetch Hetchy Power purchased \$9.6 million of transmission, distribution services, and other support services from PG&E under the terms of the replacement agreements and the 1987 Interconnection Agreement.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2018, Hetchy Power purchased \$6.7 million of power and other related products. Sales of excess power, after meeting Hetchy's obligations, were 15,900 MWh, or \$0.7 million, for 2018.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at \$235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2018, the facility generated 6,887 MWh and rate was at \$306/MWh. In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50.0% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2018, purchases of energy under the PPA were \$2.0 million or 6,887 MWh.

#### **CleanPowerSF**

CleanPowerSF launched in May 2016 and entered into contracts with Calpine Energy Services L.P. (Calpine) and Shiloh I Wind Project LLC (Shiloh) to purchase renewable and conventional energy and resource adequacy capacity to meet its retail sales obligations. Both contracts feature 10-year master agreements under which multiple transactions may be executed. CleanPowerSF has executed two multi-year transactions with Calpine (three-year term) and Shiloh (five-year term). The Calpine requires a reserve balance of \$3.0 million as of June 30, 2018, which is equivalent to two months' worth of estimated payment. As of June 30, 2018, total electricity purchased from Calpine and Shiloh were \$19.8 million.

Since its launch, CleanPowerSF has added multiple short-term and medium-term contracts to purchase renewable, carbon-free and conventional energy and resource adequacy capacity, as well as long-term contracts for renewable energy with sPower and Terra-Gen. These contracts have been entered into to allow CleanPowerSF to both meet its existing retail sales obligations and to support future retail sales from the citywide expansion of the CleanPowerSF program planned to occur by the end of 2019. The total contract cost of long-term renewable energy contracts with sPower (a 22-year contract starting delivery in July 2019) and Terra-Gen (a 15-year contract starting delivery in December 2020) are \$219.2 million and \$102.3 million, respectively, over each contract's term. Additional short-term and medium-term contracts (of commitments ranging from less than 1 year to 5 years) for renewable, carbon-free and conventional energy to be delivered during 2019 to 2023 totaled to be \$353.2 million over their terms.

CleanPowerSF entered into contract with a third-party data management, billing administration, and customer care services provider in November 2015 for a three-year term, not to exceed \$5.6 million. During fiscal year 2018, amounts paid were \$1.5 million.

In March 2018, CleanPowerSF entered into a five-year, \$75 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. The Credit Agreement is secured by CleanPowerSF net revenues; there is no pledge of or lien on CleanPowerSF net revenues that ranks senior to the obligations of the Credit Agreement. The letters of credit, issued by J.P. Morgan Chase, were in the amount of \$18.1 million as of June 30, 2018. There was no draw against the Credit Agreement during fiscal year 2018.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**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 \$32.6 million and purchased electricity for \$9.0 million for the year ended June 30, 2018. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. During fiscal year 2018, \$30.0 million of the water assessment fees were received from the Water Enterprise. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$10.2 million for the year ended June 30, 2018. Included in 2018 operating revenues are sales of power to departments within the City of \$90.0 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately \$7.4 million for the year ended June 30, 2018, and have been included in services provided by other departments.

As of June 30, 2018, operating expenses in purchase of power from Hetchy Power to CleanPowerSF were \$3.5 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$0.2 million for the fiscal years ended June 30, 2018.

#### **(e) San Francisco Municipal Transportation Agency**

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors who are appointed by the Mayor and Board of Supervisors. The SFMTA financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and off and on street parking; regulation of the taxi industry, and three nonprofit parking garage corporations operated by separate nonprofit corporations, whose operations are interrelated.

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

Muni is one of America's oldest public transit agencies, the largest in the Bay Area and eighth largest system in the United States. It currently has about 225 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world-famous cable cars, Muni's fleet is among the most diverse in the world.

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

Three nonprofit corporations provide operational oversight to four garages, namely Japan Center, Sutter-Stockton, Union Square, and Portsmouth. Of these four garages, Portsmouth and Union Square are owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the SFMTA's parking garages account. In February 2018, Uptown Parking Corporation was dissolved and all operations and financial reporting of the Sutter-Stockton have been transferred to Sustainable Streets. The Union Square garage is still managed by SFMTA but the financial reporting has been transferred to the Recreation and Park Department.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**Pledged Revenue** – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2047.

Annual principal and interest payments for fiscal year 2018 were 42.6% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2018, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge .....	\$ 387,670
Bond principal and interest remaining due at end of the fiscal year .....	570,075
Bond principal and interest paid in the fiscal year .....	27,952
Net revenues .....	37,612
Funds available for revenue bond debt service .....	65,564

**Operating and Capital Grants and Subsidies** – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$452.3 million in fiscal year 2018. The General Fund subsidy includes a total revenue baseline transfer of \$338.9 million, as required by the City Charter, \$67.8 million from an allocation of the City's parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Fund resources to address transportation needs tied to the City's population growth. In fiscal year 2018, SFMTA received \$43.3 million from this source. In fiscal year 2018, SFMTA also received additional City General Fund allocation of \$2.3 million to fund various capital projects such as detailed design on the UCSF platform extension and crossover track.

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2018, the SFMTA had various operating grants receivable of \$26.9 million. In fiscal year 2018, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.8 million, and other federal, state, and local grants of \$7.4 million, to fund project expenses that are operating in nature. Federal and state and other operating assistance for the fiscal year 2017-18 was \$11.5 million and \$140.5 million, respectively.

Proposition 1B is a 10-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) and the Transit Security & Safety Account that are funding solely for public transit projects. The SFMTA received cash totaling \$7.2 million in fiscal year 2018 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2017 for funds awarded between fiscal years 2008 and 2010. The Budget Act of 2013 extended the date to June 30, 2018. Subsequently, the Budget Act of 2014 reappropriated the remaining balances of fiscal years 2009, 2010, and 2011 to be further extended to June 30, 2019, and the remaining balance of fiscal year 2015 to be further extended to June 30, 2020. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2018, \$27.6 million in drawdowns were made from the funds for various eligible projects costs.

**Commitments and Contingencies** – The SFMTA has outstanding contract commitments of approximately \$585.6 million with third parties for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately \$69.2

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures.

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

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease-leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under each sublease, Muni retained an option to purchase the Equipment on specified dates between November 2026 through January 2030 in the case of the Tranche 1 Equipment and in January 2030 in the case of the Tranche 2 Equipment. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of \$388.2 million and \$72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations have not been recorded on the financial statements of the SFMTA.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal year 2002 and 2003 respectively, representing the difference between (a) the amounts received of \$388.2 million and \$72.6 million, and (b) the amounts of \$352.7 million and \$67.5 million paid to the escrows, the debt payment undertaker and for certain transaction expenses. These amounts have been classified as deferred inflows of resources in fiscal year 2017 and will be amortized over the life of each sublease unless the purchase option is executed or sublease is otherwise terminated before its expiration date.

As of June 30, 2018, one leveraged lease transaction with respect to 29 items of Tranche 1 Equipment having an initial transaction value of \$98.7 million remains outstanding. All other lease transactions were terminated in prior fiscal years. The deferred inflows of resources amortized amount was \$0.3 million for the Tranche 1 Equipment in fiscal year 2018. The Tranche 1 lease transaction will be terminated in fiscal year 2019.

#### **(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, 2018, the subsidy for LHH was \$57.7 million.

**Net Patient Service Revenue** - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

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provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractual adjustments and bad debt. These allowances are based on current payment rates, including per diems, Diagnosis-Related Group (DRG) reimbursement amounts and payment received as a percentage of gross charges.

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

During the year ended June 30, 2018, LHH's patient receivables and charges for services were as follows:

<b>Patient Receivables, net</b>				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	\$ 56,178	\$ 3,079	\$ 1,991	\$ 61,248
Less:				
Provision for bad debt and contractual allowances	(29,977)	(1,643)	(1,062)	(32,682)
Total, net	<u>\$ 26,201</u>	<u>\$ 1,436</u>	<u>\$ 929</u>	<u>\$ 28,566</u>
<b>Net Patient Service Revenue</b>				
	Medi-Cal	Medicare	Other	Total
Gross Revenue	\$ 425,272	\$ 21,058	\$ 13,612	\$ 459,942
Less:				
Bad debt write-offs and contractual adjustments	(237,908)	(14,380)	(13,960)	(266,248)
Total, net	<u>\$ 187,364</u>	<u>\$ 6,678</u>	<u>\$ (348)</u>	<u>\$ 193,694</u>

Because Medi-Cal reimbursement rates are less than LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2018, LHH accrued and recognized \$69.5 million of revenue as a result of matching federal funds to local funds.

**Unearned Credits and Other Liabilities** - As of June 30, 2018, LHH recorded approximately \$30.2 million in other liabilities for third-party payor settlements payable.

In October 2018, the California Department of Health Care Services (DHCS) informed LHH that it received a formal disallowance notification from the Centers of Medicare and Medicaid Services related to \$56.0 million in Distinct Part/Nursing Supplemental Reimbursement payments made to LHH in prior years. The \$56.0 million is recorded as a liability at June 30, 2018 and will be payable from LHH to DHCS in fiscal year 2019.

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### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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**Transactions with Other Funds** – A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled \$10.7 million for the year ended June 30, 2018 and have been included in services provided by other departments.

**Commitments and Contingencies** – As of June 30, 2018, LHH has entered into various purchase contracts totaling \$0.6 million that are related to the old building remodel phase of the Replacement Project.

#### (g) San Francisco General Hospital

**General Fund Subsidy** - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2018, the subsidy for SFGH was \$97.4 million.

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

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

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

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June 30, 2018  
(Dollars in Thousands)

During the year ended June 30, 2018, SFGH's patient receivables and charges for services were as follows (in thousands):

<b>Patient Receivables, Net</b>				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 315,355	\$ 174,991	\$ 116,471	\$ 606,817
Less:				
Contractual Allowances.....	(270,503)	(221,423)	(18,427)	(510,353)
Provision for Bad Debt.....	-	-	(27,546)	(27,546)
<b>Total, Net Accounts Receivable.....</b>	<b>\$ 44,852</b>	<b>\$ (46,432)</b>	<b>\$ 70,498</b>	<b>\$ 68,918</b>

<b>Net Patient Service Revenue</b>				
	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.....	\$ 1,911,779	\$ 910,104	\$ 965,147	\$ 3,787,030
Less:				
Contractual Adjustment.....	(1,743,937)	(764,416)	(396,875)	(2,905,228)
Bad Debt Write Off.....	-	-	(116,338)	(116,338)
<b>Total, Net Patient Service Revenue.....</b>	<b>\$ 167,842</b>	<b>\$ 145,688</b>	<b>\$ 451,934</b>	<b>\$ 765,464</b>

California's initial Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the State's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service (FFS) cost-based reimbursements for inpatient hospital services; 2) Medi-Cal Disproportionate Share Hospital (DSH) payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) unreimbursed cost of physician and non-physician practitioner services; and 5) costs applicable to the Coverage Initiative. In addition, the Bridge to Reform program also covered the Low Income Health Program (LIHP), which includes Medicaid Coverage Expansion (MCE) and Health Care Coverage Initiative (HCCI) previously called Coverage Initiative; and Delivery System Reform Incentive Pool (DSRIP) program, which is a subset of SNCP. The non-federal share of these five types of payments was provided by the public hospitals, rather than the State, primarily through Certified Public Expenditures (CPE), whereby a hospital expended its local funding for services to draw down the federal financial participation (FFP) calculated using FMAP. The FAMP rate was 50% for all years covered by the Bridge to Healthcare Reform Waivers dating back to 2010. For the inpatient hospital cost-based reimbursement, each hospital provided its own CPE and received the resulting federal match. For the DSH and SNCP distributions, the CPEs of all the public hospitals were used in the aggregate to draw down the federal match. SFGH reported its CPEs to the DHCS each fiscal year through submission of the State mandated "Paragraph 14" Workbook (P14). Revenues recognized under the Waiver approximated \$32.3 million for the year ended June 30, 2018.

The Bridge to Health Care Reform Waiver expired October 31, 2015. On December 30, 2015, the CMS approved California Medi-Cal 2020 Demonstration waiver, a five-year renewal of California's Section 1115 Medicaid Waiver, which provides California public hospitals new federal funding through programs that are designed to shift focus away from hospital-based and inpatient care, towards outpatient, primary and preventative care. A renewal of California's Medicaid Waiver was a fundamental component of public hospital's ability to continue to successfully implement the Affordable Care Act (ACA) beyond the primary step of coverage expansion.

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### Notes to Basic Financial Statements (Continued)

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The Medi-Cal 2020 waiver features four new programs: (1) a pay-for-performance delivery system transformation and alignment program that is considered the successor to the 2010 Bridge to Health Care Reform waiver's DSRIP, known as PRIME (Public Hospital Redesign and Incentives in Medi-Cal); (2) Global Payment Program (GPP) for services to the uninsured in designated public hospital systems; (3) Whole Person Care Pilot Program which would be a county-based, voluntary program to target providing more integrated care for high-risk, vulnerable populations; and (4) Dental Transformation Incentive Program, an optional incentive program to increase the frequency and quality of dental care provided to children.

Payments received under Medi-Cal 2020 Waiver's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to State and Federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under Medi-Cal 2020 approximated \$88.9 million for the year ended June 30, 2018.

In addition, SFGH was reimbursed by the State, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2018, reimbursement under the Short-Doyle Program amounted to approximately \$6.4 million and is included in net patient service revenue.

**Unearned Credits and Other Liabilities** - As of June 30, 2018, SFGH recorded approximately \$338.1 million in unearned credits and other liabilities, which was comprised of \$300.4 million in unearned credits mainly related to receipts under DSH/SNCP, LIHP, and AB915 programs, and \$37.7 million in third-party settlements payable.

**Charity Care** - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were \$244.3 million and estimated costs and expenses to provide charity care were \$65.6 million in fiscal year 2018.

**Other Revenues** - With California electing to implement a State-run Medicaid Expansion afforded by the ACA, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected \$3.9 million in fiscal year 2014-2015 and \$12 million in fiscal year 2016 for the City and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2014-15 showing \$0 realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2019 for fiscal year 2016-17. For the year ended June 30, 2018, SFGH recognized \$57.3 million of realignment funding.

**Contracts with the University of California San Francisco** - The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2018, was approximately \$167.4 million.

**Gift** - From fiscal year 2014-2015 through fiscal year 2015-2016, SFGH has received \$62.4 million from the San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2018, SFGH has spent \$43.0 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining \$19.4 million as restricted net position.

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### Notes to Basic Financial Statements (Continued)

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**Commitments and Contingencies** – As of June 30, 2018, SFGH had outstanding commitments with third parties for capital projects totaling \$3.1 million.

#### (h) San Francisco Wastewater Enterprise

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

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,711 residential accounts, which discharge about 16.5 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,257 non-residential accounts, which discharge about 7.8 million units of sanitary flow per year.

**Pledged Revenues** – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2047.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2018, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge .....	\$ 1,072,950
Bond principal and interest remaining due at end of the fiscal year .....	1,602,132
Bond principal and interest paid in the fiscal year .....	47,003
Net revenues .....	184,739
Funds available for revenue debt service .....	338,335

**Commitments and Contingencies** – As of June 30, 2018, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$226.0 million.

**Pollution Remediation Obligations** – As of June 30, 2018, the Wastewater Enterprise recorded \$4.7 million in pollution remediation liability, consisting of \$4.5 million cleanup cost estimate at the Yosemite Creek site, and \$0.2 million for the hazardous materials at the Southeast Wastewater Treatment plant. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs.

**Transactions with Other Funds** – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling \$10.2 million for the year ended June 30, 2018. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was \$14.4 million for the year ended June 30, 2018. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately \$11.8 million for the year ended June 30, 2018, and have been included in services provided by other departments.

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### Notes to Basic Financial Statements (Continued)

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#### **(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO**

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency's activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the California Department of Finance (DOF) granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the Recognized Obligation Payments Schedule (ROPS) as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011, in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allowed the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP pertains to the disposition and use of real properties held by the Successor Agency. Part 1 of the LRPMP, which addresses the disposition of property located at 706 Mission Street, was approved by the DOF on October 4, 2013. During fiscal year 2016, the property was transferred in accordance with the terms and closing conditions of the 706 Mission Purchase and Sale Agreement. After incorporating feedback from the DOF, the remainder of the LRPMP was approved by the Oversight Board on November 23, 2015, and by the DOF on December 7, 2015.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

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### **(a) Capital Assets Held by the Successor Agency**

For the year ended June 30, 2018, the summary of changes in capital assets is as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
<b>Capital assets not being depreciated:</b>					
Land held for lease	\$ 44,735	\$ -	\$ -	\$ (26,210)	\$ 18,525
Construction in progress	253	-	-	(253)	-
<b>Total capital assets not being depreciated</b>	<b>44,988</b>	<b>-</b>	<b>-</b>	<b>(26,463)</b>	<b>18,525</b>
<b>Capital assets being depreciated:</b>					
Furniture and equipment - General	8,144	-	-	(5,560)	2,584
Building and improvements	205,843	-	(3,645)	(163,725)	38,473
<b>Total capital assets being depreciated</b>	<b>213,987</b>	<b>-</b>	<b>(3,645)</b>	<b>(169,285)</b>	<b>41,057</b>
<b>Less accumulated depreciation for:</b>					
Furniture and equipment	(8,113)	(9)	-	5,560	(2,562)
Building and improvements	(98,400)	(5,035)	1,002	84,635	(17,798)
<b>Total accumulated depreciation</b>	<b>(106,513)</b>	<b>(5,044)</b>	<b>1,002</b>	<b>90,195</b>	<b>(20,360)</b>
<b>Total capital assets being depreciated, net</b>	<b>107,474</b>	<b>(5,044)</b>	<b>(2,643)</b>	<b>(79,090)</b>	<b>20,697</b>
<b>Total capital assets, net</b>	<b>\$ 152,462</b>	<b>\$ (5,044)</b>	<b>\$ (2,643)</b>	<b>\$ (105,553)</b>	<b>\$ 39,222</b>

In accordance with the Dissolution Law and the ROPS, the Successor Agency is required to transfer the Yerba Buena Gardens (YBG) properties to the City at no cost by the end of the year ended June 30, 2018. During June 2018, the Successor Agency agreed to: 1) transfer the YBG properties; 2) transfer the leases and operating agreements related to YBG necessary to continue uninterrupted operations; and 3) funds held in the separate cash account to the City. The transferred assets totaled to \$116.7 million, which is comprised of capital assets with net book value of \$105.6 million and funds held in the separate cash account of \$11.1 million. The transfer of these assets was recorded as a deduction in the Statement of Changes in Fiduciary Net Position and as a special item in the Real Property Fund and in Governmental Activities.

### **(b) Summary of the Successor Agency's Long-Term Obligations**

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds <sup>(a)</sup> .....	2025	5.00%	\$ 27,715
Tax allocation revenue bonds <sup>(b)</sup> .....	2047	1.45% - 8.41%	920,246
California Department of Boating and Waterways Loan <sup>(c)</sup> .....	2037	4.50%	6,392
<b>Total long-term bonds and loans</b> .....			<b>\$ 954,353</b>

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
- (b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.
- (c) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

**Issuance of Successor Agency Bonds** – On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency. On November 30, 2017, the Successor Agency issued Tax Allocation Refunding Bonds Series 2017 D (2017 Series D Bonds) for \$116.7 million and Tax Allocation Refunding Bonds Series 2017 E (2017 Series E Bonds) for \$19.7 million.

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## Notes to Basic Financial Statements (Continued)

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Proceeds from the 2017 Series D Bonds, along with cash on hand, were used to refund Tax Allocation Bonds Series 2009 B, Series 2010 A, and Series 2011 A in the amount of \$10.2 million, \$38.0 million, and \$20.8 million, respectively, and advance refund a portion of Series 2009 A and Series 2009 E in the amount of \$34.3 million and \$10.7 million, respectively. The refunding resulted in net present value savings of \$25.3 million and an accounting loss of \$15.5 million. The 2017 Series D Bonds bear fixed interest rates ranging from 1.63% to 3.75% and reach final maturity on August 1, 2041.

Proceeds from the 2017 Series E Bonds, along with cash on hand, were used to refund Tax Allocation Bonds Series 2009 F and Series 2011 B in the amount of \$6.2 million and \$16.0 million, respectively. The refunding resulted in net present value savings of \$5.9 million and an accounting loss of \$2.8 million. The 2017 Series E Bonds bear fixed interest rates ranging from 3.00% to 5.00% and reach final maturity on August 1, 2041.

**Pledged Revenues for Bonds** – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.56 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2018, were \$152.6 million against the total debt service payment of \$89.0 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$33.3 million. The hotel tax revenue recognized during the year ended June 30, 2018 was \$3.4 million against the total debt service payment of \$4.9 million.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2018, are as follows:

	July 1, 2017	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2018
<b>Bonds payable:</b>				
Tax revenue bonds .....	\$ 1,001,376	\$ 136,410	\$ (189,825)	\$ 947,961
Less unamortized amounts:				
For issuance premiums .....	49,655	1,398	(2,988)	48,065
For issuance discounts .....	(3,686)	(883)	1,480	(3,089)
Total bonds payable .....	<u>1,047,345</u>	<u>136,925</u>	<u>(191,333)</u>	<u>992,937</u>
Accrued interest payable.....	49,441	8,268	-	57,709 <sup>(1)</sup>
Notes, loans, and other payables.....	6,630	-	(238)	6,392
Accrued vacation and sick leave pay.....	730	635	(413)	952
Successor Agency - long term obligations..	<u>\$ 1,104,146</u>	<u>\$ 145,828</u>	<u>\$ (191,984)</u>	<u>\$ 1,057,990</u>

<sup>(1)</sup> Amounts represent interest accretion on Capital Appreciation Bonds.

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## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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As of June 30, 2018, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

Fiscal Year Ending June 30	Tax Revenue Bonds			Other Long-Term Obligations			Total	
	Principal	Interest*	Principal	Interest	Principal	Interest		
2019.....	\$ 64,905	\$ 37,257	\$ 248	288	\$ 65,153	\$ 37,545		
2020.....	62,937	38,111	259	276	63,196	38,387		
2021.....	64,992	36,826	271	265	65,263	37,091		
2022.....	62,571	36,957	283	253	62,854	37,210		
2023.....	54,053	42,882	296	240	54,349	43,122		
2024-2028....	165,937	177,781	1,693	986	167,630	178,767		
2029-2033....	154,056	129,775	2,110	570	156,166	130,345		
2030-2038....	156,917	92,080	1,232	102	158,149	92,182		
2039-2043....	116,144	42,394	-	-	116,144	42,394		
2044-2047....	45,449	7,549	-	-	45,449	7,549		
Total.....	<u>\$ 947,961</u>	<u>\$ 641,612</u>	<u>\$ 6,392</u>	<u>\$ 2,980</u>	<u>\$ 954,353</u>	<u>\$ 644,592</u>		

\* Includes payment of accrued interest

During the year ended June 30, 2010, the former Agency borrowed \$16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of \$28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAf) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. In prior years, interest was accrued quarterly at an annual rate of 3% on the principal balance due to the City, however, during the year ended June 30, 2018, the DOF determined that since the borrowing is not considered an agreement between the former Agency and the City, the Successor Agency is not authorized to accrue interest on the borrowing. As a result, accrued interest of \$3.2 million was written off during the year. The Successor Agency made payments in the amount of \$1.8 million to the City during the year ended June 30, 2018, and the outstanding payable balance was \$8.2 million.

As of June 30, 2018, the Successor Agency also has a payable to the City in the amount of \$1.7 million for services provided and \$1.6 million for the remaining funds held in the separate cash account for the YBG transfer.

### **(c) Commitments and Contingencies Related to the Successor Agency**

**Encumbrances** - At June 30, 2018, the Successor Agency had outstanding encumbrances totaling approximately \$12.0 million.

**Risk Management** - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million for employment practices liability) and a \$0.03 million deductible per occurrence.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**Operating Lease** - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission; these are enforceable obligations of the Successor Agency. As of June 30, 2018, the Successor Agency has exercised several of the lease options. The leases require the following minimum annual payments:

<u>Fiscal Years</u>	\$	<u>Fiscal Years</u>	\$
2019.....	870	2024-2028.....	4,351
2020.....	870	2029-2033.....	4,351
2021.....	870	2034-2038.....	4,351
2022.....	870	2039-2043.....	4,351
2023.....	870	2044-2048.....	4,351
		2049-2051.....	<u>1,958</u>
		Total.....	<u><u>\$ 28,063</u></u>

Rent payments totaling \$1.5 million are included in the Successor Agency's financial statements for the year ended June 30, 2018.

Regarding rental income, the Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows:

<u>Fiscal Years</u>	\$	<u>Fiscal Years</u>	\$
2019.....	592	2029-2033.....	2,658
2020.....	592	2034-2038.....	2,523
2021.....	593	2039-2043.....	2,470
2022.....	630	2044-2048.....	2,470
2023.....	532	2049-2050.....	<u>988</u>
2024-2028.....	<u>2,658</u>		
		Total.....	<u><u>\$ 16,706</u></u>

For the year ended June 30, 2018, operating lease rental income for noncancelable operating leases was \$11.6 million, of which \$6.3 million represents contingent rental income received. At June 30, 2018, the leased assets had a net book value of \$27.2 million.

**Notes and Mortgages Receivable** – During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aids the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2018, the Successor Agency disbursed \$57.4 million to the developers through this arrangement and recorded an allowance against these receivables. This allowance is recorded as deductions in the financial statements. At June 30, 2018, the gross value of the notes and mortgage receivable was \$234.0 million and the allowance for uncollectible amounts was \$232.4 million.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

**Special Assessment Debt without Commitment** - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2018, the Successor Agency had outstanding community facility district bonds totaling \$185.6 million.

**Transbay Transit Center Agreements** - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2018, the Successor Agency distributed \$13.7 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

### (15) TREASURE ISLAND DEVELOPMENT AUTHORITY

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

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

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI).

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
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uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by three smaller transfers with full transfer of the former base expected to be completed in 2022. Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island – new water reservoirs and new roadways, utilities, and related facilities – are underway, with vertical construction beginning in 2019, and the first new homes ready for occupancy in 2021. The first subphase area on Treasure Island is undergoing geotechnical improvement of soil conditions prior to the construction of new utility and roadway infrastructure. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2018, TIDA has the following payables to other City departments:

Payable to	Purpose	6/30/2018		
		Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	\$ 1,004	\$ -	\$ 1,004
Hetch Hatchy	Utility operations under MOU	28	-	28
Hetch Hatchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 1,032</u>	<u>\$ 2,599</u>	<u>\$ 3,631</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

**(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2018 is as follows:

<b>Receivable Fund</b>	<b>Payable Fund</b>	<b>Amount</b>
General Fund	Nonmajor Governmental Funds	\$ 8,409
	San Francisco Water Enterprise	96
	San Francisco International Airport	96
		<u>8,601</u>
Nonmajor Governmental Funds	General Fund	566
	Nonmajor Governmental Funds	5,884
	Internal Service Funds	2,062
	Municipal Transportation Agency	2,589
		<u>11,101</u>
General Hospital Medical Center	Nonmajor Governmental Funds	<u>2</u>
San Francisco Water Enterprise	General Fund	123
	Nonmajor Governmental Funds	165
		<u>288</u>
Hetch Hetchy Water and Power Enterprise	General Fund	734
	Nonmajor Governmental Funds	6,159
	General Hospital Medical Center	179
	San Francisco Wastewater Enterprise	1,061
		<u>8,133</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	<u>23,739</u>
Port of San Francisco	Nonmajor Governmental Funds	<u>440</u>
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	<u>116</u>
<b>Total</b>		<b><u>\$ 52,420</u></b>

In addition to routine short-term loans, Hetch Hetchy serves as the City’s agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2018, Hetch Hetchy loaned \$6.2 million to other City funds. Hetch Hetchy is also due \$1.1 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

The SFMTA has a receivable from nonmajor governmental funds of \$23.7 million for capital and operating grants.

### Due from component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 28 <sup>(1)</sup>
Nonmajor Governmental Funds	Component unit – TIDA	1,004 <sup>(1)</sup>
Nonmajor Governmental Funds	Successor Agency	3,222 <sup>(2)</sup>

### Advance to component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 2,599 <sup>(1)</sup>
Nonmajor Governmental Funds	Successor Agency	8,214 <sup>(2)</sup>

(1) See discussion at Note 15.

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

Transfers Out: <b>Funds</b>	Transfers In: Funds (in thousands)										
	General Fund	Nonmajor Govern- ment- Funds	Internal Service Funds	Water Enter- prise	Hetch Hetchy Water and Power Enter- prise	Municipal Transpor- ta- tion Agency	San Francisco General Hospital Medical Center	Port of San Francisco	Laguna Honda Hospital	Governmen- tal Activities	Total
General Fund.....	\$ -	\$ 402,817	\$ 414	\$ 100	\$ 87	\$ 452,326	\$ 97,373	\$ -	\$ 57,668	\$ -	\$ 1,010,785
Nonmajor governmental funds.....	9,941	103,882	-	282	-	273,672	-	-	-	-	387,777
San Francisco International Airport.....	46,549	-	-	-	-	-	-	-	-	-	46,549
Water Enterprise.....	-	1,276	-	-	30,000	92	-	-	-	-	31,368
Hetch Hetchy Water and Power Enterprise.....	480	32	-	-	-	-	-	-	-	-	512
Municipal Transportation Agency.....	-	-	-	-	-	-	-	-	-	19,737	19,737
San Francisco General Hospital Medical Center.....	25,892	-	-	-	-	-	-	-	-	-	25,892
Wastewater Enterprise....	26,738	222	-	-	-	-	-	-	-	-	26,960
Laguna Honda Hospital..	2,628	4,690	-	-	-	-	-	-	-	-	7,318
Governmental Activities...	-	-	-	-	-	-	-	19	-	-	19
Total transfers out	<u>\$ 112,228</u>	<u>\$ 512,919</u>	<u>\$ 414</u>	<u>\$ 382</u>	<u>\$ 30,087</u>	<u>\$ 726,090</u>	<u>\$ 97,373</u>	<u>\$ 19</u>	<u>\$ 57,668</u>	<u>\$ 19,737</u>	<u>\$ 1,556,917</u>

The \$1.01 billion General Fund transfer out includes a total of \$607.4 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of \$402.8 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

San Francisco International Airport transferred \$46.5 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). The General Fund received transfers in of \$2.9 million for interest earned by the SFGH but credited to the General Fund. The General Fund also received \$23.0 million from SFGH and \$2.0 million from Laguna Honda Hospital to fund the DPH project and \$0.2 million for interest earned by the Laguna Honda Hospital but credited to the General Fund. Laguna Honda Hospital transferred \$4.7 million to a nonmajor debt service fund for the payment of debt service, \$408 to the General Fund for intergovernmental work order and \$40 for Health at home services.

SFMTA received \$273.7 million transfers from nonmajor governmental funds, of which \$83.8 million was for capital activities, \$13.6 million was for operating activities, and \$176.3 million to fund various

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

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street improvement projects. In 2018, the SFMTA transferred the Union Square Garage with a book value of \$19.7 million to the Recreation and Park Department, a governmental activity.

The Water Enterprise transferred \$30.0 million to Hetch Hetchy Water and Power Enterprise to fund various upcountry projects, \$1.3 million to the Recreation and Park Department mainly for water saving improvements at Alta Plaza and Moscone Recreation Center, \$92 to San Francisco Municipal Transportation Agency for the Forest Hill Station project, and \$32 to the Office of the City Administrator for the Surety Bond Program. In turn, the Water Enterprise received \$100 from the City mainly for the San Francisco War Memorial Veterans Building project and \$282 from the City for Earthquake Safety and Emergency projects.

The Wastewater Enterprise transferred \$26.7 million to the City related to the purchase of the property adjacent to the Southeast Water Pollution Control Plant ("Southeast Plant"), \$0.2 million to the Neighborhood Development Fund for the Watershed Stewardship Grants, \$40 to Art Commission for art enrichment and \$32 to the Office of the City Administrator for the Surety Bond Program.

### **(17) COMMITMENTS AND CONTINGENT LIABILITIES**

#### **Operating Leases**

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

#### Governmental Activities

<b>Fiscal Years</b>	
2019.....	\$ 59,567
2020.....	54,419
2021.....	40,350
2022.....	35,684
2023.....	27,384
2024-2028.....	41,188
2029-2033.....	3,510
2034-2038.....	2,736
2039-2043.....	2,180
<b>Total.....</b>	<b><u>\$ 267,018</u></b>

Operating lease expense incurred for governmental activities for fiscal year 2017-18 was approximately \$54.7 million.

**CITY AND COUNTY OF SAN FRANCISCO**

**Notes to Basic Financial Statements (Continued)**

June 30, 2018  
(Dollars in Thousands)

Business-type Activities

<b>Fiscal Years</b>	<b>Airport</b>	<b>Port</b>	<b>SFMTA</b>	<b>Total Business-type Activities</b>
2019.....	\$ 201	\$ 2,728	\$ 15,421	\$ 18,350
2020.....	-	2,728	15,418	18,146
2021.....	-	2,728	15,618	18,346
2022.....	-	2,728	14,466	17,194
2023.....	-	2,728	14,931	17,659
2024-2028.....	-	13,640	71,298	84,938
2029-2033.....	-	13,640	86,997	100,637
2034-2038.....	-	13,640	84,930	98,570
2039-2043.....	-	13,640	108,284	121,924
2044-2048.....	-	13,640	138,092	151,732
2049-2053.....	-	13,640	-	13,640
2054-2058.....	-	13,640	-	13,640
2059-2063.....	-	13,640	-	13,640
2064-2068.....	-	2,955	-	2,955
Total.....	<u>\$ 201</u>	<u>\$ 125,715</u>	<u>\$ 565,455</u>	<u>\$ 691,371</u>

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2017-18 was \$0.2 million, \$2.7 million, and \$18.3 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Governmental Activities

<b>Fiscal Years</b>	
2019.....	\$ 6,131
2020.....	5,878
2021.....	5,629
2022.....	4,775
2023.....	4,374
2024-2028.....	21,007
2029-2033.....	18,981
2034-2038.....	18,231
2039-2043.....	18,231
2044-2048.....	12,930
2049-2053.....	559
2054-2058.....	559
2059-2063.....	559
2064-2068.....	559
2069-2073.....	559
2074-2078.....	559
2079-2083.....	559
2084-2088.....	559
2089-2093.....	559
Total.....	<u>\$ 121,198</u>

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## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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### Business-type Activities

<b>Fiscal Years</b>	<b>Airport</b>	<b>Port</b>	<b>SFGH</b>	<b>SFMTA</b>	<b>Total Business-type Activities</b>
2019.....	\$ 59,920	\$ 44,864	\$ 1,510	\$ 6,198	\$ 112,492
2020.....	32,748	39,331	1,555	5,076	78,710
2021.....	26,052	36,306	1,602	3,851	67,811
2022.....	22,086	33,092	1,650	1,676	58,504
2023.....	15,189	27,055	1,699	1,362	45,305
2024-2028....	16,248	96,130	9,294	9,390	131,062
2029-2033....	-	80,511	-	6,250	86,761
2034-2038....	-	66,908	-	6,250	73,158
2039-2043....	-	43,122	-	6,250	49,372
2044-2048....	-	35,514	-	6,250	41,764
2049-2053....	-	24,484	-	6,250	30,734
2054-2058....	-	19,072	-	4,583	23,655
2059-2063....	-	16,114	-	-	16,114
2064-2068....	-	11,445	-	-	11,445
2069-2073....	-	5,089	-	-	5,089
2074-2078....	-	3,402	-	-	3,402
<b>Total.....</b>	<b>\$ 172,243</b>	<b>\$ 582,439</b>	<b>\$ 17,310</b>	<b>\$ 63,386</b>	<b>\$ 835,378</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 \$22.0 million and \$16.8 million, respectively, in fiscal year 2017-18. The Airport also exercised a five-year car rental lease agreement option effective January 1, 2014. Under this agreement, the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent, whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately \$40.6 million for fiscal year 2017-18.

### **Other Commitments**

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$2.17 billion, private equity in the amount of \$2.69 billion, private credit investments (formerly known as opportunistic fixed income) in the amount of \$685.1 million, and absolute return investments in the amount of \$77.5 million, which totaled \$5.62 billion at June 30, 2018.

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.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018

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### (18) RISK MANAGEMENT

#### Risk Retention Program Description

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

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

The Port carries the following insurance: 1) marine general liability coverage of \$100.0 million, subject to a deductible of \$100 per occurrence; 2) hull and machinery liability coverage of \$1.1 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of \$1.0 billion and a deductible of \$750 per occurrence (\$150 per occurrence for the Port's cargo cranes); and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk management program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

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

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. As of June 30, 2018, the reserve was \$24.8 million. Claim liabilities are actuarially determined

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
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anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

### **Estimated Claims Payable**

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2018 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2016, resulted from the following activity:

Fiscal Year	Current			
	Beginning Fiscal Year Liability	Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2016-2017	\$ 277,566	\$ 84,949	\$ (65,346)	\$ 297,169
2017-2018	297,169	134,444	(46,602)	385,011

Breakdown of the estimated claims payable at June 30, 2018 is follows:

<b>Governmental activities:</b>	
Current portion of estimated claims payables.....	\$ 100,867
Long-term portion of estimated claims payable.....	<u>173,813</u>
Total .....	<u><u>\$ 274,680</u></u>
<b>Business-type activities:</b>	
Current portion of estimated claims payables.....	\$ 48,182
Long-term portion of estimated claims payable.....	<u>62,149</u>
Total .....	<u><u>\$ 110,331</u></u>

### **Workers' Compensation**

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2018 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, 2018 was \$463.6 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2016, resulted from the following activity:

Fiscal Year	Current			
	Beginning Fiscal Year Liability	Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2016-2017	\$ 417,428	\$ 106,185	\$ (87,862)	\$ 435,751
2017-2018	435,751	119,174	(91,363)	463,562

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

Breakdown of the accrued workers' compensation liability at June 30, 2018 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 45,740
Long-term portion of accrued workers' compensation liability..	<u>209,558</u>
Total .....	<u>\$ 255,298</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 35,350
Long-term portion of accrued workers' compensation liability..	<u>172,914</u>
Total .....	<u>\$ 208,264</u>

## (19) SUBSEQUENT EVENTS

### (a) Debt Issuance

In July 2018, the City issued \$1.0 million taxable commercial paper (CP) with interest rate of 2.25% and maturity of September 2018 to refund \$1.0 million of maturing CP for the 49 South Van Ness construction project and the development, acquisition, construction or rehabilitation of affordable rental housing projects.

In July 2018, the SFPUC entered into a "Water Infrastructure Finance and Innovation Act (WIFIA)" Loan Agreement ("WIFIA Loan") with the United States Environmental Protection Agency in the amount of \$699.2 million. The WIFIA Loan was entered pursuant to the WIFIA authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund (SRF) Loans entered with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 3.09% for a 35-year term, with loan repayment expected to begin in fiscal year 2026, after substantial completion of project construction. There is no outstanding loan principal as of the date of this report.

In August 2018, the San Francisco Finance Corporation issued Refunding Lease Revenue Bonds Series 2018A (Open Space) and Series 2018B (Branch Library). The proceeds of the Series 2018A bonds will be used to refund certain outstanding Lease Revenue Series 2006 and Series 2007 bonds and to pay costs of execution and delivery of the Series 2018A bonds. The proceeds of the Series 2018B bonds will be used to refund certain outstanding Lease Revenue Series 2009A bonds and to pay costs of execution and delivery of the Series 2018B bonds. The Series 2018A and the Series 2018B bonds will mature from July 2019 through July 2029 and from June 2019 through June 2028, respectively. The interest rates for the Series 2018A and Series 2018B bonds are 5.0% and 4.0% to 5.0%, respectively.

In August 2018, the City issued \$2.0 million and \$21.0 million of tax-exempt CP with interest rates of 1.47% and 1.54%, respectively, and maturity of October 2018 to refund \$22.8 million of maturing CP for capital equipment for the San Francisco General Hospital, the 49 South Van Ness construction project, and the animal care and control project.

In August 2018, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2018 Sub-Series A (SSIP) (Green Bonds), Sub-Series B (Non-SSIP), and Sub-Series C (SSIP) (Green Bonds) (the "Bonds") in an aggregate principal amount of \$594.1 million. The Bonds were issued to: (1) refund approximately \$25.0 million aggregate principal amount of commercial paper notes issued pursuant to the Wastewater Enterprise's Interim Project Funding Program; 2) finance and refinance a portion of the design, acquisition and construction of various capital projects in furtherance of the SFPUC's Sewer System Improvement Program (SSIP); and 3) finance and refinance a portion of the design, acquisition and construction of various capital non-SSIP projects of benefit to the SFPUC's

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018  
(Dollars in Thousands)

Wastewater Enterprise. Payment for the Bonds is secured by a senior lien pledge of Wastewater Enterprise net revenues and are on a parity lien basis with the outstanding Wastewater Revenue Bonds, Clean Water SRF loans, and the federal WIFIA Loan.

In September 2018, the City issued \$13.8 million taxable CP to refinance \$13.7 million maturing CP for the 49 South Van Ness project and the Affordable Rental Housing project. The CP bears interest rate of 2.20% and matured in October 2018.

In October 2018, the City issued \$13.8 million taxable and \$18.03 million tax-exempt CP with interest rate of 2.57% and 1.70% and maturity of January 2019 and December 2018, respectively. The CP will refinance \$31.8 million maturing CP for the capital equipment for the San Francisco General Hospital, the 49 South Van Ness project, and the Affordable Rental Housing project.

In November 2018, the 1992 General Obligation Bonds, San Francisco Seismic Safety Loan Program Series 2015A, in the amount of \$24.0 million were paid off by the developer, Orton/Historic Pier 70 LLC. The City issued the Series 2015A bonds, with the par value of \$24.0 million in August 2015, under the 1992 Prop A to fund a Seismic Safety loan program, with the developer using the bonds proceeds.

In November 2018, the San Francisco Public Utilities Commission (SFPUC) approved Resolution No. 18-0188, which authorized an increase in the authorization of the Power Enterprise CP program from not-to-exceed \$90.0 million to not-to-exceed \$250.0 million of aggregate principal amount. In support of the expanded Program, Resolution No. 18-0188 also authorized the SFPUC to enter into bank credit facilities with Bank of America, N.A. and Sumitomo Mitsui Bank, each in the principal amount of \$125.0 million and for terms of three years and four years, respectively; and it also authorized extending the dealer agreements with RBC Capital Markets, Barclays and Goldman Sachs for four years each.

In December 2018, the City issued \$16.7 million and \$1.6 million tax-exempt CP with interest rates of 1.74% and 1.60% and maturity of February 2019 and December 2018, respectively. The CP will refinance \$18.3 million maturing CP for the San Francisco General Hospital capital equipment, the 49 South Van Ness, and the Animal Care and Control projects.

In December 2018, the City closed the First Amendment to its Commercial Paper Letter of Credit Reimbursement Agreement with State Street Bank and Trust Company, supporting the issuance of Taxable Lease Revenue Commercial Paper Certificates of Participation, Series 3-T and Tax-Exempt Lease Revenue Commercial Paper Certificates of Participation, Series 3, in the maximum principal amount not to exceed \$100 million. The amendment stipulates a quarterly fee of 0.38% for the credit facility agreement, corresponding to the maintenance of a rating at lease Aa3/AA-/AA- from Moody's, S&P and Fitch, respectively, and extends the terms of the agreement until February 25, 2022.

In February 2019, the Airport issued \$1.8 billion of its Series 2019A, Series 2019B, Series 2019C and 2019D Bonds for the purpose of financing and refinancing (through the repayment of CP) a portion of the costs of capital improvements to the Airport, funding deposits to the debt service accounts and a contingency reserve account, funding deposit to capitalized interest accounts, paying costs of issuance, and current refunding \$469.0 million in outstanding Second Series Revenue Refunding Bond, Series 2009E. Moody's, S&P, and Fitch assigned credit ratings of "A1" "A+", and "A+" to these bonds. The issuance of the Series 2019A/B/C/D Bonds is subject to certain conditions being met.

In February 2019, the City issued Taxable General Obligation Bonds (Social Bonds – Affordable Housing, 2016) Series 2019A in the amount of \$72.4 million, the proceeds of which will be used to (1) fund loans that finance the cost of the acquisition, improvement and rehabilitation of at-risk multi-unit residential buildings and to convert such structures to permanent affordable housing and (2) pay certain costs related to the issuance of the Series 2019A bonds. The Series 2019A bonds bear interest rates ranging from 2.534% to 4.321% and will mature from June 2020 through June 2058.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

In February 2019, the City issued Special Tax Bonds, Series 2019A and Series 2019B with a par amount of \$33.7 million and \$157.3 million, respectively, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (the "District"). The Series 2019A and 2019B (the "2019 Bonds") were issued pursuant to a fiscal agreement by and between the City and Zions Bancorporation, National Association (Zions Bank) as fiscal agent, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended, and Resolution No. 2-15, as supplemented by Resolution No. 247-17. The 2019 Bonds were issued to fund a portion of the planning, design, engineering and construction of various capital improvements, fund a contribution to a debt service reserve fund securing the 2019 Bonds, capitalized a portion of interest on the 2019 Bonds, fund costs of issuance, and a prepayment of a portion of the outstanding balance on the Wells Fargo financing facility (see Note 8) in the amount of \$25.0 million reducing the current outstanding balance to \$78.0 million. The 2019 Bonds bear interest rates ranging from 2.632% to 4.371% with principal amortizing from September 2019 through September 2049. The 2019 Bonds are limited obligations of the City, secured and payable solely from the Special Tax Revenues and funds pledged under the Fiscal Agent Agreement. The General Fund of the City is not liable for the payment of the principal and interest on the 2019 Bonds, and neither the credit nor the taxing power of the City (except to the limited extent set forth in the Fiscal Agent Agreement) or the State of California or any political subdivision thereof is pledged to the payment of the 2019 Bonds.

#### **(b) Ratings Change**

On November 2018, S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), raised its long-term rating on the Power Enterprise Revenue Bonds to "AA" from "A+" and affirmed Hetchy Power's "stable" outlook.

#### **(c) Elections**

On November 6, 2018, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

**Proposition A** – An ordinance that authorizes the City to issue \$425.0 million in General Obligation Bonds to finance projects to protect the waterfront, BART and Muni infrastructure, buildings, historic piers, and roads from earthquakes, from flooding and rising seas by repairing the 100-year old Embarcadero Seawall; strengthening the Embarcadero roadway; and fortifying transit infrastructure and utilities serving residents and businesses.

**Proposition C** – An ordinance that imposes additional business taxes to create a dedicated fund to support services for homeless people and to prevent homelessness, including one tax of 0.175% to 0.69% on gross receipts over \$50.0 million that a business receives in the City, and another tax of 1.5% on certain administrative offices' payroll expense in the City with no expiration date for these taxes.

**Proposition D** – An ordinance that imposes new cannabis taxes beginning in 2021, at rates ranging from 1% to 5% on gross receipts of cannabis businesses in the City where the Board could decrease or increase those rates up to 7%. The ordinance will permit the City to tax businesses that do not have a physical presence in the City, provided those business sales exceed \$0.5 million annually, with no expiration date on these newly imposed and applied taxes.

**Proposition E** – An ordinance that annually distributes up to 1.5% of the current base hotel tax to specific arts and cultural purposes, without increasing the existing hotel tax.

#### **(d) Others**

##### **Calpine Energy Solutions Contract Extension**

In November 2018, upon expiration of the first contract term, CleanPowerSF extended its contract with Calpine Energy Solutions for an additional three-year term and increased the contract's total not-to-exceed value to \$18.8 million.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2018

(Dollars in Thousands)

#### **PG&E Intension to File Bankruptcy – Hetchy Power and CleanPowerSF**

In January 2019, Pacific Gas and Electric (PG&E) filed its Form 8-K with the Securities and Exchange Commission, which is the 15-day advance notice required by recently enacted California law that it and its wholly owned subsidiary, Pacific Gas and Electric Company (the “Utility”) intends to file petitions to reorganize under Chapter 11 of the U.S. Bankruptcy Code on or about January 29, 2019. The Hetch Hetchy Water and Power and Clean PowerSF Enterprise has a number of business relationships involving PG&E in the provision of electric services to customers, including electric transmission, distribution and customer billing services. As of March 25, 2019, the Enterprise has not yet determined the impact of PG&E’s intended filing to reorganize under Chapter 11 of the U.S. Bankruptcy Code, to Hetchy Power and CleanPowerSF program operations.

#### **Jurisdictional Exchange of Asphalt Plant Property from the Department of Public Works for Wastewater Enterprise’s Napoleon Site**

In July 2018, the jurisdictional exchange of the Napoleon Site and Asphalt Plant Site occurred. The Wastewater Enterprise took possession of the Asphalt Plant Site while the Department of Public Works (DPW) took possession of the Napoleon Site along with the trailers and site improvements. The jurisdictional transfer is an intra-entity transfer of the assets and is treated as an even exchange with no financial impact on the financial statements. The Asphalt Plant Site is located directly across from the SFPUC’s Southeast Water Pollution Control Plant facilities.

#### **Ferry Building Lease Participation Income - Port**

In October 2018, the Port of San Francisco received participation income of \$10.3 million from the sale and transfer of the Ferry Building lease. A historic rehabilitation of the Ferry Building was completed through a public-private partnership in 2003. The developer entered into a 66-year ground lease expiring in 2067 with the Port.

#### **Parcel K North Property Sale - Port**

In October 2017, the Board of Supervisors approved the formation of the Pier 70 Special Use District (CFD) and a disposition and development agreement (DDA) with the Pier 70 developer. Under the terms of the DDA, the Port agreed to sell Parcel K North, a Port-owned parcel free from the public trust restrictions, to a third-party buyer. In February 2019, the Port sold the parcel with a book value of \$0.2 million for approximately \$24.0 million. In accordance with the DDA, the Port advanced the proceeds of the sale to the Pier 70 developer for public infrastructure improvements, in exchange for a promissory note. Interest will accrue on the unpaid principal amount at an annual rate of 3.89%, compounded quarterly.

#### **San Francisco Housing Authority**

In March 2019, the City and the San Francisco Housing Authority (SFHA), a legally separate reporting entity that provides low income housing assistance to the City’s residents, received a letter from the U.S. Department of Housing and Urban Development’s Office of Public and Indian Housing (HUD). HUD requested the City and the SFHA submit a Memorandum of Understanding outlining a scheduled plan of action for the City’s possible assumption of the SFHA’s programmatic and financial functions. The City is currently working with the SFHA to prepare a response to HUD, which HUD has requested by April 8, 2019.



**REQUIRED SUPPLEMENTARY  
INFORMATION**



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# CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2018 \*  
(Dollars in Thousands)

	For the year ended June 30, 2018				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,697,131	\$ (13,766)	\$ 2,142	\$ 27,280	\$ 28
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	0.00%
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

	For the year ended June 30, 2017				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 5,476,653	\$ (12,711)	\$ 1,765	\$ 23,281	\$ 27
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	0.00%
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

	For the year ended June 30, 2016				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	\$ 2,156,049	\$ (13,956)	\$ 1,288	\$ 16,563	\$ 24
Covered payroll	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

	For the year ended June 30, 2015				
	CalPERS Miscellaneous Plans				
	City SFERS Plan	City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,299	\$ 15,870	\$ -
Covered payroll	\$ 2,398,979	\$ 303	\$ 3,264	\$ 3,962	\$ -
Proportionate share of the net pension liability as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Schedules of the City's Proportionate Share of the Net Pension Liability (Continued)**  
June 30, 2018  
(Dollars in Thousands)

**Notes to Schedules:**

**SFERS Plan**

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2017. The impact of benefit changes for the year ended June 30, 2017, which was \$1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – For the year ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%. For the year ended June 30, 2016, the discount rate was reduced from 7.58% to 7.46%.

**CalPERS Miscellaneous Plans**

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred after the June 30, 2016 valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017. There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate was changed from 7.50% (net of administrative expense) in 2015 to 7.65% in 2016

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Required Supplementary Information (Unaudited) –**  
**Schedules of Changes in Net Pension Liability and Related Ratios**  
June 30, 2018\*  
(Dollars in Thousands)

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

**Notes to Schedule:**

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool as of valuation date June 30, 2016.

Changes of Assumptions – The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017. There were no changes of assumptions during the measurement period ended June 30, 2016. The discount rate remained the same as prior year, at 7.65%. The discount rate was changed from 7.50% (net of administrative expense) in fiscal year 2015 to 7.65% in fiscal year 2016.

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Required Supplementary Information (Unaudited) –**  
**Schedules of Changes in Total Pension Liability and Related Ratios**  
June 30, 2018  
(Dollars in Thousands)

<b>City Replacement Benefits Plan*</b>	<b>2018</b>	<b>2017</b>
<b>Plan total pension liability:</b>		
Service cost.....	\$ 1,605	\$ 956
Interest.....	2,218	2,112
Changes of benefits.....	15,326	10,310
Changes of assumptions.....	(10,290)	11,516
Benefit payments.....	(3,164)	(1,332)
Change in net pension liability.....	5,695	23,562
Pension liability, beginning.....	<u>78,600</u>	<u>55,038</u>
<b>Plan total pension liability, ending.....</b>	<b><u>\$ 84,295</u></b>	<b><u>\$ 78,600</u></b>
 Covered-employee payroll.....	 \$ 2,919,519	 \$ 2,681,695
 Plan pension liability as a percentage of the covered-payroll.....	 2.89%	 2.93%

**Notes to Schedule:**

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2017.

Changes of Assumptions – The discount rate was changed from 2.85% in the measurement period ended June 30, 2016 to 3.58% in the measurement period ended June 30, 2017.

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

# CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2018\*  
(Dollars in Thousands)

	For the year ended June 30, 2018					
	CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
Actuarially determined contributions	\$ 582,568	\$ 42	\$ 403	\$ 1,283	\$ 6	\$ 30,743
Contributions in relation to the actuarially determined contributions	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,041,818	\$ 390	\$ 4,039	\$ 5,742	\$ -	\$ 98,657
Contributions as a percentage of covered payroll	19.15%	10.77%	9.99%	22.34%	0.00%	31.16%
For the year ended June 30, 2017						
	CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
	\$ 519,073	\$ 35	\$ 293	\$ 970	\$ 2	\$ 27,190
Actuarially determined contributions	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contributions in relation to the actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -	\$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	0.00%	25.22%
For the year ended June 30, 2016						
	CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
	\$ 496,343	\$ 33	\$ 280	\$ 828	\$ 2	\$ 23,640
Actuarially determined contributions	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contributions in relation to the actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -	\$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%
For the year ended June 30, 2015						
	CalPERS Miscellaneous Plans					
	City SFERS Plan	City	Transportation Authority	Successor Agency	Treasure Island	CalPERS Safety Plan
	\$ 556,511	\$ 31	\$ 400	\$ 598	\$ 2	\$ 20,718
Actuarially determined contributions**	(556,511)	(31)	(400)	(598)	(2)	(20,718)
Contributions in relation to the actuarially determined contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution deficiency (excess)	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -	\$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

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

\*\* In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a \$0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of \$8.6 million.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Schedules of Employer Contributions – Pension Plans (Continued)**  
June 30, 2018\*  
(Dollars in Thousands)

**Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan**

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

**Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan**

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

**Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan**

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

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

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%

## CITY AND COUNTY OF SAN FRANCISCO

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

June 30, 2018\*  
(Dollars in Thousands)

#### **Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans**

Valuation date.....	June 30, 2016 updated to June 30, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

#### **Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans**

Valuation date.....	June 30, 2015 updated to June 30, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

#### **Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans**

Valuation date.....	June 30, 2014 updated to June 30, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Market Value
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Schedules of Employer Contributions – Pension Plans (Continued)**  
June 30, 2018\*  
(Dollars in Thousands)

**Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans**

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Valuation date.....	June 30, 2013 updated to June 30, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method.....	15-year smoothed market
Investment rate of return.....	7.50% (net of pension plan investment expense, including inflation)
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –**  
**Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios**  
**Other Postemployment Healthcare Benefits Plan**  
 June 30, 2018  
 (Dollars in Thousands)

	<b>2018</b>		
	<b>City Plan</b>	<b>Successor Agency</b>	<b>Transportation Authority</b>
<b><u>Total OPEB Liability</u></b>			
Service cost (BOY)	\$ 125,195	\$ 159	\$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
<b>Net change in total OPEB liability</b>	<b>232,667</b>	<b>54</b>	<b>175</b>
<b>Total OPEB liability - beginning</b>	<b>3,659,019</b>	<b>10,208</b>	<b>1,573</b>
<b>Total OPEB liability - ending</b>	<b>3,891,686</b>	<b>10,262</b>	<b>1,748</b>
 <b><u>Plan fiduciary net position</u></b>			
Contributions - employer	183,898	1,097	166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
<b>Net change in plan fiduciary net position</b>	<b>67,373</b>	<b>650</b>	<b>235</b>
<b>Plan fiduciary net position - beginning</b>	<b>107,104</b>	<b>3,275</b>	<b>1,268</b>
<b>Plan fiduciary net position - ending</b>	<b>174,477</b>	<b>3,925</b>	<b>1,503</b>
 <b>Net OPEB liability - ending</b>	 <b>\$ 3,717,209</b>	 <b>\$ 6,337</b>	 <b>\$ 245</b>
 <b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	 4.5%	 38.2%	 86.0%
 <b>Covered payroll</b>	 \$ 3,393,658	 \$ 5,042	 \$ 3,946
 <b>Net OPEB liability as a percentage of covered payroll</b>	 109.5%	 125.7%	 6.2%

\* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only one year of information is shown.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Schedule of Employer Contributions**

**Other Postemployment Healthcare Benefits Plans**

June 30, 2018  
(Dollars in Thousands)

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 203,858	\$ 813	\$ 143
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,932)	(143)
Contribution deficiency/(excess)	<u>\$</u> -	<u>\$</u> (2,119)	<u>\$</u> -
Covered payroll	\$ 3,729,138	\$ 5,742	\$ 4,045
Contributions as a percentage of covered payroll	5.47%	14.16%	3.54%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
Charter required or actuarially determined contributions (ADC)	\$ 183,898	\$ 804	\$ 165
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	<u>\$</u> -	<u>\$</u> (293)	<u>\$</u> -
Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Contributions as a percentage of covered payroll	5.42%	15.95%	4.18%

\* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only two years of information is available.

**Notes to Schedule:**

Contributions to the City plan are set by the Charter and are not actuarially determined. Employee and City and County contributions to the RHCTF are a fixed percent of pay that varies dependent on the employee's hire date, the year in which the payment is being made, and whether the Trust is fully funded.

The Transportation Authority and Successor Agency calculate their annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2017-18 contribution rates for the plans are as follows:

<b>Actuarial Assumption</b>	<b>For the year ended June 30, 2018</b>		
	<b>Successor Agency</b>	<b>Transportation Authority</b>	
Actuarial Valuation Date	June 30, 2017	June 30, 2017	
Actuarial Cost Method	Entry age normal cost method	Entry age normal cost method	
Asset Valuation Method	Actuarial value of assets	Actuarial value of assets	
General Inflation	2.75%, per annum	3.00% per annum	
Salary Increases	3.00%, per annum	3.25% per annum, in aggregate	
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2011	CalPERS Experience Study for the period from 1997 to 2015	
Healthcare Cost Trend Rate	4.00%	Initial 7% for medicare eligibles, 9% for spouse of medicare eligibles and 4.5% non-medicare eligibles, all grading down to 4%	
Investment Rate of Return	7.00%	7.28%	

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Budgetary Comparison Schedule - General Fund**  
Year Ended June 30, 2018  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Budgetary Fund Balance, July 1</b>	<b>\$ 187,182</b>	<b>\$ 1,999,334</b>	<b>\$ 1,999,334</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Property taxes.....	1,557,000	1,557,000	1,660,976	103,976
Business taxes.....	750,820	750,820	897,076	146,256
Other local taxes:				
Sales and use tax.....	199,940	199,940	192,946	(6,994)
Hotel room tax.....	372,320	372,320	382,176	9,856
Utility users tax.....	99,720	99,720	94,460	(5,260)
Parking tax.....	82,180	82,180	83,484	1,304
Real property transfer tax.....	300,000	300,000	280,416	(19,584)
Other local taxes.....	58,410	58,410	60,287	1,877
Licenses, permits and franchises:				
Licenses and permits.....	12,712	12,712	11,813	(899)
Franchise tax.....	17,252	17,252	16,990	(262)
Fines, forfeitures, and penalties.....	4,579	4,579	8,180	3,601
Interest and investment income.....	18,180	18,615	50,431	31,816
Rents and concessions:				
Garages - Recreation and Park.....	8,442	8,442	7,829	(613)
Rents and concessions - Recreation and Park.....	5,041	5,041	5,940	899
Other rents and concessions.....	606	606	597	(9)
Intergovernmental:				
Federal grants and subventions.....	263,959	242,476	234,055	(8,421)
State subventions:				
Social service subventions.....	122,190	114,649	94,211	(20,438)
Health / mental health subventions.....	211,835	184,792	190,253	5,461
Health and welfare realignment.....	260,626	260,626	277,723	17,097
Public safety sales tax.....	101,640	101,640	104,849	3,209
Other grants and subventions.....	55,624	57,837	61,651	3,814
Other.....	3,293	3,529	3,941	412
Charges for services:				
General government service charges.....	78,207	78,207	73,815	(4,392)
Public safety service charges.....	43,225	43,225	42,445	(780)
Recreation charges - Recreation and Park.....	21,124	21,124	21,655	531
MediCal, MediCare and health service charges.....	100,261	100,286	111,994	11,708
Other financing sources:				
Transfers from other funds.....	171,122	232,032	232,032	-
Repayment of loan from component unit.....	110	110	-	(110)
Other resources (inflows).....	<u>39,959</u>	<u>40,130</u>	<u>14,367</u>	<u>(25,763)</u>
<b>Subtotal - Resources (Inflows)</b>	<b><u>4,960,377</u></b>	<b><u>4,968,300</u></b>	<b><u>5,216,592</u></b>	<b><u>248,292</u></b>
Total amounts available for appropriation.....	<u>5,147,559</u>	<u>6,967,634</u>	<u>7,215,926</u>	<u>248,292</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Required Supplementary Information (Unaudited) –**  
**Budgetary Comparison Schedule - General Fund (continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
<b>Public Protection</b>				
Adult Probation.....	\$ 31,383	\$ 31,968	\$ 30,525	\$ 1,443
District Attorney.....	54,454	53,935	53,699	236
Emergency Communications.....	54,800	54,046	53,857	189
Fire Department.....	349,859	353,036	353,036	-
Juvenile Probation.....	39,438	34,983	33,893	1,090
Police Department.....	516,026	517,929	517,836	93
Public Defender.....	35,991	36,260	36,037	223
Police Accountability.....	7,192	6,936	6,015	921
Sheriff.....	205,110	196,452	196,452	-
Superior Court.....	31,324	31,325	31,094	231
Subtotal - Public Protection	<u>1,325,577</u>	<u>1,316,870</u>	<u>1,312,444</u>	<u>4,426</u>
<b>Public Works, Transportation and Commerce</b>				
Board of Appeals.....	1,039	1,124	1,005	119
Business and Economic Development.....	49,365	46,531	34,223	12,308
General Services Agency - Public Works.....	125,033	181,865	179,562	2,303
Public Utilities Commission.....	-	7,360	7,360	-
Municipal Transportation Agency.....	-	1,684	1,680	4
Subtotal - Public Works, Transportation and Commerce	<u>175,437</u>	<u>238,564</u>	<u>223,830</u>	<u>14,734</u>
<b>Human Welfare and Neighborhood Development</b>				
Children, Youth and Their Families.....	38,836	42,544	42,413	131
Commission on the Status of Women.....	7,664	8,171	7,891	280
County Education Office.....	116	116	116	-
Homelessness and Supportive Housing.....	186,590	165,467	164,799	668
Human Rights Commission.....	4,292	4,275	4,179	96
Human Services.....	753,742	756,304	727,337	28,967
Mayor - Housing/Neighborhoods.....	77,889	70,581	52,312	18,269
Subtotal - Human Welfare and Neighborhood Development	<u>1,069,129</u>	<u>1,047,458</u>	<u>999,047</u>	<u>48,411</u>
<b>Community Health</b>				
Public Health.....	<u>884,393</u>	<u>832,663</u>	<u>830,360</u>	<u>2,303</u>
<b>Culture and Recreation</b>				
Academy of Sciences.....	6,468	7,230	7,222	8
Arts Commission.....	11,923	9,015	8,939	76
Asian Art Museum.....	10,267	10,105	10,003	102
Fine Arts Museum.....	17,444	16,818	16,781	37
Law Library.....	1,856	1,858	1,482	376
Recreation and Park Commission.....	105,389	97,002	97,002	-
War Memorial.....	-	53	53	-
Subtotal - Culture and Recreation	<u>153,347</u>	<u>142,081</u>	<u>141,482</u>	<u>599</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Required Supplementary Information (Unaudited) –**  
**Budgetary Comparison Schedule - General Fund (continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>General Administration and Finance</b>				
Assessor/Recorder.....	\$ 33,398	\$ 24,587	\$ 23,596	\$ 991
Board of Supervisors.....	15,528	15,152	14,166	986
City Attorney.....	17,623	14,065	9,936	4,129
City Planning.....	45,000	45,776	43,910	1,866
Civil Service.....	890	883	810	73
Controller.....	11,804	14,941	14,941	-
Elections.....	14,797	14,004	13,681	323
Ethics Commission.....	4,788	6,949	6,131	818
General Services Agency - Administrative Services.....	72,879	57,654	56,926	728
General Services Agency - Technology.....	3,586	3,804	3,804	-
Health Service System.....	406	514	377	137
Human Resources.....	15,702	17,129	16,737	392
Mayor.....	6,232	6,239	6,239	-
Retirement Services.....	1,215	1,329	1,329	-
Treasurer/Tax Collector.....	36,354	36,890	32,187	4,703
<b>Subtotal - General Administration and Finance</b>	<b>280,202</b>	<b>259,916</b>	<b>244,770</b>	<b>15,146</b>
<b>General City Responsibilities</b>				
General City Responsibilities.....	126,890	114,219	111,767	2,452
Other financing uses:				
Debt service.....	14,894	236	178	58
Transfers to other funds.....	1,072,550	1,009,967	1,009,966	1
Budgetary reserves and designations.....	45,140	-	-	-
Total charges to appropriations.....	5,147,559	4,961,974	4,873,844	88,130
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 2,005,660</u>	<u>\$ 2,342,082</u>	<u>\$ 336,422</u>
<b>Budgetary fund balance, June 30 before reserves and designations</b>			<b>\$ 2,342,082</b>	
Reserves and designations made from budgetary fund balance not available for appropriation			(\$ 1,382,687)	
Reserves for Litigation and Contingencies and General Reserves			(\$ 342,803)	
<b>Net Available Budgetary Fund Balance, June 30</b>			<b>\$ 616,592</b>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 7,215,926	
Difference - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not				
a current year revenue for financial reporting purposes.....			(1,999,334)	
Property tax revenue - Teeter Plan net change from prior year.....			12,974	
Change in unrealized gain/(loss) on investments.....			(19,405)	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....			(14,781)	
Interest earnings from other funds assigned to General Fund as other revenues.....			11,383	
Grants, subventions and other receivables received after 60-day recognition period.....			14,740	
Prepaid lease revenue, Civic Center Garage.....			84	
Transfers from other funds are inflows of budgetary resources, but are not				
revenues for financial reporting purposes.....			(232,032)	
Total revenues as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 4,989,555</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 4,873,844	
Difference - budget to GAAP:				
Recognition of expenditures for advances and imprest cash and capital asset acquisition				
for internal service fund.....			(66)	
Intergovernmental expense offset.....			(124,052)	
Transfers to other funds are outflows of budgetary resources but are not				
expenditures for financial reporting purposes.....			(1,009,966)	
Total expenditures as reported on the statement of revenues, expenditures and changes				
in fund balance - General Fund.....			<u>\$ 3,739,760</u>	

## CITY AND COUNTY OF SAN FRANCISCO

### Required Supplementary Information (Unaudited) – Budgetary Comparison Schedule - General Fund (continued)

Year Ended June 30, 2018  
(In Thousands)

#### Notes to Budgetary Schedule:

##### **(a) Budgetary Data**

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps is summarized as follows:

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

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Required Supplementary Information (Unaudited) –**  
**Budgetary Comparison Schedule - General Fund (continued)**  
Year Ended June 30, 2018  
(In Thousands)

***Final Budget***

The final budgetary data presented in the budgetary comparison schedule reflects the following changes to the original budget:

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

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

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

**(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles**

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

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information (Unaudited) –  
Budgetary Comparison Schedule - General Fund (continued)**  
Year Ended June 30, 2018  
(In Thousands)

The fund balance of the General Fund as of June 30, 2018, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 2,342,082
Unrealized Gains/ (Losses) on Investments.....	(20,602)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(25,495)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(68,958)
Pre-paid lease revenue.....	(6,598)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....	<u>1,512</u>
 Fund Balance - GAAP basis.....	 <u>\$ 2,221,941</u>

General Fund budget basis fund balance as of June 30, 2018 is composed of the following:

Not available for appropriations:

    Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 89,309
Rainy Day - One Time Spending Account.....	54,668

    Committed Fund Balance:

Budget Stabilization Reserve.....	369,958
Recreation and Parks Expenditure Saving Reserve .....	1,740

Assigned for Encumbrances.....	345,596
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Assigned for Appropriation Carryforward.....	423,835
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    Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	73,650
Salaries and benefits costs (MOU).....	<u>23,931</u>

 Subtotal.....	 <u>\$ 1,382,687</u>
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Available for appropriations:

Assigned for Litigation and Contingencies.....	235,925
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Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2018-19.....	188,562
Unassigned - General Reserve.....	106,878

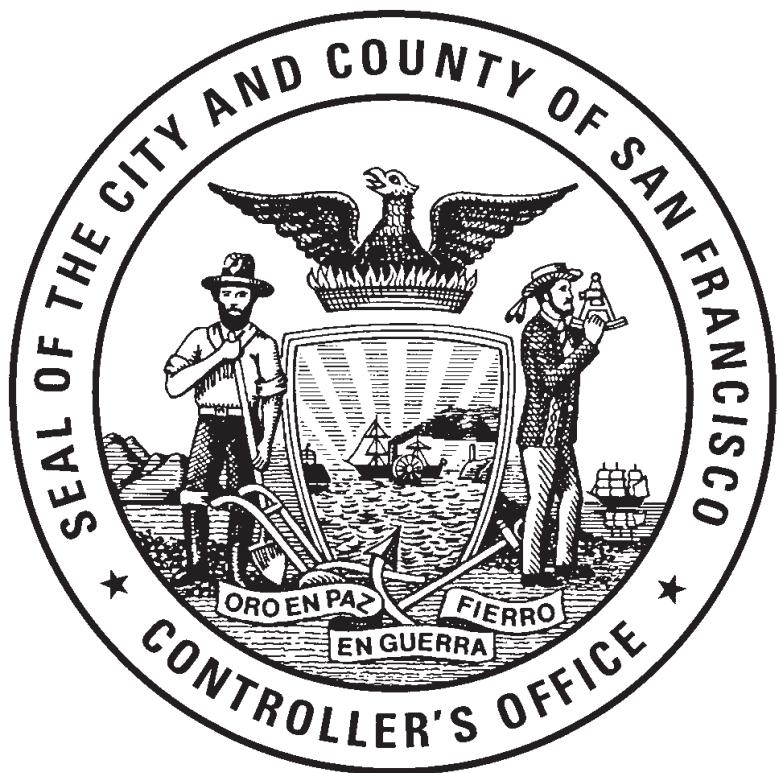
Unassigned - Budgeted for use in fiscal year 2019-20.....	223,251
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Unassigned - Reserve for Other Contingencies.....	160,000
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Unassigned - Available for future appropriations.....	<u>44,779</u>
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 Subtotal.....	 <u>959,395</u>
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 Fund Balance, June 30, 2018 - Budget basis.....	 <u>\$ 2,342,082</u>
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**COMBINING FINANCIAL  
STATEMENTS AND SCHEDULES**



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## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Building Inspection Fund* – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

*Children and Families Fund* – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

*Community/Neighborhood Development Fund* – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

*Community Health Services Fund* – Accounts for state and federal grants used to promote public health and mental health programs.

*Convention Facilities Fund* – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

*Courts Fund* – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

*Culture and Recreation Fund* – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

*Environmental Protection Fund* – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

*Gasoline Tax Fund* – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

*General Services Fund* – Accounts for the activities of several non-grant activities, generally established by administrative action.

*Gift and Other Expendable Trusts Fund* – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

*Golf Fund* – Accounts for the revenue and expenditures related to the City's six golf courses.

*Human Welfare Fund* – Accounts for state and federal grants used to promote education and discourage domestic violence.

## 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 the interim financing of revolving credit facility for the Transbay Joint Powers Authority on the Transbay Transit Center project.

## 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.

*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.

*Recreation and Park Projects* – 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, 2018  
(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.....	\$ 1,428,724	\$ 130,831	\$ 623,754	\$ 5,265	\$ 2,188,574
Deposits and investments outside City Treasury.....	177,932	59,175	156,207	-	393,314
<b>Receivables:</b>					
Property taxes and penalties.....	6,920	8,973	-	-	15,893
Other local taxes.....	17,303	-	-	-	17,303
Federal and state grants and subventions.....	90,262	-	8,455	-	98,717
Charges for services.....	19,552	-	669	-	20,221
Interest and other.....	6,340	1,066	1,932	10	9,348
Due from other funds.....	3,220	-	7,881	-	11,101
Due from component unit.....	4,226	-	-	-	4,226
Advance to component unit.....	8,214	-	-	-	8,214
Loans receivable (net of allowance for uncollectible amounts).....	86,960	102,173	-	-	189,133
Other assets.....	1,645	-	-	-	1,645
<b>Total assets.....</b>	<b>\$ 1,851,298</b>	<b>\$ 302,218</b>	<b>\$ 798,898</b>	<b>\$ 5,275</b>	<b>\$ 2,957,689</b>
<b>Liabilities:</b>					
Accounts payable.....	\$ 117,939	\$ -	\$ 54,473	\$ 94	\$ 172,506
Accrued payroll.....	17,078	-	798	-	17,876
Unearned grant and subvention revenue.....	22,772	-	528	-	23,300
Due to other funds.....	34,329	-	10,585	-	44,914
Unearned revenues and other liabilities.....	46,127	6,872	7,820	-	60,819
Bonds, loans, capital leases, and other payables.....	13,239	103,000	5,629	-	121,868
<b>Total liabilities.....</b>	<b>251,484</b>	<b>109,872</b>	<b>79,833</b>	<b>94</b>	<b>441,283</b>
Deferred inflows of resources.....	148,782	6,113	6,217	-	161,112
<b>Fund balances:</b>					
Nonspendable.....	82	-	-	-	82
Restricted.....	1,327,778	186,233	712,848	5,181	2,232,040
Assigned.....	124,076	-	-	-	124,076
Unassigned.....	(904)	-	-	-	(904)
<b>Total fund balances.....</b>	<b>1,451,032</b>	<b>186,233</b>	<b>712,848</b>	<b>5,181</b>	<b>2,355,294</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 1,851,298</b>	<b>\$ 302,218</b>	<b>\$ 798,898</b>	<b>\$ 5,275</b>	<b>\$ 2,957,689</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Nonmajor Governmental Funds**  
Year Ended June 30, 2018  
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Property taxes.....	\$ 214,625	\$ 283,026	\$ -	\$ -	\$ 497,651
Business taxes.....	2,066	-	-	-	2,066
Sales and use tax.....	103,263	-	-	-	103,263
Licenses, permits, and franchises.....	14,377	-	-	-	14,377
Fines, forfeitures, and penalties.....	7,780	18,474	-	-	26,254
Interest and investment income.....	21,563	2,725	5,300	57	29,645
Rents and concessions.....	90,303	-	161	287	90,751
<b>Intergovernmental:</b>					
Federal.....	187,688	-	3,376	-	191,064
State.....	121,843	678	2,166	-	124,687
Other.....	13,786	-	73	-	13,859
Charges for services.....	166,343	-	300	-	166,643
Other.....	121,469	5,697	34,375	15	161,556
<b>Total revenues.....</b>	<b>1,065,106</b>	<b>310,600</b>	<b>45,751</b>	<b>359</b>	<b>1,421,816</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	66,172	-	-	-	66,172
Public works, transportation and commerce.....	218,038	-	-	-	218,038
Human welfare and neighborhood development.....	500,168	-	-	-	500,168
Community health.....	109,440	-	-	-	109,440
Culture and recreation.....	281,653	-	-	926	282,579
General administration and finance.....	67,668	-	-	-	67,668
General City responsibilities.....	108	-	-	-	108
<b>Debt service:</b>					
Principal retirement.....	115,414	265,727	-	-	381,141
Interest and other fiscal charges.....	4,583	131,191	973	-	136,747
Bond issuance costs.....	3,391	-	5,543	-	8,934
Capital outlay.....	-	-	337,741	-	337,741
<b>Total expenditures.....</b>	<b>1,366,635</b>	<b>396,918</b>	<b>344,257</b>	<b>926</b>	<b>2,108,736</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>					
	<b>(301,529)</b>	<b>(86,318)</b>	<b>(298,506)</b>	<b>(567)</b>	<b>(686,920)</b>
<b>Other financing sources (uses):</b>					
Transfers in.....	370,027	129,988	12,904	-	512,919
Transfers out.....	(151,652)	(1,717)	(234,383)	(25)	(387,777)
<b>Issuance of bonds and loans:</b>					
Face value of bonds issued.....	390,395	-	903,200	-	1,293,595
Premium on issuance of bonds.....	22,869	-	53,374	-	76,243
Other financing sources - capital leases.....	-	-	2,027	-	2,027
<b>Total other financing sources (uses).....</b>	<b>631,639</b>	<b>128,271</b>	<b>737,122</b>	<b>(25)</b>	<b>1,497,007</b>
<b>Special item:</b>					
Receipt of Yerba Buena Garden assets.....	11,137	-	-	-	11,137
Net changes in fund balances.....	341,247	41,953	438,616	(592)	821,224
Fund balances at beginning of year.....	1,109,785	144,280	274,232	5,773	1,534,070
<b>Fund balances at end of year.....</b>	<b>\$ 1,451,032</b>	<b>\$ 186,233</b>	<b>\$ 712,848</b>	<b>\$ 5,181</b>	<b>\$ 2,355,294</b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds**  
June 30, 2018  
(In Thousands)

	<b>Building Inspection Fund</b>	<b>Children and Families Fund</b>	<b>Community / Neighborhood Development Fund</b>	<b>Community Health Services Fund</b>	<b>Convention Facilities Fund</b>	<b>Courts Fund</b>
<b>Assets:</b>						
Deposits and investments with City Treasury.....	\$ 180,199	\$ 163,080	\$ 599,790	\$ 31,862	\$ 32,656	\$ 636
Deposits and investments outside City Treasury.....	5	-	20,486	-	-	-
<b>Receivables:</b>						
Property taxes and penalties.....	-	2,984	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	-	4,466	11,699	27,172	-	-
Charges for services.....	469	-	192	4,160	2,941	157
Interest and other.....	649	523	2,052	114	-	-
Due from other funds.....	-	-	2,500	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	191	-	86,323	-	-	-
Other assets.....	-	-	275	-	-	-
<b>Total assets.....</b>	<b>\$ 181,513</b>	<b>\$ 171,053</b>	<b>\$ 723,317</b>	<b>\$ 63,308</b>	<b>\$ 35,597</b>	<b>\$ 793</b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 3,021	\$ 29,843	\$ 20,862	\$ 11,502	\$ 902	\$ 1
Accrued payroll.....	1,676	719	769	1,572	31	-
Unearned grant and subvention revenues.....	-	1,911	1,351	1,980	-	-
Due to other funds.....	-	-	33	327	-	-
Unearned revenues and other liabilities.....	21,368	1,936	3,069	1	2,153	-
Bonds, loans, capital leases, and other payables.....	-	-	13,239	-	-	-
<b>Total liabilities.....</b>	<b>26,065</b>	<b>34,409</b>	<b>39,323</b>	<b>15,382</b>	<b>3,086</b>	<b>1</b>
Deferred inflows of resources.....	191	4,754	87,728	17,057	-	-
<b>Fund balances:</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	155,257	131,890	582,444	30,869	32,511	792
Assigned.....	-	-	13,822	-	-	-
Unassigned.....	-	-	-	-	-	-
<b>Total fund balances.....</b>	<b>155,257</b>	<b>131,890</b>	<b>596,266</b>	<b>30,869</b>	<b>32,511</b>	<b>792</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 181,513</b>	<b>\$ 171,053</b>	<b>\$ 723,317</b>	<b>\$ 63,308</b>	<b>\$ 35,597</b>	<b>\$ 793</b>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
June 30, 2018  
(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.....	\$ 18,053	\$ 1,612	\$ 30,504	\$ 27,200	\$ 13,270	\$ 7,220
Deposits and investments outside City Treasury.....	1,366	-	-	-	3	2
Receivables:						
Property taxes and penalties.....	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	71	853	3,137	206	938	-
Charges for services.....	176	-	674	573	21	483
Interest and other.....	28	-	126	690	13	30
Due from other funds.....	-	29	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	-	-	-	-	-
Other assets.....	-	-	-	-	-	-
Total assets.....	<u>\$ 19,694</u>	<u>\$ 2,494</u>	<u>\$ 34,441</u>	<u>\$ 28,669</u>	<u>\$ 14,245</u>	<u>\$ 7,735</u>
<b>Liabilities:</b>						
Accounts payable.....	\$ 1,995	\$ 733	\$ 1,427	\$ 2,677	\$ 856	\$ 685
Accrued payroll.....	172	149	347	395	40	184
Unearned grant and subvention revenues.....	511	702	-	300	7	-
Due to other funds.....	-	-	-	-	-	-
Unearned revenues and other liabilities.....	-	-	-	-	207	-
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	<u>2,678</u>	<u>1,584</u>	<u>1,774</u>	<u>3,372</u>	<u>1,110</u>	<u>869</u>
Deferred inflows of resources.....	37	728	8	625	24	-
<b>Fund balances:</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	9,995	182	32,659	9,379	13,111	-
Assigned.....	6,984	-	-	15,293	-	6,866
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	<u>16,979</u>	<u>182</u>	<u>32,659</u>	<u>24,672</u>	<u>13,111</u>	<u>6,866</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 19,694</u>	<u>\$ 2,494</u>	<u>\$ 34,441</u>	<u>\$ 28,669</u>	<u>\$ 14,245</u>	<u>\$ 7,735</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
**June 30, 2018**  
**(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.....	\$ 13,143	\$ 28,439	\$ 44,491	\$ 72,562	\$ 41,639	\$ 64,289
Deposits and investments outside City Treasury.....	-	-	-	-	-	37
Receivables:						
Property taxes and penalties.....	-	-	1,968	1,968	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	13,793	-	-	-	19,114	56
Charges for services.....	-	-	-	1	3,290	6,358
Interest and other.....	101	98	168	237	268	-
Due from other funds.....	-	-	-	-	-	345
Due from component unit.....	-	-	-	-	-	1,626
Advance to component unit.....	-	8,214	-	-	-	-
Loans receivable (net of allowance for uncollectible amounts).....	-	446	-	-	-	-
Other assets.....	100	-	1,029	81	75	3
<b>Total assets.....</b>	<b>\$ 27,137</b>	<b>\$ 37,197</b>	<b>\$ 47,656</b>	<b>\$ 74,849</b>	<b>\$ 64,386</b>	<b>\$ 72,714</b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 12,863	\$ 762	\$ 422	\$ 2,766	\$ 6,829	\$ 4,184
Accrued payroll.....	112	44	916	3,348	1,398	3,370
Unearned grant and subvention revenues.....	5,646	-	-	-	10,239	100
Due to other funds.....	-	-	-	-	-	364
Unearned revenues and other liabilities.....	192	4,886	1,494	1,493	12	7,625
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
<b>Total liabilities.....</b>	<b>18,813</b>	<b>5,692</b>	<b>2,832</b>	<b>7,607</b>	<b>18,478</b>	<b>15,643</b>
Deferred inflows of resources.....	3,485	8,660	1,348	1,349	11,054	5,959
<b>Fund balances:</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	4,839	22,845	43,476	64,740	29,560	5,234
Assigned.....	-	-	-	1,153	5,294	45,878
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	4,839	22,845	43,476	65,893	34,854	51,112
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 27,137</b>	<b>\$ 37,197</b>	<b>\$ 47,656</b>	<b>\$ 74,849</b>	<b>\$ 64,386</b>	<b>\$ 72,714</b>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
June 30, 2018  
(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.....	\$ 28,936	\$ 18,276	\$ -	\$ 10,867	\$ 1,428,724
Deposits and investments outside City Treasury.....	- -	155,997	- -	36	177,932
<b>Receivables:</b>					
Property taxes and penalties.....	- -	- -	- -	- -	6,920
Other local taxes.....	- -	17,303	- -	- -	17,303
Federal and state grants and subventions.....	- -	4,605	4,152	- -	90,262
Charges for services.....	36	- -	21	- -	19,552
Interest and other.....	3	1,195	- -	45	6,340
Due from other funds.....	- -	346	- -	- -	3,220
Due from component unit.....	1,595	1,005	- -	- -	4,226
Advance to component unit.....	- -	- -	- -	- -	8,214
Loans receivable (net of allowance for uncollectible amounts).....	- -	- -	- -	- -	86,960
Other assets.....	- -	82	- -	- -	1,645
<b>Total assets.....</b>	<b>\$ 30,570</b>	<b>\$ 198,809</b>	<b>\$ 4,173</b>	<b>\$ 10,948</b>	<b>\$ 1,851,298</b>
<b>Liabilities:</b>					
Accounts payable.....	\$ 3,279	\$ 11,292	\$ 625	\$ 413	\$ 117,939
Accrued payroll.....	1,295	194	- -	347	17,078
Unearned grant and subvention revenues.....	- -	- -	25	- -	22,772
Due to other funds.....	- -	30,081	3,524	- -	34,329
Unearned revenues and other liabilities.....	1,056	- -	- -	635	46,127
Bonds, loans, capital leases, and other payables.....	- -	- -	- -	- -	13,239
<b>Total liabilities.....</b>	<b>5,630</b>	<b>41,567</b>	<b>4,174</b>	<b>1,395</b>	<b>251,484</b>
Deferred inflows of resources.....	2	4,870	903	- -	148,782
<b>Fund balances:</b>					
Nonspendable.....	- -	82	- -	- -	82
Restricted.....	24,938	123,504	- -	9,553	1,327,778
Assigned.....	- -	28,786	- -	- -	124,076
Unassigned.....	- -	- -	(904)	- -	(904)
<b>Total fund balances.....</b>	<b>24,938</b>	<b>152,372</b>	<b>(904)</b>	<b>9,553</b>	<b>1,451,032</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 30,570</b>	<b>\$ 198,809</b>	<b>\$ 4,173</b>	<b>\$ 10,948</b>	<b>\$ 1,851,298</b>

**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, 2018  
 (In Thousands)

	<b>Building Inspection Fund</b>	<b>Children and Families Fund</b>	<b>Community / Neighborhood Development Fund</b>	<b>Community Health Services Fund</b>	<b>Convention Facilities Fund</b>	<b>Courts Fund</b>
<b>Revenues:</b>						
Property taxes.....	\$ -	\$ 91,631	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	2,066	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,520	-	-	2	-	-
Fines, forfeitures, and penalties.....	-	-	491	2,331	-	21
Interest and investment income.....	1,846	1,013	10,499	534	188	8
Rents and concessions.....	-	-	484	-	29,741	-
Intergovernmental:						
Federal.....	-	8,534	43,186	58,406	-	-
State.....	-	11,744	1,456	48,114	-	-
Other.....	-	-	5,370	-	-	-
Charges for services.....	71,100	-	13,228	4,440	-	2,506
Other.....	6	485	96,849	1,794	7,500	-
<b>Total revenues.....</b>	<b>79,472</b>	<b>113,407</b>	<b>173,629</b>	<b>115,621</b>	<b>37,429</b>	<b>2,535</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	-	-	355
Public works, transportation and commerce...	74,237	-	12,203	-	15,713	-
Human welfare and neighborhood development.....	-	211,304	176,133	462	2,692	-
Community health.....	-	-	-	108,128	-	-
Culture and recreation.....	-	-	2,141	-	46,938	-
General administration and finance.....	-	-	5,430	-	-	-
General City responsibilities.....	-	-	-	-	-	-
<b>Debt service:</b>						
Principal retirement.....	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	72	-	-	-
Bond issuance costs.....	-	-	1,211	-	-	-
<b>Total expenditures.....</b>	<b>74,237</b>	<b>211,304</b>	<b>197,190</b>	<b>108,590</b>	<b>65,343</b>	<b>355</b>
<b>Excess (deficiency) of revenues     over (under) expenditures.....</b>	<b>5,235</b>	<b>(97,897)</b>	<b>(23,561)</b>	<b>7,031</b>	<b>(27,914)</b>	<b>2,180</b>
<b>Other financing sources (uses):</b>						
<b>Transfers in.....</b>	<b>-</b>	<b>114,668</b>	<b>151</b>	<b>-</b>	<b>56,247</b>	<b>649</b>
<b>Transfers out.....</b>	<b>(87)</b>	<b>(16)</b>	<b>(1,645)</b>	<b>(12)</b>	<b>(25,121)</b>	<b>(2,354)</b>
<b>Issuance of bonds and loans:</b>						
Face value of bonds issued.....	-	-	142,145	-	-	-
Premium on issuance of bonds.....	-	-	986	-	-	-
<b>Total other financing sources (uses).....</b>	<b>(87)</b>	<b>114,652</b>	<b>141,637</b>	<b>(12)</b>	<b>31,126</b>	<b>(1,705)</b>
<b>Special item:</b>						
Receipt of Yerba Buena Garden assets.....	-	-	-	-	-	-
Net changes in fund balances.....	5,148	16,755	118,076	7,019	3,212	475
Fund balances at beginning of year.....	150,109	115,135	478,190	23,850	29,299	317
Fund balances at end of year.....	<b>\$ 155,257</b>	<b>\$ 131,890</b>	<b>\$ 596,266</b>	<b>\$ 30,869</b>	<b>\$ 32,511</b>	<b>\$ 792</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, 2018  
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
<b>Revenues:</b>						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	177	-	-	1,928	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	706	-
Interest and investment income.....	168	3	362	137	132	89
Rents and concessions.....	437	-	-	1,081	-	4,015
Intergovernmental:						
Federal.....	89	549	-	34	-	-
State.....	498	5,596	33,046	265	-	-
Other.....	-	29	-	-	-	-
Charges for services.....	9,589	35	666	1,855	20	7,084
Other.....	3,382	421	1	650	5,146	-
<b>Total revenues.....</b>	<b>14,340</b>	<b>6,633</b>	<b>34,075</b>	<b>5,950</b>	<b>6,004</b>	<b>11,188</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	186	304	-
Public works, transportation and commerce...	646	-	30,709	-	1,517	-
Human welfare and neighborhood development.....	761	7,206	-	-	768	-
Community health.....	-	-	-	-	104	-
Culture and recreation.....	13,473	-	-	1,081	856	14,581
General administration and finance.....	13,556	19	-	4,626	220	-
General City responsibilities.....	-	-	-	108	-	-
<b>Debt service:</b>						
Principal retirement.....	414	-	-	-	-	-
Interest and other fiscal charges.....	1,047	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>29,897</b>	<b>7,225</b>	<b>30,709</b>	<b>6,001</b>	<b>3,769</b>	<b>14,581</b>
Excess (deficiency) of revenues over (under) expenditures.....	(15,557)	(592)	3,366	(51)	2,235	(3,393)
<b>Other financing sources (uses):</b>						
Transfers in.....	19,788	62	5,166	203	-	5,585
Transfers out.....	(107)	(3)	(3,099)	-	(695)	(1,180)
<b>Issuance of bonds and loans:</b>						
Face value of bonds issued.....	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>19,681</b>	<b>59</b>	<b>2,067</b>	<b>203</b>	<b>(695)</b>	<b>4,405</b>
<b>Special item:</b>						
Receipt of Yerba Buena Garden assets.....	-	-	-	-	-	-
Net changes in fund balances.....	4,124	(533)	5,433	152	1,540	1,012
Fund balances at beginning of year.....	12,855	715	27,226	24,520	11,571	5,854
Fund balances at end of year.....	<b>\$ 16,979</b>	<b>\$ 182</b>	<b>\$ 32,659</b>	<b>\$ 24,672</b>	<b>\$ 13,111</b>	<b>\$ 6,866</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, 2018  
 (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.....	\$ -	\$ -	\$ 61,497	\$ 61,497	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	333	-	-	-	509	-
Fines, forfeitures, and penalties.....	11	-	-	-	4,012	208
Interest and investment income.....	220	3,080	367	557	400	97
Rents and concessions.....	-	4,279	-	3	-	20
Intergovernmental:						
Federal.....	28,070	-	-	-	35,953	-
State.....	4,630	-	158	220	14,223	-
Other.....	19	1,773	-	-	-	703
Charges for services.....	169	-	-	758	19,417	34,218
Other.....	-	3,858	-	-	1	1,011
<b>Total revenues.....</b>	<b>33,452</b>	<b>12,990</b>	<b>62,022</b>	<b>63,035</b>	<b>74,515</b>	<b>36,257</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	-	65,327	-
Public works, transportation and commerce...	4,439	-	833	1,564	29	27,961
Human welfare and neighborhood development.....	70,097	6,409	-	-	3,570	14,780
Community health.....	-	-	-	-	1,208	-
Culture and recreation.....	-	-	61,445	125,252	-	-
General administration and finance.....	-	-	-	-	2,865	16
General City responsibilities.....	-	-	-	-	-	-
<b>Debt service:</b>						
Principal retirement.....	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>74,536</b>	<b>6,409</b>	<b>62,278</b>	<b>126,816</b>	<b>72,999</b>	<b>42,757</b>
Excess (deficiency) of revenues over (under) expenditures.....	(41,084)	6,581	(256)	(63,781)	1,516	(6,500)
<b>Other financing sources (uses):</b>						
Transfers in.....	49,400	-	1,180	84,380	-	19,245
Transfers out.....	-	(1)	(367)	(6,379)	(1,455)	(300)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>49,400</b>	<b>(1)</b>	<b>813</b>	<b>78,001</b>	<b>(1,455)</b>	<b>18,945</b>
<b>Special item:</b>						
Receipt of Yerba Buena Garden assets.....	-	-	-	-	-	-
Net changes in fund balances.....	8,316	6,580	557	14,220	61	12,445
Fund balances at beginning of year.....	(3,477)	16,265	42,919	51,673	34,793	38,667
Fund balances at end of year.....	<b>\$ 4,839</b>	<b>\$ 22,845</b>	<b>\$ 43,476</b>	<b>\$ 65,893</b>	<b>\$ 34,854</b>	<b>\$ 51,112</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, 2018  
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens Program Fund	War Memorial Fund	Total
<b>Revenues:</b>					
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 214,625
Business taxes.....	-	-	-	-	2,066
Sales and use tax.....	-	103,263	-	-	103,263
Licenses, permits, and franchises.....	-	4,908	-	-	14,377
Fines, forfeitures, and penalties.....	-	-	-	-	7,780
Interest and investment income.....	4	1,704	-	155	21,563
Rents and concessions.....	46,477	-	-	3,766	90,303
Intergovernmental:					
Federal.....	-	7,719	5,148	-	187,688
State.....	-	1,176	717	-	121,843
Other.....	2,321	3,571	-	-	13,786
Charges for services.....	721	-	-	537	166,343
Other.....	-	46	2	317	121,469
<b>Total revenues.....</b>	<b>49,523</b>	<b>122,387</b>	<b>5,867</b>	<b>4,775</b>	<b>1,065,106</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	-	-	-	-	66,172
Public works, transportation and commerce...	140	47,780	-	267	218,038
Human welfare and neighborhood development.....	-	-	5,986	-	500,168
Community health.....	-	-	-	-	109,440
Culture and recreation.....	-	-	-	15,886	281,653
General administration and finance.....	40,936	-	-	-	67,668
General City responsibilities.....	-	-	-	-	108
<b>Debt service:</b>					
Principal retirement.....	-	115,000	-	-	115,414
Interest and other fiscal charges.....	-	3,464	-	-	4,583
Bond issuance costs.....	-	2,180	-	-	3,391
<b>Total expenditures.....</b>	<b>41,076</b>	<b>168,424</b>	<b>5,986</b>	<b>16,153</b>	<b>1,366,635</b>
Excess (deficiency) of revenues over (under) expenditures.....	<b>8,447</b>	<b>(46,037)</b>	<b>(119)</b>	<b>(11,378)</b>	<b>(301,529)</b>
<b>Other financing sources (uses):</b>					
Transfers in.....	130	-	10	13,163	370,027
Transfers out.....	(8,553)	(100,255)	-	(23)	(151,652)
<b>Issuance of bonds and loans:</b>					
Face value of bonds issued.....	-	248,250	-	-	390,395
Premium on issuance of bonds.....	-	21,883	-	-	22,869
<b>Total other financing sources (uses).....</b>	<b>(8,423)</b>	<b>169,878</b>	<b>10</b>	<b>13,140</b>	<b>631,639</b>
<b>Special item:</b>					
Receipt of Yerba Buena Garden assets.....	11,137	-	-	-	11,137
Net changes in fund balances.....	11,161	123,841	(109)	1,762	341,247
Fund balances at beginning of year.....	13,777	28,531	(795)	7,791	1,109,785
Fund balances at end of year.....	<b>\$ 24,938</b>	<b>\$ 152,372</b>	<b>\$ (904)</b>	<b>\$ 9,553</b>	<b>\$ 1,451,032</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis  
Nonmajor Governmental Funds – Special Revenue Funds**

Year Ended June 30, 2018  
(In Thousands)

	Building Inspection Fund			Variance Positive (Negative)	Children and Families Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual		Original Budget	Final Budget	Actual	
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 86,371	\$ 86,371	\$ 91,631	\$ 5,260
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,696	6,696	6,520	(176)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	559	559	2,650	2,091	345	1,473	1,838	365
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	9,960	10,313	9,599	(714)
State.....	-	-	-	-	14,841	12,659	13,188	529
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	58,492	58,760	71,100	12,340	-	-	-	-
Other.....	-	-	6	6	1,100	450	485	35
<b>Total revenues.....</b>	<b>65,747</b>	<b>66,015</b>	<b>80,276</b>	<b>14,261</b>	<b>112,617</b>	<b>111,266</b>	<b>116,741</b>	<b>5,475</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	76,360	76,893	74,236	2,657	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	238,642	211,337	211,305	32
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>76,360</b>	<b>76,893</b>	<b>74,236</b>	<b>2,657</b>	<b>238,642</b>	<b>211,337</b>	<b>211,305</b>	<b>32</b>
Excess (deficiency) of revenues over (under) expenditures.....	(10,613)	(10,878)	6,040	16,918	(126,025)	(100,071)	(94,564)	5,507
<b>Other financing sources (uses):</b>								
Transfers in.....	-	-	-	-	110,615	114,668	114,668	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,615</b>	<b>114,668</b>	<b>114,668</b>	<b>-</b>
<b>Net changes in fund balances.....</b>	<b>(10,613)</b>	<b>(10,878)</b>	<b>6,040</b>	<b>16,918</b>	<b>(15,410)</b>	<b>14,597</b>	<b>20,104</b>	<b>5,507</b>
Budgetary fund balances, July 1.....	10,613	150,151	150,151	-	15,410	115,290	115,290	-
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 139,273</b>	<b>\$ 156,191</b>	<b>\$ 16,918</b>	<b>\$ -</b>	<b>\$ 129,887</b>	<b>\$ 135,394</b>	<b>\$ 5,507</b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Schedule of Revenues, Expenditures, and Changes**  
**in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
**Year Ended June 30, 2018**  
(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.....	1,900	2,066	2,066	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	2	2	-
Fines, forfeitures, and penalties.....	-	491	491	-	2,400	2,331	2,331	-
Interest and investment income.....	9	12,692	12,692	-	210	683	683	-
Rents and concessions.....	30	484	484	-	-	-	-	-
Intergovernmental:								
Federal.....	6,855	42,339	42,339	-	67,671	58,856	58,856	-
State.....	1,930	799	799	-	37,097	50,143	50,143	-
Other.....	-	5,370	5,370	-	-	-	-	-
Charges for services.....	9,488	14,129	13,228	(901)	130	4,440	4,440	-
Other.....	64,172	97,558	96,938	(620)	1,351	1,659	1,659	-
<b>Total revenues.....</b>	<b>84,384</b>	<b>175,928</b>	<b>174,407</b>	<b>(1,521)</b>	<b>108,859</b>	<b>118,114</b>	<b>118,114</b>	<b>-</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	40,868	12,203	12,203	-	-	-	-	-
Human welfare and neighborhood development.....	15,214	176,476	176,132	344	609	462	462	-
Community health.....	-	-	-	-	108,250	108,128	108,128	-
Culture and recreation.....	19,639	2,141	2,141	-	-	-	-	-
General administration and finance.....	11,481	5,430	5,430	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	72	72	-	-	-	-	-
Bond issuance costs.....	-	226	226	-	-	-	-	-
<b>Total expenditures.....</b>	<b>87,202</b>	<b>196,548</b>	<b>196,204</b>	<b>344</b>	<b>108,859</b>	<b>108,590</b>	<b>108,590</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>(2,818)</b>	<b>(20,620)</b>	<b>(21,797)</b>	<b>(1,177)</b>	<b>-</b>	<b>9,524</b>	<b>9,524</b>	<b>-</b>
<b>Other financing sources (uses):</b>								
Transfers in.....	1	151	151	-	-	-	-	-
Transfers out.....	(10)	(1,557)	(1,557)	-	-	-	-	-
Issuance of commercial paper.....	-	13,239	13,239	-	-	-	-	-
Issuance of bonds.....	-	142,145	142,145	-	-	-	-	-
Premium on issuance of bonds.....	-	1	1	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>(9)</b>	<b>153,979</b>	<b>153,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net changes in fund balances.....</b>	<b>(2,827)</b>	<b>133,359</b>	<b>132,182</b>	<b>(1,177)</b>	<b>-</b>	<b>9,524</b>	<b>9,524</b>	<b>-</b>
<b>Budgetary fund balances, July 1.....</b>	<b>2,827</b>	<b>486,048</b>	<b>486,048</b>	<b>-</b>	<b>-</b>	<b>38,573</b>	<b>38,573</b>	<b>-</b>
<b>Budgetary fund balances, June 30.....</b>	<b>\$ -</b>	<b>\$ 619,407</b>	<b>\$ 618,230</b>	<b>\$ (1,177)</b>	<b>\$ -</b>	<b>\$ 48,097</b>	<b>\$ 48,097</b>	<b>\$ -</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Convention Facilities Fund				Courts Fund				Variance Positive (Negative)
	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.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	4	4	21	17	
Interest and investment income.....	-	40	40	-	-	-	-	-	
Rents and concessions.....	21,147	29,702	29,741	39	-	-	-	-	
Intergovernmental:									
Federal.....	-	-	-	-	-	-	-	-	
State.....	-	-	-	-	-	-	-	-	
Other.....	-	-	-	-	-	-	-	-	
Charges for services.....	-	-	-	-	2,144	2,143	2,506	363	
Other.....	7,650	7,650	7,500	(150)	-	-	-	-	
<b>Total revenues.....</b>	<b>28,797</b>	<b>37,392</b>	<b>37,281</b>	<b>(111)</b>	<b>2,148</b>	<b>2,147</b>	<b>2,527</b>	<b>380</b>	
<b>Expenditures:</b>									
<b>Current:</b>									
Public protection.....	-	-	-	-	2,796	438	355	83	
Public works, transportation and commerce.....	-	15,712	15,712	-	-	-	-	-	
Human welfare and neighborhood development....	744	2,692	2,692	-	-	-	-	-	
Community health.....	-	-	-	-	-	-	-	-	
Culture and recreation.....	87,221	52,255	46,938	5,317	-	-	-	-	
General administration and finance.....	-	-	-	-	-	-	-	-	
<b>Debt service:</b>									
Principal retirement.....	506	506	506	-	-	-	-	-	
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-	
Bond issuance costs.....	-	-	-	-	-	-	-	-	
<b>Total expenditures.....</b>	<b>88,471</b>	<b>71,165</b>	<b>65,848</b>	<b>5,317</b>	<b>2,796</b>	<b>438</b>	<b>355</b>	<b>83</b>	
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>									
	<b>(59,674)</b>	<b>(33,773)</b>	<b>(28,567)</b>	<b>5,206</b>	<b>(648)</b>	<b>1,709</b>	<b>2,172</b>	<b>463</b>	
<b>Other financing sources (uses):</b>									
Transfers in.....	54,530	56,247	56,247	-	648	649	649	-	
Transfers out.....	-	(24,466)	(24,466)	-	-	(2,346)	(2,346)	-	
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	
Issuance of bonds.....	-	-	-	-	-	-	-	-	
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-	
Budget reserves and designations.....	-	-	-	-	-	-	-	-	
<b>Total other financing sources (uses).....</b>	<b>54,530</b>	<b>31,781</b>	<b>31,781</b>	<b>-</b>	<b>648</b>	<b>(1,697)</b>	<b>(1,697)</b>	<b>-</b>	
<b>Net changes in fund balances.....</b>	<b>(5,144)</b>	<b>(1,992)</b>	<b>3,214</b>	<b>5,206</b>	<b>-</b>	<b>12</b>	<b>475</b>	<b>463</b>	
Budgetary fund balances, July 1.....	5,144	34,065	34,065	-	-	327	327	-	
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 32,073</b>	<b>\$ 37,279</b>	<b>\$ 5,206</b>	<b>\$ -</b>	<b>\$ 339</b>	<b>\$ 802</b>	<b>\$ 463</b>	

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Culture and Recreation Fund			Environmental Protection Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Original Budget	Final Budget	Actual	
Revenues:							
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	177	177	177	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-
Interest and investment income.....	25	126	101	(25)	-	-	-
Rents and concessions.....	417	608	437	(171)	-	-	-
Intergovernmental:							
Federal.....	-	89	89	-	-	494	616
State.....	-	231	231	-	829	5,763	5,567
Other.....	-	-	-	-	93	31	31
Charges for services.....	9,692	11,466	9,589	(1,877)	85	45	35
Other.....	1,818	3,382	3,382	-	2,338	2,129	401
Total revenues.....	<u>12,129</u>	<u>16,079</u>	<u>14,006</u>	<u>(2,073)</u>	<u>3,345</u>	<u>8,462</u>	<u>6,650</u>
Expenditures:							
Current:							
Public protection.....	-	-	-	-	-	-	-
Public works, transportation and commerce.....	1,075	647	647	-	-	-	-
Human welfare and neighborhood development....	-	761	761	-	3,379	8,929	7,206
Community health.....	-	-	-	-	-	-	-
Culture and recreation.....	15,230	13,977	13,472	505	-	-	-
General administration and finance.....	13,973	13,708	13,556	152	-	19	19
Debt service:							
Principal retirement.....	691	414	414	-	-	-	-
Interest and other fiscal charges.....	1,049	1,329	1,329	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-
Total expenditures.....	<u>32,018</u>	<u>30,836</u>	<u>30,179</u>	<u>657</u>	<u>3,379</u>	<u>8,948</u>	<u>7,225</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(19,889)</u>	<u>(14,757)</u>	<u>(16,173)</u>	<u>(1,416)</u>	<u>(34)</u>	<u>(486)</u>	<u>(575)</u>
Other financing sources (uses):							
Transfers in.....	19,261	19,788	19,788	-	34	62	62
Transfers out.....	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>19,261</u>	<u>19,788</u>	<u>19,788</u>	<u>-</u>	<u>34</u>	<u>62</u>	<u>62</u>
Net changes in fund balances.....	<u>(628)</u>	<u>5,031</u>	<u>3,615</u>	<u>(1,416)</u>	<u>-</u>	<u>(424)</u>	<u>(513)</u>
Budgetary fund balances, July 1.....	<u>628</u>	<u>16,996</u>	<u>16,996</u>	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>1,423</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 22,027</u>	<u>\$ 20,611</u>	<u>\$ (1,416)</u>	<u>\$ -</u>	<u>\$ 999</u>	<u>\$ 910</u>
							<u>\$ (89)</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Gasoline Tax Fund				General Services Fund				Variance Positive (Negative)
	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.....	-	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	3,120	2,540	2,540	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-	-
Interest and investment income.....	42	58	492	434	45	213	213	-	-
Rents and concessions.....	-	-	-	-	-	1,081	1,081	-	-
<b>Intergovernmental:</b>									
Federal.....	-	-	-	-	175	34	34	-	-
State.....	34,284	31,873	33,046	1,173	525	265	265	-	-
Other.....	-	-	-	-	-	-	-	-	-
Charges for services.....	800	800	666	(134)	1,798	1,855	1,855	-	-
Other.....	-	-	8	8	1,699	647	647	-	-
Total revenues.....	<u>35,126</u>	<u>32,731</u>	<u>34,212</u>	<u>1,481</u>	<u>7,362</u>	<u>6,635</u>	<u>6,635</u>	<u>-</u>	<u>-</u>
<b>Expenditures:</b>									
<b>Current:</b>									
Public protection.....	-	-	-	-	280	186	186	-	-
Public works, transportation and commerce.....	37,202	30,710	30,710	-	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	1,081	1,081	-	-
General administration and finance.....	-	-	-	-	8,015	5,222	4,626	596	596
Debt service:									
Principal retirement.....	-	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-	-
Total expenditures.....	<u>37,202</u>	<u>30,710</u>	<u>30,710</u>	<u>-</u>	<u>8,295</u>	<u>6,489</u>	<u>5,893</u>	<u>596</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,076)</u>	<u>2,021</u>	<u>3,502</u>	<u>1,481</u>	<u>(933)</u>	<u>146</u>	<u>742</u>	<u>596</u>	<u>-</u>
<b>Other financing sources (uses):</b>									
Transfers in.....	4,948	5,166	5,166	-	159	158	95	(63)	-
Transfers out.....	(3,099)	(3,099)	(3,099)	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>1,849</u>	<u>2,067</u>	<u>2,067</u>	<u>-</u>	<u>159</u>	<u>158</u>	<u>95</u>	<u>(63)</u>	<u>-</u>
Net changes in fund balances.....	<u>(227)</u>	<u>4,088</u>	<u>5,569</u>	<u>1,481</u>	<u>(774)</u>	<u>304</u>	<u>837</u>	<u>533</u>	<u>-</u>
Budgetary fund balances, July 1.....	<u>227</u>	<u>27,234</u>	<u>27,234</u>	<u>-</u>	<u>774</u>	<u>24,549</u>	<u>24,549</u>	<u>-</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 31,322</u>	<u>\$ 32,803</u>	<u>\$ 1,481</u>	<u>\$ -</u>	<u>\$ 24,853</u>	<u>\$ 25,386</u>	<u>\$ 533</u>	<u>-</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(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)
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	706	706	-	-	-	-	-
Interest and investment income.....	-	56	56	-	20	61	128	67
Rents and concessions.....	-	-	-	-	3,639	3,639	4,015	376
Intergovernmental:								
Federal.....	-	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	20	20	-	7,141	7,341	7,084	(257)
Other.....	5,979	5,127	5,170	43	-	-	-	-
<b>Total revenues.....</b>	<b>5,979</b>	<b>5,909</b>	<b>5,952</b>	<b>43</b>	<b>10,800</b>	<b>11,041</b>	<b>11,227</b>	<b>186</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	500	303	303	-	-	-	-	-
Public works, transportation and commerce.....	-	1,517	1,517	-	-	-	-	-
Human welfare and neighborhood development....	4,641	767	767	-	-	-	-	-
Community health.....	-	104	104	-	-	-	-	-
Culture and recreation.....	238	856	856	-	15,871	16,337	14,581	1,756
General administration and finance.....	-	221	221	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>5,379</b>	<b>3,768</b>	<b>3,768</b>	<b>-</b>	<b>15,871</b>	<b>16,337</b>	<b>14,581</b>	<b>1,756</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>								
600	2,141	2,184	43	(5,071)	(5,296)	(3,354)	1,942	
<b>Other financing sources (uses):</b>								
Transfers in.....	-	-	-	-	5,585	5,585	5,585	-
Transfers out.....	(600)	(600)	(600)	-	(1,180)	(1,180)	(1,180)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	(600)	(600)	(600)	-	4,405	4,405	4,405	-
Net changes in fund balances.....	-	1,541	1,584	43	(666)	(891)	1,051	1,942
Budgetary fund balances, July 1.....	-	11,560	11,560	-	666	5,859	5,859	-
Budgetary fund balances, June 30.....	\$ -	\$ 13,101	\$ 13,144	\$ 43	\$ -	\$ 4,968	\$ 6,910	\$ 1,942

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Human Welfare Fund			Variance Positive (Negative)	Low and Moderate Income Housing Asset Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual		Original Budget	Final Budget	Actual	
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	240	240	333	93	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	11	11	-	-	-	-
Interest and investment income.....	-	220	220	-	-	3,228	3,228	-
Rents and concessions.....	-	-	-	-	8,000	4,279	4,279	-
Intergovernmental:								
Federal.....	49,651	26,535	26,535	-	-	-	-	-
State.....	418	4,671	4,671	-	-	-	-	-
Other.....	80	4	4	-	1,773	1,773	1,773	-
Charges for services.....	363	169	169	-	-	-	-	-
Other.....	-	-	-	-	2,000	4,779	4,779	-
<b>Total revenues.....</b>	<b>50,752</b>	<b>31,839</b>	<b>31,943</b>	<b>104</b>	<b>11,773</b>	<b>14,059</b>	<b>14,059</b>	<b>-</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	4,439	4,439	-	-	-	-	-
Human welfare and neighborhood development....	100,349	69,993	69,993	-	10,000	6,650	6,650	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	2,119	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>100,349</b>	<b>74,432</b>	<b>74,432</b>	<b>-</b>	<b>12,119</b>	<b>6,650</b>	<b>6,650</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures.....	(49,597)	(42,593)	(42,489)	104	(346)	7,409	7,409	-
<b>Other financing sources (uses):</b>								
Transfers in.....	49,294	49,295	49,295	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>49,294</b>	<b>49,295</b>	<b>49,295</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net changes in fund balances.....	(303)	6,702	6,806	104	(346)	7,409	7,409	-
Budgetary fund balances, July 1.....	303	1,513	1,513	-	346	20,659	20,659	-
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 8,215</b>	<b>\$ 8,319</b>	<b>\$ 104</b>	<b>\$ -</b>	<b>\$ 28,068</b>	<b>\$ 28,068</b>	<b>\$ -</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Open Space and Park Fund				Public Library Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	
<b>Revenues:</b>									
Property taxes.....	\$ 57,581	\$ 57,581	\$ 61,497	\$ 3,916	\$ 57,581	\$ 57,581	\$ 61,497	\$ 3,916	
Business taxes.....	-	-	-	-	-	-	-	-	
Sales and use tax.....	-	-	-	-	-	-	-	-	
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-	
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-	
Interest and investment income.....	150	313	598	285	222	240	776	536	
Rents and concessions.....	-	-	-	-	4	4	3	(1)	
<b>Intergovernmental:</b>									
Federal.....	-	-	-	-	-	-	-	-	
State.....	170	170	158	(12)	220	232	220	(12)	
Other.....	-	-	-	-	-	-	-	-	
Charges for services.....	-	-	-	-	591	601	759	158	
Other.....	-	-	-	-	-	-	-	-	
<b>Total revenues.....</b>	<b>57,901</b>	<b>58,064</b>	<b>62,253</b>	<b>4,189</b>	<b>58,618</b>	<b>58,658</b>	<b>63,255</b>	<b>4,597</b>	
<b>Expenditures:</b>									
<b>Current:</b>									
Public protection.....	-	-	-	-	-	-	-	-	
Public works, transportation and commerce.....	-	833	833	-	-	1,782	1,564	218	
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-	
Community health.....	-	-	-	-	-	-	-	-	
Culture and recreation.....	59,444	61,957	61,445	512	137,365	125,252	125,252	-	
General administration and finance.....	-	-	-	-	-	-	-	-	
<b>Debt service:</b>									
Principal retirement.....	-	-	-	-	-	-	-	-	
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-	
Bond issuance costs.....	-	-	-	-	-	-	-	-	
<b>Total expenditures.....</b>	<b>59,444</b>	<b>62,790</b>	<b>62,278</b>	<b>512</b>	<b>137,365</b>	<b>127,034</b>	<b>126,816</b>	<b>218</b>	
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>(1,543)</b>	<b>(4,726)</b>	<b>(25)</b>	<b>4,701</b>	<b>(78,747)</b>	<b>(68,376)</b>	<b>(63,561)</b>	<b>4,815</b>	
<b>Other financing sources (uses):</b>									
Transfers in.....	1,180	1,180	1,180	-	78,100	84,380	84,380	-	
Transfers out.....	(367)	(367)	(367)	-	-	(6,310)	(6,310)	-	
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	
Issuance of bonds.....	-	-	-	-	-	-	-	-	
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-	
Budget reserves and designations.....	(778)	(778)	-	778	-	-	-	-	
<b>Total other financing sources (uses).....</b>	<b>35</b>	<b>35</b>	<b>813</b>	<b>778</b>	<b>78,100</b>	<b>78,070</b>	<b>78,070</b>	<b>-</b>	
<b>Net changes in fund balances.....</b>	<b>(1,508)</b>	<b>(4,691)</b>	<b>788</b>	<b>5,479</b>	<b>(647)</b>	<b>9,694</b>	<b>14,509</b>	<b>4,815</b>	
<b>Budgetary fund balances, July 1.....</b>	<b>1,508</b>	<b>42,931</b>	<b>42,931</b>	<b>-</b>	<b>647</b>	<b>54,450</b>	<b>54,450</b>	<b>-</b>	
<b>Budgetary fund balances, June 30.....</b>	<b>\$ -</b>	<b>\$ 38,240</b>	<b>\$ 43,719</b>	<b>\$ 5,479</b>	<b>\$ -</b>	<b>\$ 64,144</b>	<b>\$ 68,959</b>	<b>\$ 4,815</b>	

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**

**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**

Year Ended June 30, 2018

(In Thousands)

	Public Protection Fund			Variance Positive (Negative)	Public Works, Transportation and Commerce Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual		Original Budget	Final Budget	Actual	
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	1,032	509	509	-	-	-	-	-
Fines, forfeitures, and penalties.....	6,538	4,012	4,012	-	-	19	19	-
Interest and investment income.....	3	240	240	-	-	130	130	-
Rents and concessions.....	-	-	-	-	-	18	20	2
Intergovernmental:								
Federal.....	31,015	33,937	33,939	2	-	-	-	-
State.....	17,176	14,996	14,996	-	-	-	-	-
Other.....	10	-	-	-	-	1,831	1,846	15
Charges for services.....	2,087	19,522	19,522	-	17,966	30,404	32,322	1,918
Other.....	-	1	1	-	-	1,019	1,030	11
<b>Total revenues.....</b>	<b>57,861</b>	<b>73,217</b>	<b>73,219</b>	<b>2</b>	<b>17,966</b>	<b>33,421</b>	<b>35,367</b>	<b>1,946</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	48,066	65,345	65,326	19	-	-	-	-
Public works, transportation and commerce.....	-	29	29	-	21,467	30,375	27,722	2,653
Human welfare and neighborhood development....	3,773	3,570	3,570	-	16,190	15,634	14,781	853
Community health.....	1,930	1,208	1,208	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	4,743	2,865	2,865	-	-	16	16	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>58,512</b>	<b>73,017</b>	<b>72,998</b>	<b>19</b>	<b>37,657</b>	<b>46,025</b>	<b>42,519</b>	<b>3,506</b>
<b>Excess (deficiency) of revenues     over (under) expenditures.....</b>								
	<b>(651)</b>	<b>200</b>	<b>221</b>	<b>21</b>	<b>(19,691)</b>	<b>(12,604)</b>	<b>(7,152)</b>	<b>5,452</b>
<b>Other financing sources (uses):</b>								
Transfers in.....	-	-	-	-	19,000	19,031	19,031	-
Transfers out.....	(1,218)	(1,218)	(1,218)	-	-	(300)	(300)	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	(61)	(61)	-	61
<b>Total other financing sources (uses).....</b>	<b>(1,218)</b>	<b>(1,218)</b>	<b>(1,218)</b>	<b>-</b>	<b>18,939</b>	<b>18,670</b>	<b>18,731</b>	<b>61</b>
<b>Net changes in fund balances.....</b>	<b>(1,869)</b>	<b>(1,018)</b>	<b>(997)</b>	<b>21</b>	<b>(752)</b>	<b>6,066</b>	<b>11,579</b>	<b>5,513</b>
Budgetary fund balances, July 1.....	1,869	47,561	47,561	-	752	41,662	41,662	-
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 46,543</b>	<b>\$ 46,564</b>	<b>\$ 21</b>	<b>\$ -</b>	<b>\$ 47,728</b>	<b>\$ 53,241</b>	<b>\$ 5,513</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**

**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**

Year Ended June 30, 2018  
(In Thousands)

	Real Property Fund			Variance Positive (Negative)	San Francisco County Transportation Authority Fund			Variance Positive (Negative)
	Original Budget	Final Budget	Actual		Original Budget	Final Budget	Actual	
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	106,530	104,272	103,263	(1,009)
Licenses, permits, and franchises.....	-	-	-	-	4,834	4,834	4,908	74
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	4	4	288	633	1,704	1,071
Rents and concessions.....	12,048	54,151	46,479	(7,672)	-	-	-	-
Intergovernmental:								
Federal.....	-	-	-	-	17,464	11,541	7,719	(3,822)
State.....	-	-	-	-	2,042	1,218	1,176	(42)
Other.....	521	521	2,321	1,800	3,031	4,807	3,571	(1,236)
Charges for services.....	912	912	721	(191)	-	-	-	-
Other.....	193	193	11,061	10,868	2	43	46	3
<b>Total revenues.....</b>	<b>13,674</b>	<b>55,777</b>	<b>60,586</b>	<b>4,809</b>	<b>134,191</b>	<b>127,348</b>	<b>122,387</b>	<b>(4,961)</b>
<b>Expenditures:</b>								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	140	140	-	286,713	278,445	148,036	130,409
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	13,674	52,789	40,810	11,979	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	68,336	115,000	115,000	-
Interest and other fiscal charges.....	-	-	-	-	7,105	3,480	3,464	16
Bond issuance costs.....	-	-	-	-	2,150	2,052	2,180	(128)
<b>Total expenditures.....</b>	<b>13,674</b>	<b>52,929</b>	<b>40,950</b>	<b>11,979</b>	<b>364,304</b>	<b>398,977</b>	<b>268,680</b>	<b>130,297</b>
Excess (deficiency) of revenues over (under) expenditures.....	-	2,848	19,636	16,788	(230,113)	(271,629)	(146,293)	125,336
<b>Other financing sources (uses):</b>								
Transfers in.....	-	80	80	-	-	-	-	-
Transfers out.....	-	(8,553)	(8,553)	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	329,940	248,250	248,250	-
Premium on issuance of bonds.....	-	-	-	-	-	21,883	21,883	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(8,473)	(8,473)	-	329,940	270,133	270,133	-
Net changes in fund balances.....	-	(5,625)	11,163	16,788	99,827	(1,496)	123,840	125,336
Budgetary fund balances, July 1.....	-	13,359	13,359	-	28,531	28,531	28,531	-
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 7,734</b>	<b>\$ 24,522</b>	<b>\$ 16,788</b>	<b>\$ 128,358</b>	<b>\$ 27,035</b>	<b>\$ 152,371</b>	<b>\$ 125,336</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Senior Citizens Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	74	176	102
Rents and concessions.....	-	-	-	-	2,777	3,380	3,766	386
Intergovernmental:								
Federal.....	4,882	5,280	5,280	-	-	-	-	-
State.....	672	690	690	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	361	442	537	95
Other.....	-	-	-	-	-	254	317	63
Total revenues.....	<u>5,554</u>	<u>5,970</u>	<u>5,970</u>	<u>-</u>	<u>3,138</u>	<u>4,150</u>	<u>4,796</u>	<u>646</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	267	267	-
Human welfare and neighborhood development....	5,554	5,977	5,977	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	17,006	16,717	15,886	831
General administration and finance.....	-	-	-	-	-	-	-	-
Debt service:								
Principal retirement.....	-	-	-	-	-	-	-	-
Interest and other fiscal charges.....	-	-	-	-	-	-	-	-
Bond issuance costs.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>5,554</u>	<u>5,977</u>	<u>5,977</u>	<u>-</u>	<u>17,006</u>	<u>16,984</u>	<u>16,153</u>	<u>831</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>-</u>	<u>(7)</u>	<u>(7)</u>	<u>-</u>	<u>(13,868)</u>	<u>(12,834)</u>	<u>(11,357)</u>	<u>1,477</u>
Other financing sources (uses):								
Transfers in.....	-	-	-	-	13,163	13,163	13,163	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Issuance of bonds.....	-	-	-	-	-	-	-	-
Premium on issuance of bonds.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,163</u>	<u>13,163</u>	<u>13,163</u>	<u>-</u>
Net changes in fund balances.....	<u>-</u>	<u>(7)</u>	<u>(7)</u>	<u>-</u>	<u>(705)</u>	<u>329</u>	<u>1,806</u>	<u>1,477</u>
Budgetary fund balances, July 1.....	<u>-</u>	<u>8</u>	<u>8</u>	<u>-</u>	<u>705</u>	<u>7,755</u>	<u>7,755</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 8,084</u>	<u>\$ 9,561</u>	<u>\$ 1,477</u>	

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(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.....	\$ 201,533	\$ 201,533	\$ 214,625	\$ 13,092
Business taxes.....	1,900	2,066	2,066	-
Sales and use tax.....	106,530	104,272	103,263	(1,009)
Licenses, permits, and franchises.....	16,099	14,998	14,989	(9)
Fines, forfeitures, and penalties.....	8,942	7,563	7,591	28
Interest and investment income.....	1,918	21,039	25,969	4,930
Rents and concessions.....	48,062	97,346	90,305	(7,041)
Intergovernmental:				
Federal.....	187,673	189,418	185,006	(4,412)
State.....	110,204	123,710	125,150	1,440
Other.....	5,508	14,337	14,916	579
Charges for services.....	112,050	153,049	164,553	11,504
Other.....	<u>88,302</u>	<u>124,891</u>	<u>133,430</u>	<u>8,539</u>
<b>Total revenues.....</b>	<b><u>888,721</u></b>	<b><u>1,054,222</u></b>	<b><u>1,081,863</u></b>	<b><u>27,641</u></b>
<b>Expenditures:</b>				
<b>Current:</b>				
Public protection.....	51,642	66,272	66,170	102
Public works, transportation and commerce.....	463,685	453,992	318,055	135,937
Human welfare and neighborhood development....	399,095	503,248	500,296	2,952
Community health.....	110,180	109,440	109,440	-
Culture and recreation.....	352,014	290,573	281,652	8,921
General administration and finance.....	51,886	80,270	67,543	12,727
<b>Debt service:</b>				
Principal retirement.....	71,652	115,920	115,920	-
Interest and other fiscal charges.....	8,154	4,881	4,865	16
Bond issuance costs.....	2,150	2,278	2,406	(128)
<b>Total expenditures.....</b>	<b><u>1,510,458</u></b>	<b><u>1,626,874</u></b>	<b><u>1,466,347</u></b>	<b><u>160,527</u></b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>				
	<b><u>(621,737)</u></b>	<b><u>(572,652)</u></b>	<b><u>(384,484)</u></b>	<b><u>188,168</u></b>
<b>Other financing sources (uses):</b>				
Transfers in.....	356,518	369,603	369,540	(63)
Transfers out.....	(6,474)	(49,996)	(49,996)	-
Issuance of commercial paper.....	-	13,239	13,239	-
Issuance of bonds.....	329,940	390,395	390,395	-
Premium on issuance of bonds.....	-	21,884	21,884	-
Budget reserves and designations.....	<u>(839)</u>	<u>(839)</u>	<u>-</u>	<u>839</u>
<b>Total other financing sources (uses).....</b>	<b><u>679,145</u></b>	<b><u>744,286</u></b>	<b><u>745,062</u></b>	<b><u>776</u></b>
<b>Net changes in fund balances.....</b>	<b><u>57,408</u></b>	<b><u>171,634</u></b>	<b><u>360,578</u></b>	<b><u>188,944</u></b>
<b>Budgetary fund balances, July 1.....</b>	<b><u>70,950</u></b>	<b><u>1,170,504</u></b>	<b><u>1,170,504</u></b>	<b><u>-</u></b>
<b>Budgetary fund balances, June 30.....</b>	<b><u>\$ 128,358</u></b>	<b><u>\$ 1,342,138</u></b>	<b><u>\$ 1,531,082</u></b>	<b><u>\$ 188,944</u></b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Expenditures by Department**  
**Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds**  
Year Ended June 30, 2018  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>BUILDING INSPECTION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Building Inspection.....	\$ 76,360	\$ 76,817	\$ 74,160	\$ 2,657
Public Works.....	- 76,360	76,893	74,236	2,657
Total Building Inspection Fund.....	<u>76,360</u>	<u>76,893</u>	<u>74,236</u>	<u>2,657</u>
<b>CHILDREN AND FAMILIES FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Child Support Services.....	13,058	12,786	12,786	-
Children and Families Commission.....	14,961	8,583	8,583	-
Human Services.....	43,812	30,345	30,345	-
Mayor's Office.....	166,811	159,623	159,591	32
	238,642	211,337	211,305	32
Total Children and Families Fund.....	<u>238,642</u>	<u>211,337</u>	<u>211,305</u>	<u>32</u>
<b>COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	7,095	5,795	5,795	-
Municipal Transportation Agency.....	- 157	157	157	-
Public Works.....	33,773	6,209	6,209	-
Public Utilities Commission.....	- 42	42	42	-
	40,868	12,203	12,203	-
<b>Human Welfare and Neighborhood Development</b>				
Homelessness And Supportive Housing.....	- 1,484	1,484	1,484	-
Human Services.....	4,079	2,654	2,654	-
Mayor's Office.....	3,060	164,528	164,528	-
Rent Arbitration Board.....	8,075	7,810	7,466	344
	15,214	176,476	176,132	344
<b>Culture and Recreation</b>				
Arts Commission.....	100	61	61	-
Public Library.....	- 898	898	898	-
Recreation and Park Commission.....	19,539	1,182	1,182	-
	<u>19,639</u>	<u>2,141</u>	<u>2,141</u>	<u>-</u>
<b>General Administration and Finance</b>				
Administrative Services.....	3,100	2,251	2,251	-
City Planning.....	8,381	3,179	3,179	-
	11,481	5,430	5,430	-
Total Community / Neighborhood Development Fund...	<u>87,202</u>	<u>196,250</u>	<u>195,906</u>	<u>344</u>
<b>COMMUNITY HEALTH SERVICES FUND</b>				
<b>Community Health</b>				
Community Health Network.....	108,250	108,128	108,128	-
<b>Human Welfare &amp; Neighborhood Development</b>				
Homelessness And Supportive Housing.....	609	462	462	-
Total Community Health Services Fund.....	<u>108,859</u>	<u>108,590</u>	<u>108,590</u>	<u>-</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Expenditures by Department**  
**Budget and Actual – Budget Basis**

**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**

Year Ended June 30, 2018

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>CONVENTION FACILITIES FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	45	45	-
Public Works.....	<u>-</u>	<u>15,667</u>	<u>15,667</u>	<u>-</u>
	<u>-</u>	<u>15,712</u>	<u>15,712</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	<u>744</u>	<u>2,692</u>	<u>2,692</u>	<u>-</u>
<b>Culture and Recreation</b>				
Administrative Services.....	<u>87,221</u>	<u>52,255</u>	<u>46,938</u>	<u>5,317</u>
Total Convention Facilities Fund.....	<u>87,965</u>	<u>70,659</u>	<u>65,342</u>	<u>5,317</u>
<b>COURT'S FUND</b>				
<b>Public Protection</b>				
Trial Courts.....	<u>2,796</u>	<u>438</u>	<u>355</u>	<u>83</u>
Total Court's Fund.....	<u>2,796</u>	<u>438</u>	<u>355</u>	<u>83</u>
<b>CULTURE AND RECREATION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	<u>1,075</u>	<u>480</u>	<u>480</u>	<u>-</u>
Public Works.....	<u>-</u>	<u>167</u>	<u>167</u>	<u>-</u>
	<u>1,075</u>	<u>647</u>	<u>647</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	<u>-</u>	<u>761</u>	<u>761</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	<u>4,664</u>	<u>5,319</u>	<u>5,233</u>	<u>86</u>
Asian Art Museum.....	<u>695</u>	<u>527</u>	<u>527</u>	<u>-</u>
Fine Arts Museums.....	<u>4,649</u>	<u>4,220</u>	<u>4,220</u>	<u>-</u>
Recreation and Park Commission.....	<u>5,222</u>	<u>3,911</u>	<u>3,492</u>	<u>419</u>
	<u>15,230</u>	<u>13,977</u>	<u>13,472</u>	<u>505</u>
<b>General Administration and Finance</b>				
Administrative Services.....	<u>13,973</u>	<u>13,708</u>	<u>13,556</u>	<u>152</u>
Total Culture and Recreation Fund.....	<u>30,278</u>	<u>29,093</u>	<u>28,436</u>	<u>657</u>
<b>ENVIRONMENTAL PROTECTION FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	<u>3,379</u>	<u>8,929</u>	<u>7,206</u>	<u>1,723</u>
<b>General Administration and Finance</b>				
City Planning.....	<u>-</u>	<u>19</u>	<u>19</u>	<u>-</u>
Total Environmental Protection Fund.....	<u>3,379</u>	<u>8,948</u>	<u>7,225</u>	<u>1,723</u>
<b>GASOLINE TAX FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Municipal Transportation Agency.....	<u>-</u>	<u>446</u>	<u>446</u>	<u>-</u>
Public Utilities Commission.....	<u>-</u>	<u>538</u>	<u>538</u>	<u>-</u>
Public Works.....	<u>37,202</u>	<u>29,726</u>	<u>29,726</u>	<u>-</u>
Total Gasoline Tax Fund.....	<u>37,202</u>	<u>30,710</u>	<u>30,710</u>	<u>-</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Expenditures by Department**  
**Budget and Actual – Budget Basis**

**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>GENERAL SERVICES FUND</b>				
<b>Public Protection</b>				
District Attorney.....	280	186	186	-
<b>Culture and Recreation</b>				
Fine Arts Museum.....	-	1,081	1,081	-
<b>General Administration and Finance</b>				
Administrative Services.....	223	5	5	-
Assessor / Recorder.....	2,715	2,646	2,646	-
Board of Supervisors.....	38	33	33	-
Human Resources.....	120	1,004	408	596
Mayor's Office.....	150	50	50	-
Telecommunications and Information Services.....	3,340	975	975	-
Treasurer/Tax Collector.....	1,429	509	509	-
	8,015	5,222	4,626	596
<b>Total General Services Fund.....</b>	<b>8,295</b>	<b>6,489</b>	<b>5,893</b>	<b>596</b>
<b>GIFT AND OTHER EXPENDABLE TRUSTS FUND</b>				
<b>Public Protection</b>				
District Attorney.....	-	2	2	-
Fire Department.....	-	23	23	-
Police Department.....	500	278	278	-
	500	303	303	-
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	1,517	1,517	-
<b>Human Welfare and Neighborhood Development</b>				
Environment.....	1,325	401	401	-
Mayor's Office.....	2,782	-	-	-
Homelessness And Supportive Housing.....	-	291	291	-
Social Services.....	512	72	72	-
Commission on Status of Women.....	22	3	3	-
	4,641	767	767	-
<b>Community Health</b>				
Community Health Network.....	-	104	104	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	72	72	-
Fine Arts Museums.....	-	573	573	-
Public Library.....	5	41	41	-
Recreation and Park Commission.....	233	170	170	-
	238	856	856	-
<b>General Administration and Finance</b>				
City Planning.....	-	50	50	-
Administrative Services.....	-	168	168	-
Telecommunications and Information Services.....	-	3	3	-
	-	221	221	-
<b>Total Gift and Other Expendable Trusts Fund.....</b>	<b>5,379</b>	<b>3,768</b>	<b>3,768</b>	<b>-</b>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Expenditures by Department**  
**Budget and Actual – Budget Basis**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive (Negative)</b>
<b>GOLF FUND</b>				
<b>Culture and Recreation</b>				
Recreation and Park Commission.....	15,871	16,337	14,581	1,756
Total Golf Fund.....	<u>15,871</u>	<u>16,337</u>	<u>14,581</u>	<u>1,756</u>
<b>HUMAN WELFARE FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Commission on Status of Women.....	363	376	376	-
Homelessness And Supportive Housing.....	47,612	24,720	24,720	-
Social Services.....	52,374	44,897	44,897	-
	<u>100,349</u>	<u>69,993</u>	<u>69,993</u>	<u>-</u>
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	4,439	4,439	-
Total Human Welfare Fund.....	<u>100,349</u>	<u>74,432</u>	<u>74,432</u>	<u>-</u>
<b>LOW AND MODERATE INCOME HOUSING ASSET FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	10,000	6,650	6,650	-
Total Low and Moderate Income Housing Asset Fund..	<u>10,000</u>	<u>6,650</u>	<u>6,650</u>	<u>-</u>
<b>OPEN SPACE AND PARK FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	5	5	-
Public Works.....	-	828	828	-
	<u>-</u>	<u>833</u>	<u>833</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	-	4	4	-
Recreation and Park Commission.....	59,444	61,953	61,441	512
	<u>59,444</u>	<u>61,957</u>	<u>61,445</u>	<u>512</u>
Total Open Space and Park Fund.....	<u>59,444</u>	<u>62,790</u>	<u>62,278</u>	<u>512</u>
<b>PUBLIC LIBRARY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	1,782	1,564	218
<b>Culture and Recreation</b>				
Arts Commission.....	-	1	1	-
Public Library.....	137,365	125,251	125,251	-
	<u>137,365</u>	<u>125,252</u>	<u>125,252</u>	<u>-</u>
Total Public Library Fund.....	<u>137,365</u>	<u>127,034</u>	<u>126,816</u>	<u>218</u>
<b>PUBLIC PROTECTION FUND</b>				
<b>Public Protection</b>				
Adult Probation.....	3,792	2,592	2,588	4
District Attorney.....	7,345	7,281	7,266	15
Emergency Communications Department.....	25,379	19,831	19,831	-
Fire Department.....	-	7,406	7,406	-
Juvenile Probation.....	2,166	1,596	1,596	-
Police Commission.....	4,735	22,026	22,026	-
Public Defender.....	432	602	602	-
Sheriff.....	4,217	4,011	4,011	-
	<u>48,066</u>	<u>65,345</u>	<u>65,326</u>	<u>19</u>
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	29	29	-
<b>Community Health</b>				
Public Health.....	1,930	1,208	1,208	-
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	3,773	3,472	3,472	-
Commission on Status of Women.....	-	98	98	-
	<u>3,773</u>	<u>3,570</u>	<u>3,570</u>	<u>-</u>
<b>General Administration and Finance</b>				
City Attorney.....	4,743	2,865	2,865	-
Total Public Protection Fund.....	<u>58,512</u>	<u>73,017</u>	<u>72,998</u>	<u>19</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Expenditures by Department**  
**Budget and Actual – Budget Basis**

**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**

Year Ended June 30, 2018  
 (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.....	21,467	30,375	27,722	2,653
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	16,190	15,634	14,781	853
<b>General Administration and Finance</b>				
City Planning.....	-	16	16	-
Total Public Works, Transportation and Commerce Fund.....	<u>37,657</u>	<u>46,025</u>	<u>42,519</u>	<u>3,506</u>
<b>REAL PROPERTY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	140	140	-
<b>General Administration and Finance</b>				
Administrative Services.....	13,674	52,789	40,810	11,979
Total Real Property Fund.....	<u>13,674</u>	<u>52,929</u>	<u>40,950</u>	<u>11,979</u>
<b>SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Board of Supervisors.....	286,713	278,445	148,036	130,409
Total SF County Transportation Authority Fund.....	<u>286,713</u>	<u>278,445</u>	<u>148,036</u>	<u>130,409</u>
<b>SENIOR CITIZENS' PROGRAM FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Social Services Department.....	5,554	5,977	5,977	-
Total Senior Citizens' Program Fund.....	<u>5,554</u>	<u>5,977</u>	<u>5,977</u>	<u>-</u>
<b>WAR MEMORIAL FUND</b>				
<b>Culture and Recreation</b>				
War Memorial.....	17,006	16,717	15,886	831
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	50	50	-
Public Works.....	-	217	217	-
-	267	267	267	-
Total War Memorial Fund.....	<u>17,006</u>	<u>16,984</u>	<u>16,153</u>	<u>831</u>
Total Special Revenue Funds With Legally Adopted Budgets ..	<u>\$ 1,428,502</u>	<u>\$ 1,503,795</u>	<u>\$ 1,343,156</u>	<u>\$ 160,639</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Debt Service Funds**  
June 30, 2018  
(In Thousands)

	<b>General Obligation Bond Fund</b>	<b>Certificates of Participation Funds</b>	<b>Other Bond Funds</b>	<b>Total</b>
<b>Assets:</b>				
Deposits and investments with City Treasury.....	\$ 130,831	\$ -	\$ -	\$ 130,831
Deposits and investments outside City Treasury.....	- -	58,337	838	59,175
<b>Receivables:</b>				
Property taxes and penalties.....	8,973	- -	- -	8,973
Interest and other.....	947	107	12	1,066
Loans receivable (net of allowance for uncollectible amounts).....	- -	- -	102,173	102,173
<b>Total assets</b> .....	<b><u>\$ 140,751</u></b>	<b><u>\$ 58,444</u></b>	<b><u>\$ 103,023</u></b>	<b><u>\$ 302,218</u></b>
<b>Liabilities:</b>				
Unearned revenues and other liabilities.....	\$ 6,872	\$ - -	\$ - -	\$ 6,872
Bonds, loans, capital leases, and other payables.....	- -	- -	103,000	103,000
<b>Total liabilities</b> .....	<b><u>6,872</u></b>	<b><u>- -</u></b>	<b><u>103,000</u></b>	<b><u>109,872</u></b>
Deferred inflows of resources.....	6,113	- -	- -	6,113
<b>Fund balances:</b>				
Restricted.....	127,766	58,444	23	186,233
<b>Total liabilities, deferred inflows of resources and fund balances</b> .....	<b><u>\$ 140,751</u></b>	<b><u>\$ 58,444</u></b>	<b><u>\$ 103,023</u></b>	<b><u>\$ 302,218</u></b>

**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, 2018  
(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.....	\$ 283,026	\$ -	\$ -	\$ 283,026
Fines, forfeitures, and penalties.....	18,474	-	-	18,474
Interest and investment income.....	2,341	362	22	2,725
Intergovernmental				
State.....	678	-	-	678
Other.....	3,759	-	1,938	5,697
Total revenues.....	<u>308,278</u>	<u>362</u>	<u>1,960</u>	<u>310,600</u>
<b>Expenditures:</b>				
Debt service:				
Principal retirement.....	222,828	39,710	3,189	265,727
Interest and other fiscal charges.....	92,966	35,737	2,488	131,191
Total expenditures.....	<u>315,794</u>	<u>75,447</u>	<u>5,677</u>	<u>396,918</u>
Deficiency of revenues under expenditures.....	(7,516)	(75,085)	(3,717)	(86,318)
Other financing sources (uses):				
Transfers out.....	-	(1,717)	-	(1,717)
Transfers in.....	23,390	102,859	3,739	129,988
Total other financing sources, net.....	<u>23,390</u>	<u>101,142</u>	<u>3,739</u>	<u>128,271</u>
Net changes in fund balances.....	15,874	26,057	22	41,953
Fund balances at beginning of year.....	111,892	32,387	1	144,280
Fund balances at end of year.....	<u>\$ 127,766</u>	<u>\$ 58,444</u>	<u>\$ 23</u>	<u>\$ 186,233</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Schedule of Revenues, Expenditures, and Changes  
in Fund Balances – Budget and Actual – Budget Basis  
Nonmajor Governmental Funds – Debt Service Fund**

Year Ended June 30, 2018

(In Thousands)

	<b>General Obligation Bond Fund</b>			<b>Variance Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes.....	\$ 279,191	\$ 279,191	\$ 283,026	\$ 3,835
Fines, forfeitures, and penalties.....	15,312	15,312	18,474	3,162
Interest and investment income.....	-	-	3,028	3,028
<b>Intergovernmental</b>				
State.....	800	800	678	(122)
Other.....	-	-	3,759	3,759
<b>Total revenues.....</b>	<b>295,303</b>	<b>295,303</b>	<b>308,965</b>	<b>13,662</b>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal retirement.....	294,673	238,510	222,828	15,682
Interest and other fiscal charges.....	8,303	92,966	92,966	-
<b>Total expenditures.....</b>	<b>302,976</b>	<b>331,476</b>	<b>315,794</b>	<b>15,682</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>(7,673)</b>	<b>(36,173)</b>	<b>(6,829)</b>	<b>29,344</b>
<b>Other financing sources:</b>				
Transfers in.....	4,690	23,390	23,390	-
Net changes in fund balances.....	(2,983)	(12,783)	16,561	29,344
<b>Budgetary fund balance, July 1.....</b>	<b>2,983</b>	<b>120,093</b>	<b>120,093</b>	<b>-</b>
<b>Budgetary fund balance, June 30.....</b>	<b>\$ -</b>	<b>\$ 107,310</b>	<b>\$ 136,654</b>	<b>\$ 29,344</b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Capital Projects Funds**  
June 30, 2018  
(In Thousands)

	<b>City Facilities Improvement Fund</b>	<b>Fire Protection Systems Improvement Fund</b>	<b>Moscone Convention Center Fund</b>
<b>Assets:</b>			
Deposits and investments with City Treasury.....	\$ 490,691	\$ 1,136	\$ -
Deposits and investments outside City Treasury.....	54,216	-	101,991
<b>Receivables:</b>			
Federal and state grants and subventions.....	-	-	-
Charges for services.....	-	-	-
Interest and other.....	1,263	9	126
Due from other funds.....	-	-	-
Total assets.....	<u>\$ 546,170</u>	<u>\$ 1,145</u>	<u>\$ 102,117</u>
<b>Liabilities:</b>			
Accounts payable.....	\$ 23,541	\$ 116	\$ 22,828
Accrued payroll.....	365	3	51
Unearned grant and subvention revenue.....	-	-	-
Due to other funds.....	22	-	10,533
Unearned revenues and other liabilities.....	-	10	-
Bonds, loans, capital leases, and other payables.....	5,629	-	-
Total liabilities.....	<u>29,557</u>	<u>129</u>	<u>33,412</u>
Deferred inflows of resources.....	-	-	-
<b>Fund balances:</b>			
Restricted.....	<u>516,613</u>	<u>1,016</u>	<u>68,705</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 546,170</u>	<u>\$ 1,145</u>	<u>\$ 102,117</u>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Capital Projects Funds (Continued)**  
June 30, 2018  
(In Thousands)

	<b>Recreation and Park Projects</b>	<b>Street Improvement Fund</b>	<b>Total</b>
<b>Assets:</b>			
Deposits and investments with City Treasury.....	\$ 99,955	\$ 31,972	\$ 623,754
Deposits and investments outside City Treasury.....	-	-	156,207
<b>Receivables:</b>			
Federal and state grants and subventions.....	343	8,112	8,455
Charges for services.....	-	669	669
Interest and other.....	294	240	1,932
Due from other funds.....	2,062	5,819	7,881
Total assets.....	<u>\$ 102,654</u>	<u>\$ 46,812</u>	<u>\$ 798,898</u>
<b>Liabilities:</b>			
Accounts payable.....	\$ 1,987	\$ 6,001	\$ 54,473
Accrued payroll.....	100	279	798
Unearned grant and subvention revenue.....	528	-	528
Due to other funds.....	9	21	10,585
Unearned revenues and other liabilities.....	-	7,810	7,820
Bonds, loans, capital leases, and other payables.....	-	-	5,629
Total liabilities.....	<u>2,624</u>	<u>14,111</u>	<u>79,833</u>
Deferred inflows of resources.....	184	6,033	6,217
<b>Fund balances:</b>			
Restricted.....	<u>99,846</u>	<u>26,668</u>	<u>712,848</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 102,654</u>	<u>\$ 46,812</u>	<u>\$ 798,898</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, 2018  
(In Thousands)

	<b>City Facilities Improvement Fund</b>	<b>Fire Protection Systems Improvement Fund</b>	<b>Moscone Convention Center Fund</b>
<b>Revenues:</b>			
Interest and investment income.....	\$ 2,858	\$ 43	\$ 1,256
Rents and concessions.....	-	-	-
Intergovernmental:			
Federal.....	-	-	-
State.....	-	-	-
Other.....	-	-	-
Charges for services.....	-	-	-
Other.....	<u>31,165</u>	<u>-</u>	<u>-</u>
Total revenues.....	<u>34,023</u>	<u>43</u>	<u>1,256</u>
<b>Expenditures:</b>			
Debt service:			
Interest and other fiscal charges.....	522	-	443
Bond issuance costs.....	1,668	-	2,267
Capital outlay.....	<u>174,151</u>	<u>2,824</u>	<u>97,548</u>
Total expenditures.....	<u>176,341</u>	<u>2,824</u>	<u>100,258</u>
Deficiency of revenues under expenditures.....	<u>(142,318)</u>	<u>(2,781)</u>	<u>(99,002)</u>
Other financing sources (uses):			
Transfers in.....	5,100	-	523
Transfers out.....	<u>(11,383)</u>	<u>-</u>	<u>(40,069)</u>
Issuance of bonds:			
Face value of bonds issued.....	239,690	-	412,355
Premium on issuance of bonds.....	10,844	-	36,071
Other financing sources-capital leases.....	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources, net.....	<u>244,251</u>	<u>-</u>	<u>408,880</u>
Net changes in fund balances.....	<u>101,933</u>	<u>(2,781)</u>	<u>309,878</u>
Fund balances at beginning of year.....	<u>414,680</u>	<u>3,797</u>	<u>(241,173)</u>
Fund balances at end of year.....	<u>\$ 516,613</u>	<u>\$ 1,016</u>	<u>\$ 68,705</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, 2018  
(In Thousands)

	<b>Recreation and Park Projects</b>	<b>Street Improvement Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Interest and investment income.....	\$ 315	\$ 828	\$ 5,300
Rents and concessions.....	-	161	161
Intergovernmental:			
Federal.....	10	3,366	3,376
State.....	2,166	-	2,166
Other.....	-	73	73
Charges for services.....	300	-	300
Other.....	1,335	1,875	34,375
Total revenues.....	<u>4,126</u>	<u>6,303</u>	<u>45,751</u>
<b>Expenditures:</b>			
Debt service:			
Interest and other fiscal charges.....	4	4	973
Bond issuance costs.....	493	1,115	5,543
Capital outlay.....	<u>21,896</u>	<u>41,322</u>	<u>337,741</u>
Total expenditures.....	<u>22,393</u>	<u>42,441</u>	<u>344,257</u>
Deficiency of revenues under expenditures.....	<u>(18,267)</u>	<u>(36,138)</u>	<u>(298,506)</u>
Other financing sources (uses):			
Transfers in.....	1,245	6,036	12,904
Transfers out.....	<u>(1,973)</u>	<u>(180,958)</u>	<u>(234,383)</u>
Issuance of bonds:			
Face value of bonds issued.....	76,710	174,445	903,200
Premium on issuance of bonds.....	1,973	4,486	53,374
Other financing sources-capital leases.....	<u>2,027</u>	<u>-</u>	<u>2,027</u>
Total other financing sources, net.....	<u>79,982</u>	<u>4,009</u>	<u>737,122</u>
Net changes in fund balances.....	<u>61,715</u>	<u>(32,129)</u>	<u>438,616</u>
Fund balances at beginning of year.....	<u>38,131</u>	<u>58,797</u>	<u>274,232</u>
Fund balances at end of year.....	<u>\$ 99,846</u>	<u>\$ 26,668</u>	<u>\$ 712,848</u>

## CITY AND COUNTY OF SAN FRANCISCO

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

*Central Shops Fund* – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

*Finance Corporation* – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

*Reproduction Fund* – Accounts for printing, design and mail services required by various City departments and agencies.

*Telecommunications and Information Fund* – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Statement of Net Position**  
**Internal Service Funds**

June 30, 2018  
 (In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
<b>Assets:</b>					
<b>Current assets:</b>					
Deposits and investments with City Treasury.....	\$ 3,905	\$ -	\$ 2,760	\$ 29,930	\$ 36,595
<b>Receivables:</b>					
Charges for services.....	87	-	25	-	112
Interest and other.....	-	13	-	543	556
Capital leases receivable.....	-	12,934	-	-	12,934
<b>Restricted assets:</b>					
Deposits and investments outside City Treasury.....	-	23,229	-	-	23,229
Total current assets.....	<u>3,992</u>	<u>36,176</u>	<u>2,785</u>	<u>30,473</u>	<u>73,426</u>
<b>Noncurrent assets:</b>					
<b>Restricted assets:</b>					
Deposits and investments with City Treasury.....	-	2,249	-	-	2,249
Capital leases receivable.....	-	148,338	-	-	148,338
<b>Capital assets:</b>					
Land and other assets not being depreciated.....	-	-	-	239	239
Facilities and equipment, net of depreciation.....	394	-	357	10,553	11,304
Total capital assets.....	<u>394</u>	<u>-</u>	<u>357</u>	<u>10,792</u>	<u>11,543</u>
Total noncurrent assets.....	<u>394</u>	<u>150,587</u>	<u>357</u>	<u>10,792</u>	<u>162,130</u>
Total assets.....	<u>4,386</u>	<u>186,763</u>	<u>3,142</u>	<u>41,265</u>	<u>235,556</u>
<b>Deferred outflows of resources:</b>					
Unamortized loss on refunding of debt.....	-	933	-	-	933
Deferred outflows related to pensions.....	4,152	-	-	13,333	17,485
Deferred outflows related to OPEB.....	926	-	-	1,506	2,432
Total deferred outflows of resources.....	<u>5,078</u>	<u>933</u>	<u>-</u>	<u>14,839</u>	<u>20,850</u>
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable.....	2,369	12	302	5,730	8,413
Accrued payroll.....	561	-	81	1,720	2,362
Accrued vacation and sick leave pay.....	461	-	-	1,536	1,997
Accrued workers' compensation.....	-	-	-	313	313
Bonds, loans, capital leases, and other payables.....	-	12,595	-	309	12,904
Accrued interest payable.....	-	1,149	-	4	1,153
Due to other funds.....	-	2,062	-	-	2,062
Unearned revenues and other liabilities.....	-	12,806	-	34	12,840
Total current liabilities.....	<u>3,391</u>	<u>28,624</u>	<u>383</u>	<u>9,646</u>	<u>42,044</u>
<b>Noncurrent liabilities:</b>					
Accrued vacation and sick leave pay.....	302	-	-	1,152	1,454
Accrued workers' compensation.....	-	-	-	1,446	1,446
Bonds, loans, capital leases, and other payables.....	-	159,072	-	948	160,020
Net pension liability.....	13,978	-	-	44,898	58,876
Net other postemployment benefits (OPEB) liability.....	16,884	-	-	27,460	44,344
Total noncurrent liabilities.....	<u>31,164</u>	<u>159,072</u>	<u>-</u>	<u>75,904</u>	<u>266,140</u>
Total liabilities.....	<u>34,555</u>	<u>187,696</u>	<u>383</u>	<u>85,550</u>	<u>308,184</u>
<b>Deferred inflows of resources:</b>					
Deferred inflows related to pensions.....	1,007	-	-	3,236	4,243
Deferred inflows related to OPEB.....	27	-	-	44	71
Total deferred inflows of resources.....	<u>1,034</u>	<u>-</u>	<u>-</u>	<u>3,280</u>	<u>4,314</u>
<b>Net position:</b>					
Net investment in capital assets.....	394	-	357	9,535	10,286
Unrestricted (deficit).....	(26,519)	-	2,402	(42,261)	(66,378)
Total net position.....	<u>\$ (26,125)</u>	<u>\$ -</u>	<u>\$ 2,759</u>	<u>\$ (32,726)</u>	<u>\$ (56,092)</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position**  
**Internal Service Funds**  
Year Ended June 30, 2018  
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
Operating revenues:					
Charges for services.....	\$ 32,061	\$ -	\$ 8,341	\$ 112,274	\$ 152,676
Rents and concessions.....	-	-	-	436	436
Total operating revenues.....	<u>32,061</u>	<u>-</u>	<u>8,341</u>	<u>112,274</u>	<u>153,112</u>
Operating expenses:					
Personal services.....	15,625	-	2,158	50,364	68,147
Contractual services.....	2,541	-	4,602	52,221	59,364
Materials and supplies.....	12,399	-	248	4,550	17,197
Depreciation and amortization.....	147	-	91	2,671	2,909
General and administrative.....	703	-	141	876	1,720
Services provided by other departments.....	2,019	-	484	5,474	7,977
Other.....	271	-	47	2,246	2,564
Total operating expenses.....	<u>33,705</u>	<u>-</u>	<u>7,771</u>	<u>118,402</u>	<u>159,878</u>
Operating income (loss).....	<u>(1,644)</u>	<u>-</u>	<u>570</u>	<u>(5,692)</u>	<u>(6,766)</u>
Nonoperating revenues (expenses):					
Interest and investment income.....	-	4,498	-	-	4,498
Interest expense.....	(107)	(4,655)	(13)	(206)	(4,981)
Other, net.....	-	157	1	98	256
Total nonoperating revenues (expenses).....	<u>(107)</u>	<u>-</u>	<u>(12)</u>	<u>(108)</u>	<u>(227)</u>
Income (loss) before transfers.....	<u>(1,751)</u>	<u>-</u>	<u>558</u>	<u>(5,800)</u>	<u>(6,993)</u>
Transfers in.....	107	-	13	294	414
Change in net position.....	<u>(1,644)</u>	<u>-</u>	<u>571</u>	<u>(5,506)</u>	<u>(6,579)</u>
Net position (deficit) at beginning of year, as previously reported.....	<u>(14,767)</u>	<u>-</u>	<u>2,188</u>	<u>(23,149)</u>	<u>(35,728)</u>
Cumulative effect of accounting change.....	<u>(9,714)</u>	<u>-</u>	<u>-</u>	<u>(4,071)</u>	<u>(13,785)</u>
Net position (deficit) at beginning of year, as restated.....	<u>(24,481)</u>	<u>-</u>	<u>2,188</u>	<u>(27,220)</u>	<u>(49,513)</u>
Net position (deficit) at end of year.....	<u>\$ (26,125)</u>	<u>\$ -</u>	<u>\$ 2,759</u>	<u>\$ (32,726)</u>	<u>\$ (56,092)</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Statement of Cash Flows**

**Internal Service Funds**

Year Ended June 30, 2018

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
<b>Cash flows from operating activities:</b>					
Cash received from customers.....	\$ 32,023	\$ 22,461	\$ 8,364	\$ 113,004	\$ 175,852
Cash paid for employees' services.....	(14,844)	-	(2,155)	(44,145)	(61,144)
Cash paid to suppliers for goods and services.....	<u>(15,950)</u>	<u>(3,097)</u>	<u>(5,351)</u>	<u>(62,770)</u>	<u>(87,168)</u>
Net cash provided by operating activities.....	<u>1,229</u>	<u>19,364</u>	<u>858</u>	<u>6,089</u>	<u>27,540</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in.....	107	-	13	294	414
Net cash provided by noncapital financing activities.....	<u>107</u>	<u>-</u>	<u>13</u>	<u>294</u>	<u>414</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets.....	(108)	-	-	(1,171)	(1,279)
Retirement of capital lease obligation.....	-	(10,880)	-	(314)	(11,194)
Interest paid on long-term debt.....	-	(4,731)	-	(8)	(4,739)
Net cash used in capital and related financing activities.....	<u>(108)</u>	<u>(15,611)</u>	<u>-</u>	<u>(1,493)</u>	<u>(17,212)</u>
<b>Cash flows from investing activities:</b>					
Purchases of investments with trustees.....	-	(2,260)	-	-	(2,260)
Interest and investment income.....	-	119	-	-	119
Other investing activities.....	(107)	-	(13)	(193)	(313)
Net cash used in investing activities.....	<u>(107)</u>	<u>(2,141)</u>	<u>(13)</u>	<u>(193)</u>	<u>(2,454)</u>
Change in cash and cash equivalents.....	1,121	1,612	858	4,697	8,288
Cash and cash equivalents at beginning of year.....	2,784	21,617	1,902	25,233	51,536
Cash and cash equivalents at end of year.....	<u>\$ 3,905</u>	<u>\$ 23,229</u>	<u>\$ 2,760</u>	<u>\$ 29,930</u>	<u>\$ 59,824</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>					
Operating income (loss).....	\$ (1,644)	\$ -	\$ 570	\$ (5,692)	\$ (6,766)
<b>Adjustments for non-cash and other activities:</b>					
Depreciation and amortization.....	147	-	91	2,671	2,909
Other.....	-	-	1	98	99
<b>Changes in assets and deferred outflows of resources/ liabilities and deferred inflows of resources:</b>					
Receivables, net.....	(38)	17,182	23	196	17,363
Accounts payable.....	1,982	-	170	2,598	4,750
Accrued payroll.....	52	-	3	65	120
Accrued vacation and sick leave pay.....	111	-	-	124	235
Accrued workers' compensation.....	-	-	-	(41)	(41)
Unearned revenue and other liabilities.....	-	2,182	-	-	2,182
Net pension liability and pension related deferred outflows and inflows of resources.....	(68)	-	-	4,952	4,884
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	687	-	-	1,118	1,805
Total adjustments.....	<u>2,873</u>	<u>19,364</u>	<u>288</u>	<u>11,781</u>	<u>34,306</u>
Net cash provided by operating activities.....	<u>\$ 1,229</u>	<u>\$ 19,364</u>	<u>\$ 858</u>	<u>\$ 6,089</u>	<u>\$ 27,540</u>
<b>Reconciliation of cash and cash equivalents to the combining statement of net position:</b>					
<b>Deposits and investments with City Treasury:</b>					
Unrestricted.....	\$ 3,905	\$ -	\$ 2,760	\$ 29,930	\$ 36,595
<b>Deposits and investments outside City Treasury:</b>					
Restricted.....	-	25,478	-	-	25,478
Total deposits and investments.....	3,905	25,478	2,760	29,930	62,073
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	-	(2,249)	-	-	(2,249)
Cash and cash equivalents at end of year on statement of cash flows.....	<u>\$ 3,905</u>	<u>\$ 23,229</u>	<u>\$ 2,760</u>	<u>\$ 29,930</u>	<u>\$ 59,824</u>
<b>Non-cash capital and related financing activities:</b>					
Acquisition of capital assets on accounts payable and capital lease.....	\$ -	\$ 2,027	\$ -	\$ 1,572	\$ 3,599

## 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 Fund* – Accounts for Citywide payroll, including 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, 2018  
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit		Other Post-employment Benefit Trust Fund
			Employees	Health Service System	
			Retirement System	Retiree Health Care	
<b>Assets</b>					
Deposits and investments with City Treasury.....	\$ 24,275	\$ 86,994	\$ 2,269	\$ 113,538	
Deposits and investments outside City Treasury:					
Cash and deposits.....	105,525	-	-	105,525	
Short term investments.....	521,870	-	11,319	533,189	
Debt securities.....	3,306,000	-	67,593	3,373,593	
Equity securities.....	9,473,842	-	184,544	9,658,386	
Real assets.....	3,578,379	-	-	3,578,379	
Private equity and other alternative investments.....	7,423,881	-	-	7,423,881	
Foreign currency contracts, net.....	(1,157)	-	-	(1,157)	
Receivables:					
Employer and employee contributions.....	13,557	23,308	2,767	39,632	
Brokers, general partners and others.....	178,936	-	6,500	185,436	
Interest and other.....	31,170	296	399	31,865	
Other assets.....	-	2,488	-	2,488	
Total assets.....	<u>24,656,278</u>	<u>113,086</u>	<u>275,391</u>	<u>25,044,755</u>	
Deferred outflows related to OPEB.....	<u>641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641</u>
<b>Liabilities</b>					
Accounts payable.....	26,630	4,871	135	31,636	
Estimated claims payable.....	-	27,825	-	27,825	
Payable to brokers.....	60,297	-	365	60,662	
Deferred Retirement Option Program.....	313	-	-	313	
Payable to borrowers of securities.....	-	-	-	-	
Other liabilities.....	-	2,941	-	2,941	
Net other postemployment benefits (OPEB) liability..	<u>11,694</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,694</u>
Total liabilities.....	<u>98,934</u>	<u>35,637</u>	<u>500</u>	<u>135,071</u>	
Deferred inflows related to OPEB.....	<u>19</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19</u>
<b>Net Position</b>					
Restricted for pension and other employee benefits..	<u>\$ 24,557,966</u>	<u>\$ 77,449</u>	<u>\$ 274,891</u>	<u>\$ 24,910,306</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, 2018  
(In Thousands)

	Pension	Other	Other Post-	
	Trust Fund	Employee	employment	
	Employees	Benefit Trust	Benefit Trust	
	Retirement	Health	Retiree	
	System	Service	Health Care	Total
Additions:				
Employee contributions.....	\$ 364,696	\$ 144,015	\$ 42,084	\$ 550,795
Employer contributions.....	619,067	758,782	217,230	1,595,079
Total contributions.....	<u>983,763</u>	<u>902,797</u>	<u>259,314</u>	<u>2,145,874</u>
Investment income/loss:				
Interest.....	132,988	1,191	4,372	138,551
Dividends.....	244,721	-	-	244,721
Net appreciation (depreciation) in fair value of investments..	2,221,453	(474)	11,143	2,232,122
Securities lending and other income.....	393	-	-	393
Total investment income.....	<u>2,599,555</u>	<u>717</u>	<u>15,515</u>	<u>2,615,787</u>
Less investment expenses:				
Other investment expenses.....	(49,881)	-	(392)	(50,273)
Total additions, net.....	<u>3,533,437</u>	<u>903,514</u>	<u>274,437</u>	<u>4,711,388</u>
Deductions:				
Benefit payments.....	1,350,009	898,591	186,834	2,435,434
Refunds of contributions.....	14,578	-	-	14,578
Administrative expenses.....	18,238	-	138	18,376
Total deductions.....	<u>1,382,825</u>	<u>898,591</u>	<u>186,972</u>	<u>2,468,388</u>
Change in net position.....	2,150,612	4,923	87,465	2,243,000
Net position at beginning of year, as previously reported.....	22,410,350	72,526	187,426	22,670,302
Cumulative effect of accounting change.....	(2,996)	-	-	(2,996)
Net position at beginning of year, as restated.....	<u>22,407,354</u>	<u>72,526</u>	<u>187,426</u>	<u>22,667,306</u>
Net position at end of year.....	<u>\$24,557,966</u>	<u>\$ 77,449</u>	<u>\$ 274,891</u>	<u>\$24,910,306</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
Year Ended June 30, 2018  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>Assistance Program Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 20,365	\$ 3,429	\$ 5,769	\$ 18,025
Receivables:				
Interest and other.....	28	1,609	1,567	70
Total assets.....	<u>\$ 20,393</u>	<u>\$ 5,038</u>	<u>\$ 7,336</u>	<u>\$ 18,095</u>
Liabilities				
Accounts payable.....	\$ -	\$ 2,696	\$ 2,696	\$ -
Agency obligations.....	20,393	2,076	4,374	18,095
Total liabilities.....	<u>\$ 20,393</u>	<u>\$ 4,772</u>	<u>\$ 7,070</u>	<u>\$ 18,095</u>
<b>Deposits Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 15,964	\$ 32,575	\$ 32,469	\$ 16,070
Receivables:				
Interest and other.....	36	170	192	14
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 61,538</u>	<u>\$ 32,745</u>	<u>\$ 32,661</u>	<u>\$ 61,622</u>
Liabilities				
Accounts payable.....	\$ 622	\$ 19,472	\$ 19,272	\$ 822
Agency obligations.....	60,916	30,267	30,383	60,800
Total liabilities.....	<u>\$ 61,538</u>	<u>\$ 49,739</u>	<u>\$ 49,655</u>	<u>\$ 61,622</u>
<b>Payroll Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 20,166	\$ 4,166,154	\$ 4,181,827	\$ 4,493
Receivables:				
Employer and employee contributions.....	51,565	139,378	51,906	139,037
Total assets.....	<u>\$ 71,731</u>	<u>\$ 4,305,532</u>	<u>\$ 4,233,733</u>	<u>\$ 143,530</u>
Liabilities				
Accounts payable.....	\$ 66,875	\$ 1,777,904	\$ 1,799,551	\$ 45,228
Agency obligations.....	4,856	3,985,300	3,891,854	98,302
Total liabilities.....	<u>\$ 71,731</u>	<u>\$ 5,763,204</u>	<u>\$ 5,691,405</u>	<u>\$ 143,530</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2018</b>
<b>State Revenue Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 535	\$ 33,857	\$ 23,335	\$ 11,057
Receivables:				
Interest and other.....	-	7	7	-
Total assets.....	<u>\$ 535</u>	<u>\$ 33,864</u>	<u>\$ 23,342</u>	<u>\$ 11,057</u>
Liabilities				
Accounts payable.....	\$ 74	\$ 14,305	\$ 11,321	\$ 3,058
Agency obligations.....	461	33,502	25,964	7,999
Total liabilities.....	<u>\$ 535</u>	<u>\$ 47,807</u>	<u>\$ 37,285</u>	<u>\$ 11,057</u>
<b>Tax Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 76,986	\$ 6,357,484	\$ 6,364,414	\$ 70,056
Deposits and investments outside City Treasury.....	2,604	465	2,605	464
Receivables:				
Interest and other.....	280,799	3,891,712	3,586,236	586,275
Total assets.....	<u>\$ 360,389</u>	<u>\$ 10,249,661</u>	<u>\$ 9,953,255</u>	<u>\$ 656,795</u>
Liabilities				
Accounts payable.....	\$ 1	\$ 176,127	\$ 145,076	\$ 31,052
Agency obligations.....	360,388	4,313,792	4,048,437	625,743
Total liabilities.....	<u>\$ 360,389</u>	<u>\$ 4,489,919</u>	<u>\$ 4,193,513</u>	<u>\$ 656,795</u>
<b>Transit Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 1,536	\$ 99,710	\$ 95,105	\$ 6,141
Receivables:				
Interest and other.....	4	53	50	7
Total assets.....	<u>\$ 1,540</u>	<u>\$ 99,763</u>	<u>\$ 95,155</u>	<u>\$ 6,148</u>
Liabilities				
Accounts payable.....	\$ -	\$ 40,104	\$ 35,295	\$ 4,809
Agency obligations.....	1,540	47,764	47,965	1,339
Total liabilities.....	<u>\$ 1,540</u>	<u>\$ 87,868</u>	<u>\$ 83,260</u>	<u>\$ 6,148</u>

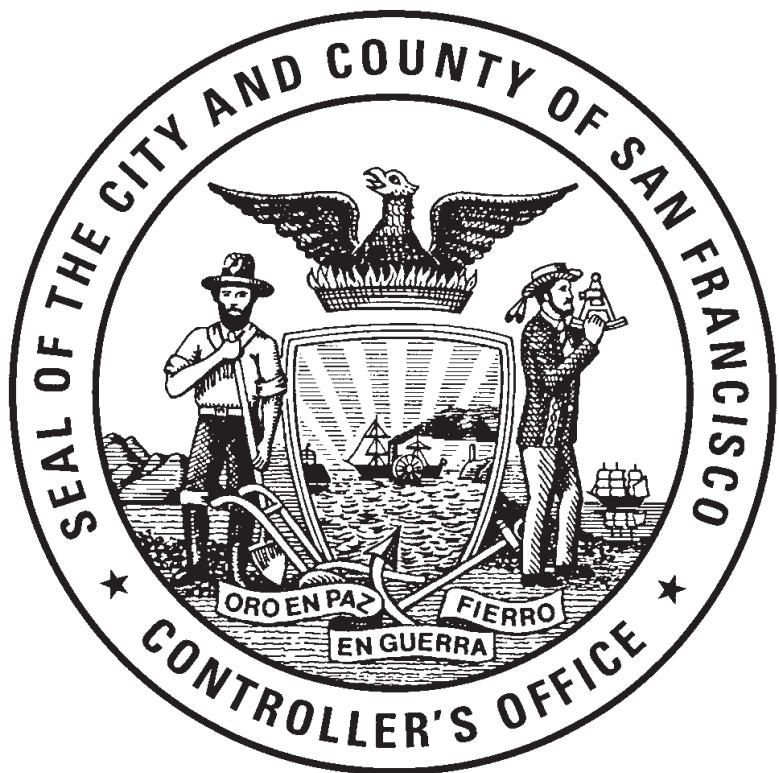
**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
Year Ended June 30, 2018  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1,</b>			<b>June 30,</b>
	<b>2017</b>	<b>Additions</b>	<b>Deductions</b>	<b>2018</b>
<b>Other Agency Funds</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 52,269	\$ 692,319	\$ 673,958	\$ 70,630
Deposits and investments outside City Treasury.....	629	212	629	212
Receivables:				
Interest and other.....	360	689	631	418
Total assets.....	<u>\$ 53,258</u>	<u>\$ 693,220</u>	<u>\$ 675,218</u>	<u>\$ 71,260</u>
Liabilities				
Accounts payable.....	\$ 2,213	\$ 115,274	\$ 110,004	\$ 7,483
Agency obligations.....	51,045	684,652	671,920	63,777
Total liabilities.....	<u>\$ 53,258</u>	<u>\$ 799,926</u>	<u>\$ 781,924</u>	<u>\$ 71,260</u>
<b>Total Agency Funds</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 187,821	\$ 11,385,528	\$ 11,376,877	\$ 196,472
Deposits and investments outside City Treasury.....	3,233	677	3,234	676
Receivables:				
Employer and employee contributions.....	51,565	139,378	51,906	139,037
Interest and other.....	281,227	3,894,240	3,588,683	586,784
Other assets.....	45,538	-	-	45,538
Total assets.....	<u>\$ 569,384</u>	<u>\$ 15,419,823</u>	<u>\$ 15,020,700</u>	<u>\$ 968,507</u>
Liabilities				
Accounts payable.....	\$ 69,785	\$ 2,145,882	\$ 2,123,215	\$ 92,452
Agency obligations.....	499,599	9,097,353	8,720,897	876,055
Total liabilities.....	<u>\$ 569,384</u>	<u>\$ 11,243,235</u>	<u>\$ 10,844,112</u>	<u>\$ 968,507</u>



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## STATISTICAL SECTION



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## CITY AND COUNTY OF SAN FRANCISCO

### Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

#### **Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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# CITY AND COUNTY OF SAN FRANCISCO

## NET POSITION BY COMPONENT

Last Ten Fiscal Years  
(Accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2009	2010	2011	2012	2013 <sup>(1)</sup>	2014	2015 <sup>(2)</sup>	2016	2017	2018 <sup>(4)</sup>
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 1,725,203	\$ 1,833,733	\$ 1,910,341	\$ 2,199,316	\$ 2,275,963	\$ 2,483,086	\$ 2,684,808	\$ 2,750,782	\$ 2,873,927	\$ 3,311,218
Restricted for:										
Reserve for rainy day.....	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977
Debt service.....	30,724	34,308	36,805	48,202	98,754	91,900	87,772	83,029	108,179	136,132
Capital projects.....	-	63,323	82,315	91,997	154,502	110,608	28,263	198,962	257,634	196,598
Community development.....	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684
Transportation Authority activities.....	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499
Building inspection programs.....	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448
Children and families .....	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548
Culture, recreation, grants and other purposes.....	116,032	113,917	155,152	150,383	158,973	206,368	209,399	240,524	265,444	319,595
Unrestricted (deficit).....	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)	(2,358,981)	(2,073,235)	(2,560,735)	(2,950,722)
Total governmental activities net position.....	\$ 1,305,203	\$ 1,152,985	\$ 1,310,279	\$ 1,920,010	\$ 1,820,159	\$ 2,341,631	\$ 1,287,214	\$ 2,009,063	\$ 1,786,411	\$ 1,891,977
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 4,204,644	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579	\$ 4,832,659	\$ 5,117,679	\$ 5,690,741	\$ 5,752,069	\$ 6,211,102
Restricted for:										
Debt service.....	58,716	71,128	62,421	53,951	58,970	64,143	100,923	127,073	202,262	294,499
Capital projects.....	140,932	188,580	161,580	176,570	299,942	363,601	358,745	340,896	394,634	515,072
Other purposes.....	31,459	18,854	18,741	18,913	13,046	24,721	35,986	70,505	93,696	294,122
Unrestricted.....	324,395	259,533	268,328	242,842	610,565	732,736	(335,083)	(231,379)	(670,759)	(1,492,713)
Total business-type activities net position.....	\$ 4,760,146	\$ 4,815,894	\$ 4,992,474	\$ 5,031,266	\$ 5,674,102	\$ 6,017,860	\$ 5,278,250	\$ 5,997,836	\$ 5,771,902	\$ 5,822,082
<b>Primary government</b>										
Net investment in capital assets <sup>(3)</sup> .....	\$ 5,630,550	\$ 5,735,844	\$ 5,993,892	\$ 6,459,434	\$ 6,692,499	\$ 7,032,674	\$ 7,520,698	\$ 8,151,422	\$ 8,321,778	\$ 9,192,745
Restricted for:										
Reserve for rainy day.....	98,297	39,582	33,439	34,109	26,339	83,194	114,969	120,106	125,689	143,977
Debt service.....	89,440	105,436	99,226	102,153	157,724	156,043	188,695	210,102	310,441	430,631
Capital projects <sup>(3)</sup> .....	140,932	239,209	223,694	246,027	356,002	418,103	330,213	423,132	569,948	569,115
Community development.....	64,031	66,251	59,763	240,771	109,423	200,640	297,094	433,398	434,691	427,684
Transportation Authority activities.....	2,515	1,966	1,386	6,705	10,924	12,496	13,486	15,657	16,189	17,499
Building inspection programs.....	13,959	21,837	32,112	49,364	71,131	97,928	109,512	134,663	150,109	155,448
Children and families .....	46,273	40,886	45,827	53,632	56,170	59,572	100,892	105,177	115,284	134,548
Culture, recreation, grants and other purposes.....	147,491	132,771	173,893	169,296	172,019	231,089	245,385	311,029	359,140	613,717
Unrestricted (deficit) <sup>(3)</sup> .....	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752	(2,355,480)	(1,897,787)	(2,844,956)	(3,971,305)
Total primary government activities net position.....	\$ 6,065,349	\$ 5,968,879	\$ 6,302,753	\$ 6,951,276	\$ 7,494,261	\$ 8,359,491	\$ 6,565,464	\$ 8,006,899	\$ 7,558,313	\$ 7,714,059

**Notes:**

- (1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.
- (2) In fiscal year 2015, the City adopted the provisions of GASB Statement Nos.68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
- (3) Certain net position reclassifications were made to reflect the primary government as a whole perspective since fiscal year 2009. See Note 10(d) in the Notes to Basic Financial Statements for details.
- (4) In fiscal year 2018, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

# CITY AND COUNTY OF SAN FRANCISCO

## CHANGES IN NET POSITION

Last Ten Fiscal Years

(Accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014	2015 <sup>(2)</sup>	2016	2017	2018 <sup>(3)</sup>
<b>Expenses</b>										
Governmental activities:										
Public protection.....	\$ 1,109,311	\$ 1,089,309	\$ 1,099,791	\$ 1,158,618	\$ 1,236,922	\$ 1,229,591	\$ 1,108,200	\$ 1,222,549	\$ 1,692,224	\$ 1,496,749
Public works, transportation and commerce.....	254,955	225,589	239,230	210,415	189,124	200,712	270,454	418,978	387,423	321,577
Human welfare and neighborhood development.....	908,449	933,039	885,194	942,523	946,562	1,009,190	1,073,652	1,233,403	1,543,047	1,552,060
Community health.....	608,733	599,741	613,883	673,905	751,491	786,761	735,040	747,071	868,628	914,512
Culture and recreation.....	319,994	310,063	318,083	307,269	338,042	357,620	355,676	311,028	539,516	425,668
General administration and finance.....	238,601	221,471	224,027	237,818	249,271	298,563	249,823	246,383	337,209	430,711
General City responsibilities.....	72,634	80,246	84,444	96,147	83,895	85,239	94,577	113,490	145,247	118,956
Unallocated Interest on long-term debt and cost of issuance <sup>(1)</sup> .....	93,387	102,635	110,142	110,145	107,790	115,880	115,030	115,357	113,264	138,048
Total governmental activities expenses.....	<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>	<u>4,083,556</u>	<u>4,002,452</u>	<u>4,408,259</u>	<u>5,626,558</u>	<u>5,398,281</u>
Business-type activities:										
Airport.....	683,335	662,347	690,875	746,610	756,961	827,658	853,338	900,621	1,122,802	1,092,154
Transportation.....	863,218	905,694	905,218	959,088	1,026,726	1,037,368	1,018,251	1,106,420	1,468,586	1,304,254
Port.....	71,778	73,573	68,661	72,307	81,422	88,551	88,436	91,449	118,361	102,667
Water.....	277,162	325,242	362,802	431,248	445,804	470,200	438,885	470,254	572,509	536,068
Power.....	96,228	119,109	119,282	130,709	129,790	137,639	149,438	153,472	198,621	202,366
Hospitals.....	820,236	842,488	885,294	954,566	992,687	1,011,452	996,395	1,050,618	1,370,154	1,294,045
Sewer.....	184,977	201,403	201,629	214,593	223,727	243,466	239,556	244,289	273,077	235,985
Market.....	1,144	1,119	1,152	1,138	1,231	120	-	-	-	-
Total business-type activities expenses.....	<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>	<u>3,816,454</u>	<u>3,784,299</u>	<u>4,017,123</u>	<u>5,124,110</u>	<u>4,767,539</u>
Total primary government expenses.....	<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>	<u>\$ 7,900,010</u>	<u>\$ 7,786,751</u>	<u>\$ 8,425,382</u>	<u>\$ 10,750,668</u>	<u>\$ 10,165,820</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public protection.....	\$ 90,044	\$ 58,980	\$ 62,105	\$ 61,412	\$ 60,190	\$ 69,673	\$ 70,444	\$ 86,164	\$ 83,896	\$ 87,614
Public works, transportation and commerce.....	72,287	71,288	101,846	93,809	105,981	135,842	128,661	130,410	148,804	157,416
Human welfare and neighborhood development.....	33,988	25,813	56,628	68,794	69,997	99,848	96,012	273,986	164,755	82,925
Community health.....	60,708	65,756	64,419	58,864	60,856	67,680	93,130	90,078	68,601	104,335
Culture and recreation.....	74,477	81,855	76,528	78,828	93,612	89,969	98,302	98,205	97,614	125,776
General administration and finance.....	33,530	35,190	37,601	44,358	76,903	66,071	89,403	52,417	45,385	73,235
General City responsibilities.....	27,377	37,806	29,316	29,142	50,121	39,445	37,031	45,922	37,367	54,136
Operating Grants and Contributions.....	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094	1,165,340	1,289,902	1,263,262	1,279,900
Capital Grants and Contributions.....	<u>44,048</u>	<u>50,349</u>	<u>57,719</u>	<u>41,174</u>	<u>29,718</u>	<u>39,379</u>	<u>48,233</u>	<u>24,795</u>	<u>19,493</u>	<u>63,181</u>
Total Governmental activities program revenues.....	<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>	<u>1,750,001</u>	<u>1,826,556</u>	<u>2,091,879</u>	<u>1,929,177</u>	<u>2,028,518</u>
Business-type activities:										
Charges for services:										
Airport.....	551,283	578,041	607,323	668,672	726,358	770,691	815,364	866,991	926,800	1,063,802
Transportation.....	257,083	311,311	334,140	350,464	494,805	521,628	499,584	495,296	500,030	511,984
Port.....	66,438	66,579	72,266	77,260	80,202	85,019	95,296	99,733	113,353	109,769
Water.....	265,781	265,218	288,395	342,101	721,470	379,882	426,047	419,516	460,331	525,639
Power.....	115,274	128,590	140,035	127,309	133,927	134,438	147,803	164,736	189,979	191,963
Hospitals.....	568,210	606,276	726,522	740,920	868,244	951,038	894,718	922,320	873,221	967,936
Sewer.....	208,654	209,843	229,216	244,155	252,554	260,097	256,002	261,775	277,341	315,096
Market.....	1,546	1,681	1,655	1,672	1,715	141	-	-	-	-
Operating Grants and Contributions.....	186,805	182,572	204,153	200,318	224,382	190,351	191,101	199,623	270,167	217,506
Capital Grants and Contributions.....	<u>107,118</u>	<u>180,253</u>	<u>213,364</u>	<u>173,975</u>	<u>251,753</u>	<u>515,445</u>	<u>357,819</u>	<u>374,924</u>	<u>353,046</u>	<u>456,166</u>
Total business-type activities program revenues.....	<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>	<u>3,808,730</u>	<u>3,683,734</u>	<u>3,804,914</u>	<u>3,964,268</u>	<u>4,359,861</u>
Total primary government program revenues.....	<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>	<u>\$ 5,558,731</u>	<u>\$ 5,510,290</u>	<u>\$ 5,896,793</u>	<u>\$ 5,893,445</u>	<u>\$ 6,388,379</u>

Notes:

(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.

(2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.

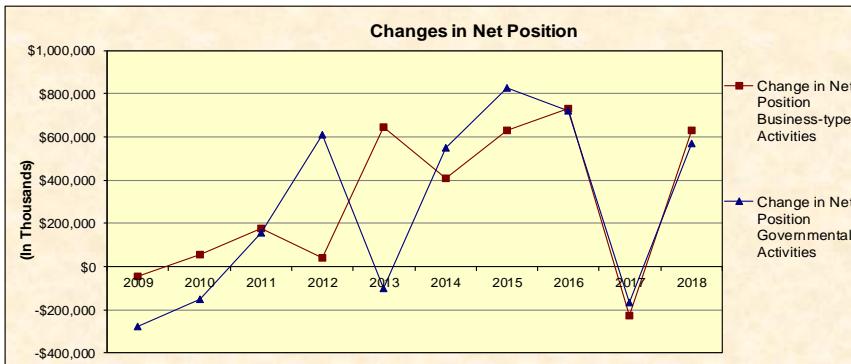
(3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No. 75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.

# CITY AND COUNTY OF SAN FRANCISCO

## CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years  
(Accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014	2015 <sup>(2)</sup>	2016	2017	2018 <sup>(3)</sup>
<b>Net (expenses)/revenue</b>										
Governmental activities.....	\$ (2,259,910)	\$ (2,137,965)	\$ (2,048,516)	\$ (2,261,758)	\$ (2,269,565)	\$ (2,333,555)	\$ (2,175,896)	\$ (2,316,380)	\$ (3,697,381)	\$ (3,369,763)
Business-type activities.....	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)	(100,565)	(212,209)	(1,159,842)	(407,678)
Total primary government net expenses.....	<u>\$ (2,929,796)</u>	<u>\$ (2,738,576)</u>	<u>\$ (2,466,360)</u>	<u>\$ (2,845,171)</u>	<u>\$ (2,172,503)</u>	<u>\$ (2,341,279)</u>	<u>\$ (2,276,461)</u>	<u>\$ (2,528,589)</u>	<u>\$ (4,857,223)</u>	<u>\$ (3,777,441)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes.....	\$ 1,302,071	\$ 1,345,040	\$ 1,340,590	\$ 1,355,855	\$ 1,415,068	\$ 1,521,471	\$ 1,640,383	\$ 1,808,917	\$ 1,951,696	\$ 2,363,863
Business taxes.....	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142
Sales and use tax.....	172,794	164,769	181,474	198,236	208,025	227,636	240,424	270,051	291,395	293,916
Hotel room tax.....	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176
Utility users tax.....	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460
Other local taxes.....	126,017	194,070	251,285	353,746	359,808	391,638	451,994	399,882	542,567	424,187
Interest and investment income.....	35,434	27,877	17,645	31,453	7,862	21,887	20,737	24,048	35,240	46,020
Other.....	44,086	54,410	58,524	91,236	52,865	70,024	46,906	59,266	182,933	71,834
Transfers - internal activities of primary government.....	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)	(504,791)	(671,173)	(647,942)	(753,283)
Special Item .....	-	-	-	-	-	-	-	-	-	116,690
Extraordinary gain (loss).....	-	-	-	323,130	(201,670)	-	-	-	-	-
Total governmental activities.....	<u>1,980,057</u>	<u>1,985,747</u>	<u>2,205,810</u>	<u>2,871,489</u>	<u>2,169,714</u>	<u>2,881,297</u>	<u>3,000,826</u>	<u>3,038,229</u>	<u>3,529,767</u>	<u>3,939,005</u>
Business-type activities:										
Interest and investment income.....	49,691	44,471	42,299	82,533	1,009	29,843	25,999	28,566	28,547	39,010
Other.....	181,759	176,064	214,993	288,584	61,737	82,737	200,148	240,636	257,419	246,827
Transfers - internal activities of primary government.....	393,259	435,824	337,132	251,088	483,028	311,627	504,791	671,173	647,942	753,283
Extraordinary gain (loss).....	-	-	-	-	(6,843)	-	-	-	-	-
Total business-type activities.....	<u>624,709</u>	<u>656,359</u>	<u>594,424</u>	<u>622,205</u>	<u>545,774</u>	<u>417,364</u>	<u>730,938</u>	<u>940,375</u>	<u>933,908</u>	<u>1,039,120</u>
Total primary government.....	<u>\$ 2,604,766</u>	<u>\$ 2,642,106</u>	<u>\$ 2,800,234</u>	<u>\$ 3,493,694</u>	<u>\$ 2,715,488</u>	<u>\$ 3,298,661</u>	<u>\$ 3,731,764</u>	<u>\$ 3,978,604</u>	<u>\$ 4,463,675</u>	<u>\$ 4,978,125</u>
<b>Change in Net Position</b>										
Governmental activities.....	\$ (279,853)	\$ (152,218)	\$ 157,294	\$ 609,731	\$ (99,851)	\$ 547,742	\$ 824,930	\$ 721,849	\$ (167,614)	\$ 569,242
Business-type activities.....	(45,177)	55,748	176,580	38,792	642,836	409,640	630,373	728,166	(225,934)	631,442
Total primary government.....	<u>\$ (325,030)</u>	<u>\$ (96,470)</u>	<u>\$ 333,874</u>	<u>\$ 648,523</u>	<u>\$ 542,985</u>	<u>\$ 957,382</u>	<u>\$ 1,455,303</u>	<u>\$ 1,450,015</u>	<u>\$ (393,548)</u>	<u>\$ 1,200,684</u>



Notes:

- (1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.
- (2) In fiscal year 2014-15, the City adopted the provisions of GASB Statement Nos. 68 and 71. As restatement of all prior periods is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning net position as of July 1, 2014.
- (3) In fiscal year 2017-18, the City adopted the provisions of GASB Statement No.75. As restatement of all prior periods is not practical, the cumulative effect of applying this statement is reported as a restatement of beginning net position as of July 1, 2017.



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**CITY AND COUNTY OF SAN FRANCISCO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)  
(In Thousands)

	Fiscal Year
	<u>2009</u>
<b>General Fund</b>	
Reserved for rainy day.....	\$ 98,297
Reserved for assets not available for appropriation.....	11,307
Reserved for encumbrances.....	65,902
Reserved for appropriation carryforward.....	91,075
Reserved for subsequent years' budgets.....	6,891
Unreserved.....	<u>28,203</u>
Total general fund.....	<u><u>\$ 301,675</u></u>
<b>All other governmental funds</b>	
Reserved for assets not available for appropriation.....	\$ 19,781
Reserved for debt service.....	75,886
Reserved for encumbrances.....	167,169
Reserved for appropriation carryforward.....	501,006
Reserved for subsequent years' budgets.....	11,245
Unreserved reported in:	
Special revenue funds.....	(69,468)
Capital projects funds.....	(26,153)
Permanent fund.....	<u>3,871</u>
Total other governmental funds.....	<u><u>\$ 683,337</u></u>
	<u>2010<sup>(1)</sup></u>
	<u>2011</u>
	<u>2012</u>
	<u>2013</u>
	<u>2014</u>
	<u>2015</u>
	<u>2016</u>
	<u>2017</u>
	<u>2018</u>
<b>General Fund</b>	
Nonspendable.....	\$ 14,874
Restricted.....	39,582
Committed.....	4,677
Assigned.....	132,645
Unassigned.....	-
Total general fund.....	<u><u>\$ 191,778</u></u>
	<u><u>\$ 328,006</u></u>
	<u><u>\$ 455,725</u></u>
	<u><u>\$ 540,871</u></u>
	<u><u>\$ 835,562</u></u>
	<u><u>\$ 1,145,196</u></u>
	<u><u>\$ 1,429,162</u></u>
	<u><u>\$ 1,870,703</u></u>
	<u><u>\$ 2,221,941</u></u>
<b>All other governmental funds</b>	
Nonspendable.....	\$ 192
Restricted.....	861,188
Assigned.....	27,493
Unassigned.....	(81,566)
Total other governmental funds.....	<u><u>\$ 807,307</u></u>
	<u><u>\$ 799,560</u></u>
	<u><u>\$ 1,081,356</u></u>
	<u><u>\$ 1,127,690</u></u>
	<u><u>\$ 1,101,417</u></u>
	<u><u>\$ 1,143,747</u></u>
	<u><u>\$ 1,406,312</u></u>
	<u><u>\$ 1,534,070</u></u>
	<u><u>\$ 2,355,294</u></u>

Notes:

(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

**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									
	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues:</b>										
Property taxes.....	\$ 1,272,385	\$ 1,331,957	\$ 1,380,356	\$ 1,352,857	\$ 1,421,764	\$ 1,517,261	\$ 1,642,159	\$ 1,798,776	\$ 1,937,694	\$ 2,171,601
Business taxes.....	388,653	354,019	391,779	437,678	480,131	563,406	611,932	660,926	702,331	899,142
Sales and use tax.....	172,794	164,769	181,474	198,236	208,025	227,636	240,424	267,443	291,710	296,209
Hotel room tax.....	214,460	186,849	209,962	239,567	238,782	310,052	394,262	387,661	370,344	382,176
Utility users tax.....	89,801	94,537	91,683	91,676	91,871	86,810	98,979	98,651	101,203	94,460
Other local taxes.....	126,017	194,070	251,285	353,889	359,808	391,638	451,994	399,882	542,567	424,187
Licenses, permits and franchises.....	32,153	33,625	35,977	39,770	40,901	42,371	42,959	43,722	44,397	43,180
Fines, forfeitures and penalties.....	9,694	22,255	11,770	30,090	49,841	28,425	28,154	36,169	30,798	34,220
Interest and investment income.....	33,547	27,038	17,041	31,371	7,489	21,678	20,583	23,931	35,089	45,890
Rent and concessions.....	77,014	78,527	78,995	89,183	98,770	90,712	99,102	135,865	100,544	105,284
Intergovernmental:										
Federal.....	362,582	448,890	484,704	420,974	420,775	426,314	465,196	416,823	411,369	421,024
State.....	575,774	552,641	581,119	588,532	656,141	721,735	751,574	776,866	823,012	875,402
Other.....	15,186	7,397	32,017	33,181	41,789	9,408	15,774	85,872	13,814	16,993
Charges for services.....	280,407	243,128	258,015	264,856	296,059	333,904	359,044	392,665	378,437	415,569
Other.....	30,318	51,023	97,194	83,634	81,014	134,923	123,605	264,722	188,311	186,034
Total revenues.....	<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>	<u>4,906,273</u>	<u>5,345,741</u>	<u>5,789,974</u>	<u>5,971,620</u>	<u>6,411,371</u>
<b>Expenditures:</b>										
Public protection.....	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497	1,210,157	1,269,000	1,323,577	1,378,754
Public works, transportation and commerce.....	248,161	243,454	226,920	250,879	223,218	232,005	293,999	416,152	332,693	441,868
Human welfare and neighborhood development.....	886,686	918,301	870,091	918,414	945,106	995,192	1,095,419	1,252,588	1,424,425	1,499,216
Community health.....	578,828	581,392	595,222	653,263	734,736	761,439	753,832	776,612	712,495	815,762
Culture and recreation.....	313,442	303,134	310,392	311,156	328,794	331,914	352,852	364,909	390,038	424,794
General administration and finance.....	190,680	187,221	191,641	203,157	211,138	233,977	251,370	277,729	303,113	312,441
General City responsibilities .....	73,147	86,498	85,463	96,150	81,775	86,996	98,658	114,684	121,447	110,920
Debt service:										
Principal retirement.....	126,501	154,051	148,231	167,465	154,542	190,266	200,497	252,456	283,356	381,141
Interest and fiscal charges.....	74,466	89,946	101,716	103,706	108,189	119,142	121,371	119,723	125,091	136,925
Bond issuance costs.....	4,746	2,145	2,161	5,386	2,913	2,185	2,734	7,108	2,695	8,934
Capital outlay.....	152,473	182,448	214,817	270,094	410,994	449,726	412,740	223,904	297,089	337,741
Total expenditures.....	<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>	<u>4,575,339</u>	<u>4,793,629</u>	<u>5,074,865</u>	<u>5,316,019</u>	<u>5,848,496</u>
Excess of revenues over expenditures.....	<u>32,137</u>	<u>20,630</u>	<u>325,536</u>	<u>196,621</u>	<u>145,871</u>	<u>330,934</u>	<u>552,112</u>	<u>715,109</u>	<u>655,601</u>	<u>562,875</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									
	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Other financing sources (uses):</b>										
Transfers in.....	352,693	302,790	304,682	335,600	447,734	563,283	556,287	580,737	641,123	625,147
Transfers out.....	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)	(1,061,086)	(1,251,800)	(1,222,163)	(1,398,562)
Issuance of bonds and loans:										
Face value of bonds issued.....	456,935	393,010	232,965	804,090	557,490	257,175	449,530	595,925	276,570	1,293,595
Face value of loans issued.....	-	599	1,813	4,359	5,890	8,735	136,763	-	46,000	-
Premium on issuance of bonds.....	12,875	16,647	16,799	89,336	64,469	19,773	69,833	32,845	12,432	76,243
Payment to refunded bond escrow agent.....	(120,000)	-	(142,458)	(487,390)	-	(49,055)	(359,225)	(131,935)	-	-
Proceeds from sale of capital assets.....	-	-	-	-	-	-	-	-	122,000	-
Other financing sources - capital leases.....	24,881	20,746	19,769	12,304	13,470	12,869	7,750	5,650	37,736	2,027
Total other financing sources (uses).....	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)	(200,148)	(168,578)	(86,302)	598,450
Extraordinary gain (loss).....	-	-	-	197,314	(172,651)	-	-	-	-	-
Special item.....	-	-	-	-	-	-	-	-	-	11,137
Net change in fund balances.....	<u>\$ 13,343</u>	<u>\$ 14,073</u>	<u>\$ 128,481</u>	<u>\$ 409,515</u>	<u>\$ 131,480</u>	<u>\$ 268,418</u>	<u>\$ 351,964</u>	<u>\$ 546,531</u>	<u>\$ 569,299</u>	<u>\$ 1,172,462</u>
Debt service as a percentage of noncapital expenditures.....	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%	7.55%	7.98%	8.46%	9.75%
Debt service as a percentage of total expenditures.....	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%	6.71%	7.33%	7.68%	8.86%

**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**  
**ASSESSED VALUE OF TAXABLE PROPERTY <sup>(1)(3)(4)</sup>**  
Last Ten Fiscal Years  
(In Thousands)

Fiscal Year (4)	Assessed Value			Exemptions (2)			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments		
2009.....	\$ 152,150,004	\$ 3,943,357	\$ 156,093,361	\$ 6,193,368	\$ 657,320	\$ 8,860,502	\$ 140,382,171	1.00%
2010.....	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011.....	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012.....	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013.....	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014.....	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%
2015.....	186,530,855	4,392,133	190,922,988	8,173,599	656,490	15,730,217	166,362,682	1.00%
2016.....	197,889,670	4,667,489	202,557,159	8,252,472	654,116	15,798,019	177,852,552	1.00%
2017.....	216,357,277	5,003,459	221,360,736	9,061,126	647,177	17,057,074	194,595,359	1.00%
2018.....	240,129,959	5,033,413	245,163,372	11,372,719	638,914	20,790,719	212,361,020	1.00%

Source:

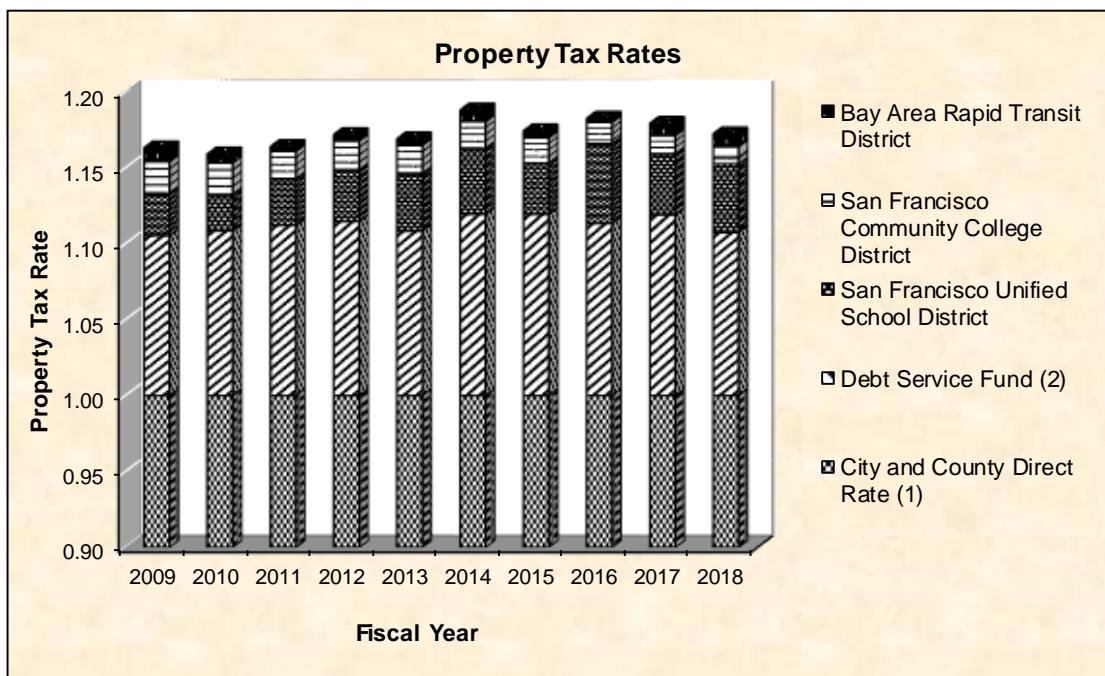
Controller, City and County of San Francisco

Notes:

- (1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.
- (2) Exemptions are summarized as follows:
  - (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  - (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and Redevelopment Agency.
- (3) Based on certified assessed values.
- (4) Based on year end actual assessed values.

**CITY AND COUNTY OF SAN FRANCISCO**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
 Last Ten Fiscal Years  
 (Rate Per \$100 of Assessed Value)

Fiscal Year	Overlapping Rates					Total
	City and County Direct Rate <sup>(1)</sup>	Debt Service Fund <sup>(2)</sup>	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880
2015	1.00000000	0.11945760	0.03326497	0.01707743	0.00450000	1.1743
2016	1.00000000	0.11346583	0.05246647	0.01407283	0.00260000	1.1826
2017	1.00000000	0.11894004	0.03982180	0.01245918	0.00800000	1.1792
2018	1.00000000	0.10740904	0.04517555	0.01135485	0.00840000	1.1723



Notes:

- (1) Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.
- (2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIa of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIa (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

**CITY AND COUNTY OF SAN FRANCISCO**

**PRINCIPAL PROPERTY ASSEESSEES**  
 Current Fiscal Year and Nine Fiscal Years Ago  
 (Dollar in Thousands)

Assessee	Type of Business	Fiscal Year 2018			Fiscal Year 2009		
		Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value (2)	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
HWA 555 Owners LLC	Office, Commercial	\$ 998,450	1	0.43%	\$ 885,380	1	0.62%
Elm Property Venture LLC	Office, Commercial	965,547	2	0.41%	-	-	-
PPF Paramount Market Plaza Owner LP	Office, Commercial	817,948	3	0.35%	-	-	-
SFDC 50 FREMONT LLC	Office, Commercial	675,803	4	0.29%	-	-	-
SHR St Francis LLC	Hotel, Commercial	656,823	5	0.28%	-	-	-
Sutter Bay Hospitals	Office, Commercial	653,432	6	0.28%	-	-	-
Transbay Tower LLC	Office, Commercial	560,825	7	0.24%	-	-	-
P55 Hotel Owner LLC	Hotel	527,815	8	0.22%	-	-	-
Union Investment Real Estate GMBH	Office, Commercial	483,303	9	0.21%	-	-	-
Emporium Mall LLC	Retail, Commercial	456,949	10	0.19%	-	-	-
EOP - One Market LLC	Office, Commercial	-	-	-	442,169	2	0.31%
Marriott Hotel	Hotel	-	-	-	413,653	3	0.29%
Four Embarcadero Center Venture	Office, Commercial	-	-	-	373,417	4	0.26%
Post-Montgomery Associates	Office, Commercial	-	-	-	363,063	5	0.26%
TST Mission Street LLC	Office, Commercial	-	-	-	331,047	6	0.23%
One Embarcadero Center Venture	Office, Commercial	-	-	-	322,275	7	0.23%
Broadway Partners	Office, Commercial	-	-	-	306,000	8	0.22%
Three Embarcadero Center Venture	Office, Commercial	-	-	-	303,171	9	0.21%
Embarcadero Center Associates	Office, Commercial	-	-	-	301,796	10	0.21%
Total		\$ 6,796,895		2.90%	\$ 4,041,971		2.84%

Source:

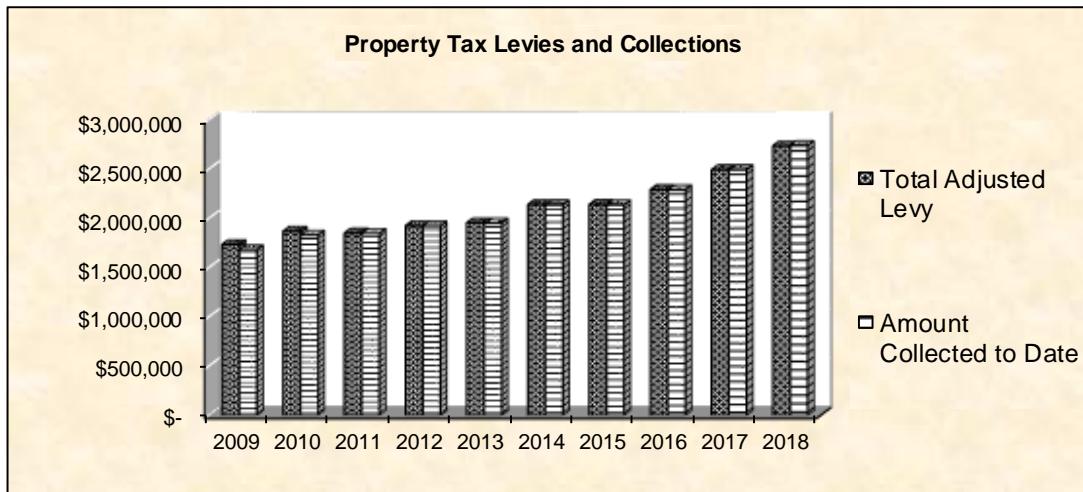
Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2017-2018 updated as of August 1, 2017.  
 (2) Assessed values for fiscal years 2017-2018 and 2008-2009 are from the tax rolls of calendar years 2017 and 2008, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PROPERTY TAX LEVIES AND COLLECTIONS <sup>(1)(2)</sup>**  
 Last Ten Fiscal Years  
 (In Thousands)

<b>Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>			<b>Total Collections to Date</b>		
	<b>Total Adjusted Levy</b>	<b>Amount</b>	<b>Percentage of Original Levy</b>	<b>Collections in Subsequent Years <sup>(3)</sup></b>	<b>Amount</b>	<b>Percentage of Adjusted Levy</b>
2009	\$1,731,668	\$ 1,658,599	95.78%	\$ 21,463	\$ 1,680,062	97.02%
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91
2015	2,139,050	2,113,968	98.83	21,166	2,135,134	99.82
2016	2,290,280	2,268,876	99.07	19,156	2,288,032	99.90
2017	2,492,789	2,471,486	99.15	21,966	2,493,452	100.03
2018	2,732,615	2,709,048	99.14	29,002	2,738,050	100.20



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

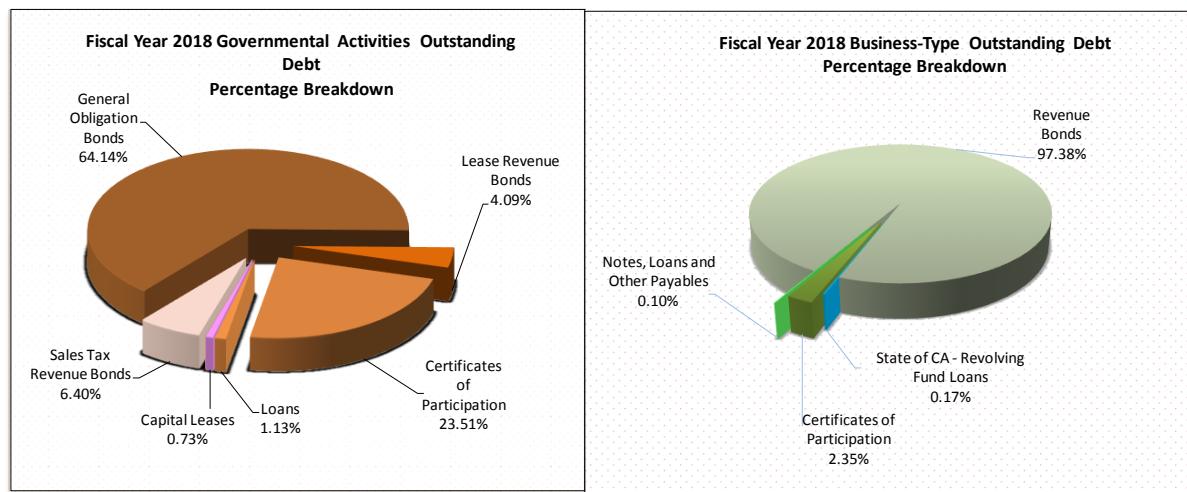
(In Thousands, except per capita amount)

### Governmental Activities

Fiscal Year <sup>(1)</sup>	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation		Capital Leases	Settlement Obligation	Sales Tax Revenue Bonds	Subtotal
2009	\$ 1,208,353	\$ 294,973	\$ 564,754	\$ 11,329	\$ 164,383	\$ 14,019	\$ -	\$ 2,257,811
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	-	2,490,699
2011	1,411,769	283,155	587,121	10,072	141,377	-	-	2,433,494
2012	1,617,397	275,876	552,998	13,878	22,878	-	-	2,483,027
2013	2,052,155	264,828	574,683	19,184	9,741	-	-	2,920,591
2014	2,105,885	243,503	544,817	27,441	3,085	-	-	2,924,731
2015	2,096,765	216,527	507,504	163,837	-	-	-	2,984,633
2016	2,227,515	197,217	623,956	143,059	-	-	-	3,191,747
2017	2,281,894	182,783	582,759	162,876	32,586	-	-	3,242,898
2018	2,693,252	171,667	987,014	47,462	30,654	-	268,917	4,198,966

### Business-Type Activities

Fiscal Year	Revenue Bonds	State of CA - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income <sup>(1)(2)</sup>	Per Capita <sup>(1)(3)</sup>
2009.....	\$ 4,928,729	\$ 75,339	\$ -	\$ 324,042	\$ 2,635	\$ 5,330,745	\$ 7,588,556	13.66%	\$ 9,307
2010.....	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.31	12,386
2011.....	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	17.11	13,284
2012.....	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	17.23	14,723
2013.....	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	17.31	14,995
2014.....	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	16.79	15,214
2015.....	10,040,660	-	355,113	7,840	1,174	10,404,787	13,389,420	14.95	15,533
2016.....	10,078,794	-	343,270	8,180	266	10,430,510	13,622,257	14.17	15,549
2017.....	11,185,043	-	330,924	9,241	-	11,525,208	14,768,106	14.75	16,699
2018.....	13,194,466	22,607	318,019	14,196	-	13,549,288	17,748,254	17.24	19,882



**Notes:**

<sup>(1)</sup> See Demographic and Economic Statistics, for personal income and population data.

<sup>(2)</sup> 2015, 2016 and 2017 were updated from last year's CAFR with newly available data.

<sup>(3)</sup> 2016 and 2017 were updated from last year's CAFR with newly available 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</b>	<b>Total</b>	<b>Per Capita <sup>(2)(3)</sup></b>	<b>Percentage of Taxable Assessed Value <sup>(4)</sup></b>
2009	\$ 1,208,353	40,907	\$ 1,167,446	\$ 1,432	0.78%
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,318	1.16
2014	2,105,885	95,451	2,010,434	2,358	1.14
2015	2,096,765	91,292	2,005,473	2,327	1.10
2016	2,227,515	86,754	2,140,761	2,444	1.10
2017	2,281,894	111,892	2,170,002	2,454	1.02
2018	2,693,252	127,766	2,565,486	2,874	1.10

Notes:

- (1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restricted to exclude bond refunding gains or losses.
- (2) Population data can be found in Demographic and Economic Statistics.
- (3) Fiscal years 2016 and 2017 are updated from last year's CAFR with newly available data.
- (4) Taxable property data can be found in Assessed Value of Taxable Property.

**CITY AND COUNTY OF SAN FRANCISCO**

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years  
(In Thousands)

	<b>Fiscal Year</b>				
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
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>1,208,353</u>	<u>1,442,448</u>	<u>1,411,769</u>	<u>1,617,397</u>	<u>2,052,155</u>
Legal debt margin	<u>\$ 3,288,647</u>	<u>\$ 3,411,312</u>	<u>\$ 3,373,329</u>	<u>\$ 3,345,349</u>	<u>\$ 2,977,894</u>
Total net debt applicable to the limit as a percentage of debt limit	26.87%	29.72%	29.50%	32.59%	40.80%
<b>Fiscal Year</b>					
<b>2014</b>					
Debt limit	\$ 5,279,242	\$ 5,482,482	\$ 5,829,141	\$ 6,368,988	\$ 7,013,720
Total net debt applicable to limit <sup>(1)</sup>	<u>2,105,885</u>	<u>2,096,765</u>	<u>2,227,514</u>	<u>2,281,894</u>	<u>2,693,252</u>
Legal debt margin	<u>\$ 3,173,357</u>	<u>\$ 3,385,717</u>	<u>\$ 3,601,627</u>	<u>\$ 4,087,094</u>	<u>\$ 4,320,468</u>
Total net debt applicable to the limit as a percentage of debt limit	39.89%	38.24%	38.21%	35.83%	38.40%

**Legal Debt Margin Calculation for Fiscal Year 2018**

Total assessed value	\$ 245,163,372
Less: non-reimbursable exemptions <sup>(2)</sup>	<u>11,372,719</u>
Assessed value <sup>(2)</sup>	<u>\$ 233,790,653</u>
Debt limit (three percent of valuation subject to taxation ) <sup>(3)</sup>	\$ 7,013,720
Debt applicable to limit - general obligation bonds	<u>2,693,252</u>
Legal debt margin	<u>\$ 4,320,468</u>

Notes:

(1) Per outstanding general obligation bonds adjusted with bond premium and discount.

(2) Source: Assessor, City and County of San Francisco

(3) 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, 2018

<b>Debts</b>	<b>Total Debt Outstanding (In thousands)</b>	<b>Estimated Percentage Applicable to City and County<sup>(1)</sup></b>	<b>Estimated Share of Overlapping Debt (In thousands)</b>
<b>Direct Debt</b>			
General Obligation Bonds .....			\$ 2,693,252
Lease Revenue Bonds..... \$ 171,667		100.00%	171,667
Sales Tax Revenue Bonds..... 268,917		100.00%	268,917
Certificates of Participation..... 987,014		100.00%	987,014
Loans..... 47,462		100.00%	47,462
Lease Purchase Financing .....	30,654	100.00%	30,654
Total Direct Debt .....			<u>4,198,966</u>
<b>Overlapping Debt</b>			
General Obligation Bonds			
San Francisco Unified School District..... 831,699		100.00%	831,699
San Francisco Community College District..... 266,458		100.00%	266,458
Bay Area Rapid Transit District..... 931,600		33.00%	307,428
Total Overlapping Debt.....			<u>1,405,585</u>
Total Direct and Overlapping Debt.....			<u>\$ 5,604,551</u>
Assessed valuation (net of non- reimbursable exemption).....			\$ 233,790,653
Population - 2018 <sup>(2)</sup> .....			892,701
Percentage of direct and overlapping general obligation debt per assessed valuation.....			1.75%
Percentage of total direct and overlapping debt per assessed valuation.....			2.40%
Estimated total direct and overlapping total debt per capita .....			\$6,278

**Note:** Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts boundaries and dividing it by the City's total taxable assessed value.

(2) Sources: US Census Bureau

# CITY AND COUNTY OF SAN FRANCISCO

## PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years  
(In Thousands)

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

Fiscal Year	Operating Revenues <sup>(2)</sup>	San Francisco International Airport <sup>(1)</sup>					
		Less: Operating Expenses <sup>(3)</sup>	Net Available Revenue	Principal	Interest	Total	Coverage
2009	\$ 574,088	\$ 315,823	\$ 258,265	\$ 88,205	\$ 178,372	\$ 266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02
2015	824,482	392,361	432,121	181,645	211,804	393,449	1.10
2016	880,948	412,114	468,834	208,860	185,297	394,157	1.19
2017	934,692	543,019	391,673	194,225	210,330	404,555	0.97
2018	1,075,118	505,017	570,101	159,590	245,751	405,341	1.41

(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>	San Francisco Water Department <sup>(4)</sup>					
		Less: Operating Expenses <sup>(6)</sup>	Net Available Revenue	Principal	Interest	Total	Coverage
2009	\$ 272,869	\$ 248,315	\$ 125,203	\$ 149,757	\$ 25,520	\$ 44,065	\$ 69,585
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595
2011	305,678	261,927	126,126	169,877	27,795	58,759 <sup>(7)</sup>	86,554
2012	375,551	304,562	115,667	186,656	44,050	78,239 <sup>(7)</sup>	122,289
2013	721,189	303,739	157,518	574,968	45,965	93,569 <sup>(7)</sup>	139,534
2014	390,789	333,555	426,527	483,761	25,850	115,476 <sup>(7)</sup>	141,326
2015	431,836	296,950	310,139	445,025	25,850	166,462 <sup>(7)</sup>	192,312
2016	423,111	314,786	283,568	391,893	29,695	189,500 <sup>(7)</sup>	219,195
2017	464,662	421,827	351,605	394,440	41,310	166,502 <sup>(7)</sup>	207,812
2018	532,087	358,843	326,339	499,583	48,875	185,084 <sup>(7)</sup>	233,959

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 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 <sup>(9)(10)</sup>	Municipal Transportation Agency					
		Less: Operating Expenses <sup>(11)(12)</sup>	Net Available Revenue	Principal	Interest	Total	Coverage
2009	\$ 33,970	\$ 18,879	\$ 15,091	\$ 5,165	\$ 1,395	\$ 6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	471,490	135,635	3,075	1,856	4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87
2015	626,312	527,125	99,187	7,695	6,945	14,640	6.78
2016	619,650	563,750	55,900	7,340	9,155	16,495	3.39
2017	614,619	572,162	42,457	7,640	8,865	16,505	2.57
2018	652,919	587,355	65,564	12,350	15,602	27,952	2.35

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code) (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds, the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense.

**CITY AND COUNTY OF SAN FRANCISCO**  
**PLEDGED-REVENUE COVERAGE (Continued)**  
Last Ten Fiscal Years  
(In Thousands)

**San Francisco Wastewater Enterprise <sup>(13)</sup>**

Fiscal Year	Gross		Less: Operating		Net Available		Debt Service		
	Revenues <sup>(14)</sup>	Expenses <sup>(15)</sup>	Adjustments <sup>(16)</sup>	Revenue <sup>(17)</sup>	Principal	Interest <sup>(17)</sup>	Total <sup>(17)</sup>	Coverage <sup>(17)</sup>	
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	247,936	195,857	107,125	159,204	22,010	20,180 <sup>(18)</sup>	42,190	3.77	
2013	253,078	208,260	109,323	154,141	23,095	15,655 <sup>(18)</sup>	38,750	3.98	
2014	262,497	216,340	172,831	218,988	32,805	32,047 <sup>(18)</sup>	64,852	3.38	
2015	257,209	216,485	190,236	230,960	30,895	30,006 <sup>(18)</sup>	60,901	3.79	
2016	262,960	221,553	198,524	239,931	31,115	28,907 <sup>(18)</sup>	60,022	4.00	
2017	279,668	244,220	216,095	251,543	20,870	39,537 <sup>(18)</sup>	60,407	4.16	
2018	317,413	208,049	228,971	338,335	20,015	26,988 <sup>(18)</sup>	47,003	7.20	

(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 FY2009.

(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2018 also includes a "springing" amendment. Capitalized interest was excluded in FY2018.

**Port of San Francisco <sup>(19)</sup>**

Fiscal Year	Total Operating		Less: Operating		Net Available		Debt Service		
	Revenues <sup>(20)</sup>	Expenses <sup>(21)</sup>	Revenue	Principal	Interest	Total	Coverage		
2009	\$ 68,734	\$ 57,574	\$ 11,160	\$ 4,185	\$ 222	\$ 4,407	2.53		
2010	69,741	58,756	10,985	4,320	75	4,395	2.50		
2011	73,675	51,871	21,804	485	2,358	2,843	7.67		
2012	79,273	55,471	23,802	670	2,175	2,845	8.37		
2013	81,536	63,615	17,921	695	2,151	2,846	6.30		
2014	87,213	63,410	23,803	725	2,122	2,847	8.36		
2015	96,265	60,896	35,369	1,400	2,771	4,171	8.48		
2016	100,699	64,896	35,803	1,225	2,951	4,176	8.57		
2017	114,854	89,882	24,972	1,265	2,904	4,169	5.99		
2018	112,000	79,027	32,973	1,325	2,849	4,174	7.90		

(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)</sup>**

Fiscal Year	Gross Revenues <sup>(23)</sup>		Less: Operating Expenses <sup>(24)</sup>		Net Available Revenue		Debt Service <sup>(26)</sup>		
	Revenues <sup>(23)</sup>	Expenses <sup>(24)</sup>	Adjustments <sup>(25)</sup>	Revenue	Principal	Interest	Total	Coverage	
2009	\$ 97,671	\$ 49,337	\$ 4,907	\$ 53,241	\$ 422	\$ -	\$ 422	126.16	
2010	105,711	86,334	14,521	33,898	422	-	422	80.33	
2011	113,253	86,266	14,786	41,773	422	-	422	98.99	
2012	100,622	93,607	13,536	20,551	422	-	422	48.70	
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71	
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33	
2015	117,704	105,222	38,714	51,196	1,321	625	1,946	26.31	
2016	122,954	110,012	20,102	33,044	-	-	-	-	
2017	122,187	116,935	58,176	63,428	-	-	-	-	
2018	122,251	119,395	64,356	67,212	710	1,860	2,570	26.15	

(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) Gross revenues consists of charges for power services, rental income and other income.

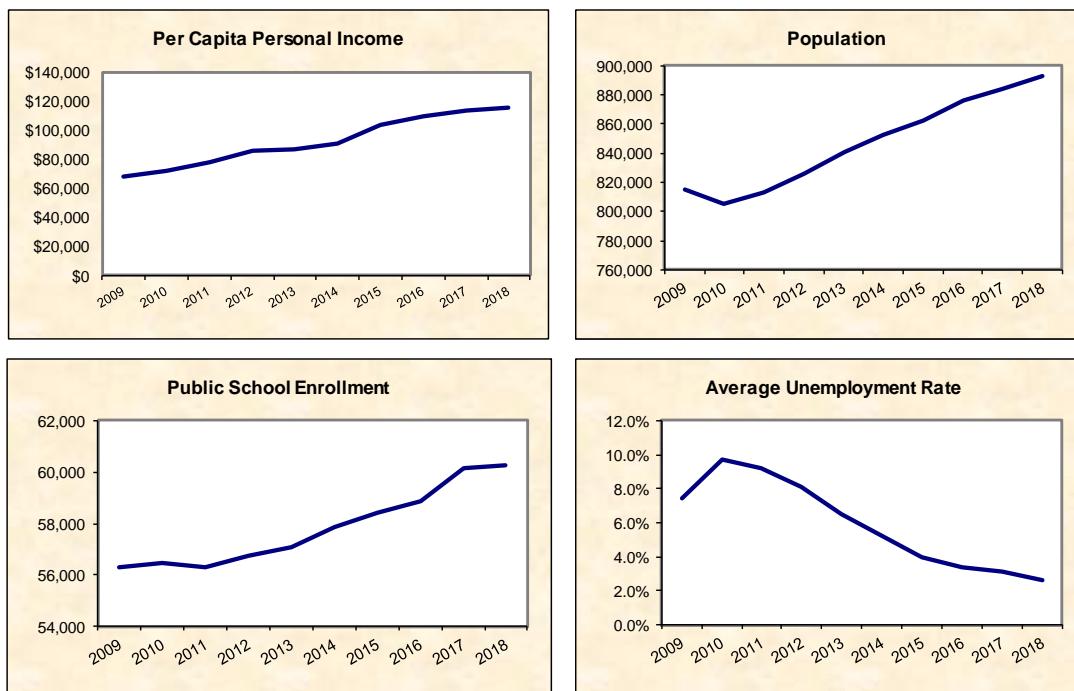
(24) Operating expenses only include power operating expense.

(25) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

(26) For FY2016 and FY2017 Revenue Bond Debt Service excludes state revolving fund loans, commercial paper and certificates of participation.

**CITY AND COUNTY OF SAN FRANCISCO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2009	815,358	\$55,559,545	\$68,141	40.4	56,315	7.4%
2010	805,235	57,619,120	71,556	38.5	56,454	9.7%
2011	812,826	63,102,121	77,633	37.3	56,299	9.2%
2012	825,863	70,573,974	85,455	38.5	56,758	8.1%
2013	841,138	72,858,445	86,619	37.9	57,105	6.5%
2014	852,469	77,233,279	90,600	37.4	57,860	5.2%
2015	862,004	89,533,450	103,867	37.8	58,414	4.0%
2016	876,103 <sup>(7)</sup>	96,161,308 <sup>(8)</sup>	109,760 <sup>(9)</sup>	37.9	58,865	3.4%
2017	884,363 <sup>(7)</sup>	100,123,866 <sup>(8)</sup>	113,216 <sup>(9)</sup>	37.9 <sup>(10)</sup>	60,133	3.1%
2018	892,701 <sup>(7)</sup>	102,952,634 <sup>(8)</sup>	115,327 <sup>(9)</sup>	37.9 <sup>(10)</sup>	60,263	2.6%



Sources:

- (1) US Census Bureau. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
- (2) US Bureau of Economic Analysis. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
- (3) US Bureau of Economic Analysis. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
- (4) US Census Bureau, American Community Survey
- (5) California Department of Education
- (6) California Employment Development Department

Note:

- (7) 2016 and 2017 were updated from last year's CAFR with newly available data. 2018 population was estimated by multiplying the estimated 2017 population by the 2017 - 2018 population growth rate.
- (8) Personal income was estimated by assuming that its percentage of state personal income in 2017 and 2018 remained at the 2016 level of 4.35 percent. Fiscal years 2016 and 2017 were updated from last year's CAFR with newly available data.
- (9) Per capita personal income for 2016 and 2017 was estimated by dividing the estimated personal income for 2016 and 2017 by the reported and estimated population in 2016 and 2017, respectively. Fiscal years 2016 and 2017 are updated from last year's CAFR with newly available data. 2018 was estimated by multiplying the latest quarterly State income by 1000 and dividing by the estimated 2018 population.
- (10) Median age for 2017 and 2018 were estimated by averaging the median age in 2015 and 2016. No new median age data was available after 2016.

**CITY AND COUNTY OF SAN FRANCISCO**

**Principal Employers**  
Current Year and Nine Years Ago

<b>Employer</b>	<b>Year 2017 <sup>(1)</sup></b>			<b>Year 2008</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
City and County of San Francisco.....	31,038	1	5.59%	26,656	1	6.28%
University of California, San Francisco.....	25,522	2	4.60%	18,200	2	4.29%
San Francisco Unified School District.....	10,000	3	1.80%	-	-	-
Wells Fargo & Co.....	7,838	4	1.41%	8,718	3	2.05%
Salesforce.....	7,000	5	1.26%	-	-	-
Sutter Health.....	6,447	6	1.16%	-	-	-
Uber Technologies Inc.....	5,000	7	0.90%	-	-	-
Kaiser Permanente.....	4,517	8	0.81%	-	-	-
Gap Inc.....	4,050	9	0.73%	4,172	9	0.98%
PG&E Corporation.....	3,800	10	0.68%	4,350	8	1.03%
California Pacific Medical Center.....	-	-	-	6,600	4	1.56%
State of California.....	-	-	-	6,021	5	1.42%
Charles Schwab & Co. Inc.....	-	-	-	4,600	6	1.08%
United States Postal Service.....	-	-	-	4,571	7	1.08%
San Francisco State University.....	-	-	-	3,831	10	0.90%
Total.....	<u>105,212</u>		<u>18.94%</u>	<u>87,719</u>		<u>20.67%</u>

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 2017 is presented.

**CITY AND COUNTY OF SAN FRANCISCO**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION <sup>(1)</sup>**  
Last Ten Fiscal Years

<u>Function</u>	<u>Fiscal Year</u>									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public Protection</b>										
Fire Department.....	1,602	1,532	1,512	1,474	1,463	1,464	1,494	1,575	1,620	1,646
Police.....	2,949	2,757	2,681	2,665	2,655	2,727	2,784	2,871	3,013	2,971
Sheriff.....	1,016	1,048	953	1,010	1,013	984	1,015	1,006	1,056	1,001
Other.....	996	981	969	956	1,021	1,032	1,049	1,077	1,081	1,138
Total Public Protection.....	6,563	6,318	6,115	6,105	6,152	6,207	6,342	6,529	6,770	6,756
<b>Public Works, Transportation and Commerce</b>										
Municipal Transportation Agency.....	4,528	4,358	4,160	4,141	4,388	4,484	4,685	4,931	5,160	5,178
Airport Commission.....	1,248	1,233	1,294	1,377	1,443	1,460	1,473	1,493	1,541	1,586
Department of Public Works.....	1,030	822	791	783	808	825	852	925	981	1,027
Public Utilities Commission.....	1,580	1,549	1,584	1,616	1,620	1,621	2,002	2,023	1,637	1,648
Other.....	565	490	508	536	583	612	626	627	637	631
Total Public Works, Transportation and Commerce.....	8,951	8,452	8,337	8,453	8,842	9,002	9,638	9,999	9,956	10,070
<b>Community Health</b>										
Public Health.....	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857
Total Community Health.....	6,023	5,838	5,696	5,671	5,800	6,126	6,284	6,602	6,806	6,857
<b>Human Welfare and Neighborhood Development</b>										
Human Services.....	1,810	1,662	1,685	1,691	1,750	1,855	1,964	2,046	2,068	2,099
Other.....	309	296	284	269	244	244	246	242	375	386
Total Human Welfare and Neighborhood Development.....	2,119	1,958	1,969	1,960	1,994	2,099	2,210	2,288	2,443	2,485
<b>Culture and Recreation</b>										
Recreation and Park Commission.....	919	898	851	834	841	870	905	923	935	934
Public Library.....	649	649	645	628	640	652	661	662	683	698
War Memorial.....	97	63	63	63	63	57	58	65	68	69
Other.....	203	199	201	199	210	213	214	214	211	214
Total Culture and Recreation.....	1,868	1,809	1,760	1,724	1,754	1,792	1,838	1,864	1,897	1,915
<b>General Administration and Finance</b>										
Administrative Services.....	539	647	616	637	723	716	751	804	830	845
City Attorney.....	318	306	300	299	303	308	308	306	307	307
Telecommunications and Information Services.....	265	252	210	196	199	216	209	221	228	232
Controller.....	198	180	194	201	198	204	219	253	263	257
Human Resources.....	144	138	119	123	124	135	157	166	155	148
Treasurer/Tax Collector.....	212	220	211	208	202	211	225	218	219	207
Mayor.....	55	49	42	37	49	49	50	55	56	58
Other.....	547	554	540	567	561	602	615	658	695	697
Total General Administration and Finance.....	2,278	2,346	2,232	2,268	2,359	2,441	2,534	2,681	2,753	2,751
Subtotal annually funded positions.....	27,802	26,721	26,109	26,181	26,901	27,667	28,846	29,963	30,625	30,834
Capital project funded positions.....	1,519	1,928	1,885	1,892	1,486	1,569	1,310	1,380	2,124	2,211
Total annually funded positions.....	29,321	28,649	27,994	28,073	28,387	29,236	30,156	31,343	32,749	33,045

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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public Protection</b>										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile .....	7:06	7:13	7:19	7:18	7:36	8:30	8:12	7:41	7:40	7:54
<b>Police</b>										
Average time from dispatch to arrival on scene for highest priority calls <sup>(1)</sup> .....	3:49	3:33	4:07	4:15	4:35	4:20	4:55	4:57	5:10	5:28
Number of homicides per 100,000 population .....	8.2	5.3	6.3	7.4	6.2	4.7	6.6	6.2	7.9	4.9
<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.....	50% 310	N/A 312	52% 427	N/A 346	N/A 521	N/A 323	54% 474	N/A 721	51% 704	N/A 608
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good).....	2.98	N/A	3.55	3.02	3.38	N/A	N/A	N/A	N/A	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points .....	74.4% 96.9%	73.5% 96.6%	72.9% 96.2%	61.9% 97.5%	59.3% 97.6%	58.8% 90.7%	56.1% 97.0%	59.9% 99.0%	57.3% 98.9%	56.5% 97.5%
Airport										
Percent change in air passenger volume.....	-0.8%	4.8%	5.3%	8.0%	4.0%	3.2%	4.5%	6.7%	4.9%	7.0%
<b>Human Welfare and Neighborhood Development</b>										
Environment										
Percentage of total solid waste materials diverted in a calendar year.....	72%	77%	78%	80%	N/A	N/A	N/A	N/A	N/A	N/A
<b>Culture and Recreation</b>										
Recreation and Park										
Citywide percentage of park maintenance standards met for all parks inspected <sup>(2)</sup> .....	89%	91%	90%	91%	91%	91%	85%	87%	89%	89%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good <sup>(2)</sup> .....	79%	N/A	79%	N/A	85%	N/A	92%	83%	73%	83%
Circulation of materials at San Francisco libraries.....	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953	10,684,760	10,778,428	10,814,015	11,092,406
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums .....	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135	1,712,076	1,830,284	1,730,378	1,678,682

Source: Controller, City and County of San Francisco

Notes:

(1) FY 2009 through FY 2015 reflects average time.

(2) FY 2016 through FY 2017 updated with newly available information.

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>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Police protection <sup>(1)</sup>										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,356	2,261	2,288	2,243	2,164	2,130	2,203	2,332	2,315	2,292
Fire protection <sup>(2)</sup>										
Number of stations.....	42	42	46	46	46	46	47	47	47	47
Number of firefighters.....	809	768	778	718	817	896	907	995	1,029	1,044
Public works										
Miles of street <sup>(3)</sup> .....	1,318	1,317	1,317	1,315	1,315	1,299	1,287	1,287	1,287	1,287
Number of streetlights <sup>(4)</sup> .....	43,492	43,973	44,530	44,594	44,655	44,656	44,907	44,498	44,686	44,891
Water <sup>(4)</sup>										
Number of services.....	172,885	172,680	173,033	173,454	173,744	173,970	174,111	174,083	174,394	175,054
Average daily consumption (million gallons).....	236.6	219.9	213.6	212.0	215.1	217	190	171	175	190.4
Miles of water mains.....	1,465	1,465	1,473	1,488	1,488	1,488	1,499	1,489	1,488	1,489
Sewers <sup>(4)</sup>										
Miles of collecting sewers.....	993	993	993	959	986	993	993	993	993	993
Miles of transport/storage sewers.....	17	17	17	17	24	17	17	17	17	17
Recreation and cultures										
Number of parks <sup>(5)</sup> .....	222	220	220	220	221	221	220	220	220	220
Number of libraries <sup>(6)</sup> .....	28	28	28	28	28	28	28	28	28	28
Number of library volumes (million) <sup>(6)</sup> .....	2.9	3.3	3.5	3.6	3.5	3.6	3.6	3.8	3.9	3.7
Public school education <sup>(7)</sup>										
Attendance centers.....	112	115	115	115	115	116	116	117	117	117
Number of classrooms.....	2,723	2,779	2,797	2,797	2,877	3,135	3,160	3,219	3,219	3,219
Number of teachers, full-time equivalent.....	3,167	3,312	3,132	3,245	3,129	3,129	3,281	3,339	3,272	3,196
Number of students.....	55,272	55,779	55,571	56,310	56,970	57,620	58,414	58,865	60,133	60,263

Sources:

- (1) Police Commission, City and County of San Francisco
- (2) Fire Commission, City and County of San Francisco - Includes fire fighters/paramedics, and incident support specialists
- (3) Department of Public Works, City and County of San Francisco
- (4) Public Utilities Commission, City and County of San Francisco
- (5) Parks and Recreation Commission, City and County of San Francisco
- (6) Library Commission, City and County of San Francisco
- (7) San Francisco Unified School District