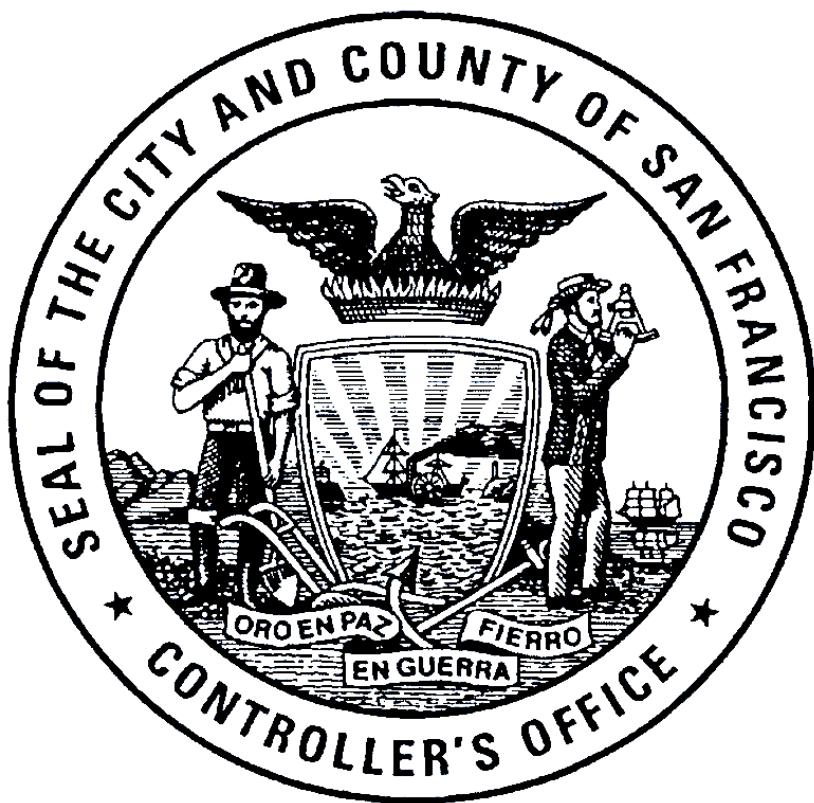


# CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

## Comprehensive Annual Financial Report Year ended June 30, 2014



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, 2014

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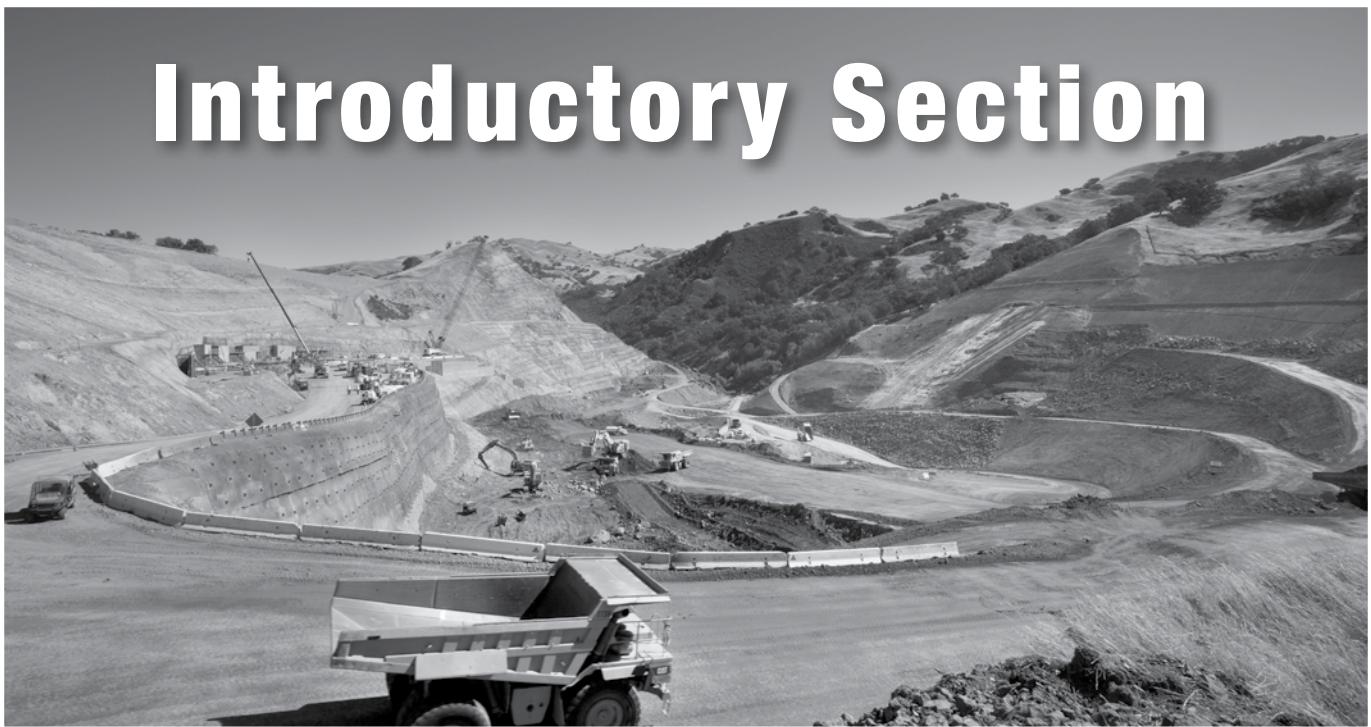
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# Introductory Section



*Earthmoving for construction of the new seismically resistant Calaveras Dam located in Sunol, Ca. This is the largest local reservoir of the Hetch Hetchy Regional Water System.*

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



November 28, 2014

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2014, 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 statements that report on all City financial operations, and also include fund financial statements that present information for all City funds. The independent auditor's report on the Basic Financial Statements is also included.

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

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

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

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

An educated workforce and easy access to transit and financial capital continue to drive business investment in the City. San Francisco's economy has fully recovered losses from the most recent recession, and growth continues to outpace that of the state and national economies. The City's unemployment rate in fiscal year 2013-14 declined to a rate of 5.2%, a drop of 1.3% from the prior fiscal year's rate of 6.5%. In comparison, average unemployment rates for California and the nation for fiscal year 2013-14 stood at 8.3% and 6.8%, respectively. Most importantly, this fall in unemployment rate is due to a strengthening labor market as opposed to people dropping out of the labor force. Nonfarm employment in the San Francisco Metropolitan Division, of which San Francisco is the largest jurisdiction, grew by 3.0% in fiscal year 2013-14, versus 1.9% growth for the state overall.

The resident population also continued to grow, reaching a new historical high of 837,442 in 2013 according to the U.S. Census Bureau. This represents a 1.2% increase versus the prior year, and cumulative growth of 71,282 or 9.3% over the last decade.

Several local economic indicators have shown marked improvement over the past fiscal year. Housing prices, residential and commercial rents, hotel room and occupancy rates, and retail sales have all shown significant growth. San Francisco's taxable sales grew by 5.6% during fiscal year 2013-14, accelerating from the 4.6% growth rate for the prior fiscal year. Average annual hotel occupancy grew to 85.8%, a new historical high, while average room rates grew by 11.8% over the prior year.

Several key indicators of the City's real estate market exhibited similar strength in fiscal year 2013-14. Commercial and residential rents and median home prices all increased to new historical highs. The average asking monthly rent for apartments in San Francisco rose to \$3,110 in fiscal year 2013-14, an increase of 10.6%. Monthly per square foot rental rates for Class A commercial space jumped to \$59.7 in fiscal year 2013-14, an 8% increase versus the prior fiscal year. The average median home price in the fiscal year grew to a new annual high of approximately \$884,000 up 15.5% from the previous fiscal year.

San Francisco's economic recovery has stimulated the demand for new residential and commercial space. A large amount of private construction was completed or underway during the last fiscal year, with 3,185 housing units completed and approximately six thousand additional units under construction at the end of the fiscal year. Building permits for over 12 million square feet of construction were issued during the year. Much of this development is shaped by major area planning efforts that the City has completed in recent years, including in the Eastern Neighborhoods, Market-Octavia, and the Transit Center District. The City has also adopted or approved large-scale development projects in Candlestick Point/Hunters Point Shipyard, Treasure Island, and Park Merced.

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

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

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

**San Francisco's Budgetary Process**

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

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

As 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 April 2013. Additionally, these Charter changes provided a mechanism for the Controller to propose, and the Board to adopt, various binding financial policies, which can only be suspended by a supermajority of the Board. Financial policies have now been adopted under these provisions governing the City's budget reserve practices, the use of non-recurring revenues, and limits on the use of debt paid from the General Fund.

**Internal and Budgetary Controls**

In developing and evaluating the City's accounting system, consideration is given 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 a defined benefit retirement plan in which a substantial majority of full-time employees participate. The plan's most recent actuarial calculations, as of July 1, 2013, estimate the plan is 80.6% funded, down from 82.6% as of that date in 2012. This decrease is primarily due to continued recognition of losses during fiscal year 2008-09 that are being recognized over a five year basis. The plan's unfunded liability based on the market value of assets decreased by \$887 million versus the prior year, predominantly given higher than expected returns – 13.65% actual return versus the expected return of 7.58%. Member contributions to the plan increased 11.7% from the prior year primarily as a result of the employee cost-sharing provisions of Proposition C, which went into effect on July 1, 2012.

The City's retiree health benefit liability has been calculated at \$3.98 billion as of July 1, 2012. In 2009, the City and employees began to pre-fund prospective obligations through contributions of 3% of salary for employees hired on or after January 10, 2009. These contributions are held in an irrevocable trust, the Retiree Health Care Trust Fund. Beginning July 1, 2016, employees hired before January 10, 2009 will also start contributing to the Trust Fund with an employer match, starting at a combined 0.5% of salary, and rising to 2% of salary on July 1, 2019. As of June 30, 2014, the Trust Fund had a balance of \$49.0 million, an increase of 57% versus the prior year. Given increasing pay-as-you-go and prefunding contributions and reductions in the benefit level for recently-hired employees, the City expects to fund the Annual Required Contribution (ARC) by fiscal year 2019-20.

**General Fund Financial Position Highlights**

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

Total GAAP-basis General Fund balance, which includes funds reserved for continuing appropriations and reserves, ended fiscal year 2013-14 at \$836 million, up \$295 million from the prior year and exceeding the prior peak of \$541 million as of June 30, 2007.

The General Fund's cash position also reflects a strong improvement in fiscal year 2013-14, rising to a new year-end peak of \$1.05 billion, up \$0.33 billion from June 30, 2013.

Strong revenue growth and the City's reserve policies have caused General Fund rainy day and budget stabilization reserves to grow to \$215 million as of June 30, 2014, a \$67 million increase from the prior year ending balance of \$148 million.

The majority of fund balance available for appropriation on a budgetary basis totaled \$420 million, or \$22 million more than had been previously projected and appropriated by the Mayor and Board as a source in the adopted two-year budget for fiscal years 2014-15 and 2015-16.

**Key Government Initiatives**

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

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

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

Plans for a multi-modal transit hub located in the City's core – the Transbay Transit Center – are targeted to meet this regional need. The center is designed to provide expanded bus, commuter train, and ultimately

high-speed rail connections into the City from within the region and state, and to provide pedestrian connections to nearby subway, surface rail, and bus services within the City. The former terminal at the site has been demolished with completion of the new center targeted for fiscal year 2017-18. The \$1.9 billion transit center, managed by a financially independent authority, is funded through a host of revenue sources, including federal stimulus funding, tax increment, local sales tax, and other revenues generated from planned dense, mixed-use development adjacent to the site.

The City is currently constructing the Central Subway project, the second phase of a program designed to create a light-rail line running from Chinatown, under the heart of downtown, and connecting to the most-recent extension of the light-rail system to the Southeast portion of the City. The subway will connect to Bay Area Rapid Transit (BART) and Caltrain, the region's two largest regional commuter rail services. The Central Subway project, with an estimated budget of \$1.6 billion and a targeted completion date of 2018, is estimated to provide approximately 35,000 daily boardings at four stations along the new 1.7 mile line. Once in active service in 2019, the project will reduce travel times and congestion along some of the most congested vehicular and public transit routes in California.

The City is also implementing a street repair and improvement program, funded with a \$248 million general obligation bond, as well as state and local revenue sources. Under this program, over 2,500 blocks are expected to be repaved or preserved, 1,900 curb ramps for disabled access will be constructed, and over 125,000 square feet of public sidewalk will be repaired. In commercial corridors, and along busy routes, the program is enabling the City to build complete streets that enhance pedestrian and bicycle safety and enhance the vibrancy of urban neighborhoods. The program also provides funds to rehabilitate existing traffic signal infrastructure and allow transit signal priority along key transit routes, improving transit efficiency and relieving traffic congestion. During the last two years, the City has repaved or maintained more than 1,700 blocks, built 1,400 curb ramps, repaired 21 street structures, inspected and repaired more than 300,000 square feet of sidewalk.

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

The City continued to invest in improvements at San Francisco International Airport (SFO) in fiscal year 2013-14 as part of an approved capital plan of \$2.5 billion over the next five years. Completed projects during the fiscal year include runway safety area improvements and a new cargo facility, with work to construct a new air traffic control tower and renovations to Terminal 3 in construction. The plan also includes funds for programming, planning, and construction of the initial phases of the Terminal 1 Renovation Program, which has a projected cost of \$2.2 billion and anticipated phased completion dates through 2023. These projects are necessitated by the continued growth in passenger volumes at SFO, which accounts for 95% of international air travel and 71% of all air travel into the Bay Area.

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

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

As of the end of fiscal year 2013-14, the City was over 81% complete on a \$4.8 billion multi-year capital program to upgrade local and regional water systems, known as the Water System Improvement Program (WSIP). The WSIP program consists of both local and regional projects spread over seven counties from the Sierra foothills to San Francisco. The WSIP delivers capital improvements that enhance the system's ability to provide reliable, affordable, high-quality drinking water in an environmentally sustainable manner to its 27 wholesale and regional retail customers in Alameda, Santa Clara, San Mateo, and San Francisco counties, collectively serving some 2.6 million people. The program is structured to cost effectively meet

water quality requirements, improve seismic and delivery reliability, and meet long-term water supply objectives.

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

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

### **Expanding Access to Healthcare**

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

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

Over 40,000 San Franciscans purchased insurance on Covered California during its inaugural open enrollment period, and approximately 50,000 have newly enrolled in Medi-Cal as of September 2014. Although the effect of the ACA on the City's uninsured will not be clearly quantifiable until next year, enrollment in Healthy San Francisco, the City's health access program for the uninsured, has declined from nearly 58,000 prior to ACA implementation to 21,000 in September 2014. However, Healthy San Francisco does not account for all uninsured San Franciscans, and the City estimates that at least 30,000 people will remain without insurance. The residually uninsured will include those ineligible for the insurance expansions offered under the ACA and those who are eligible but who, for a variety of reasons, do not enroll. The City will continue to be a key provider of safety net services for these individuals.

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

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

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

The City substantially completed a comprehensive branch library improvement program in fiscal year 2013-14 that renovated 16 branch libraries, replaced seven branches with new buildings, and constructed a new branch library in Mission Bay. The \$196 million program, funded with a mix of general obligation and lease-revenue bonds, state funds, and other local sources, focused on seismic safety, accessibility, and modernization for current uses.

**Delivering Public and Private Waterfront Improvements**

The Port of San Francisco, a department of the City, is custodian to seven and one-half miles of maritime industrial and urban waterfront property. The City utilizes public-private partnerships to marshal private sector creativity and financial resources to rehabilitate historic Port assets or develop new facilities for maximum public benefit. Current public-private partnership projects include the rehabilitation of the Pier 70 area which contemplates continued ship repair, historic preservation, new waterfront parks, housing, and up to two million square feet of new commercial and office space; a state of the art multi-purpose venue for the Golden State Warriors basketball organization in the Mission Bay redevelopment area; and a new mixed-use neighborhood with waterfront parks and a rehabilitated Pier 48 adjacent to the Giants baseball stadium. Public-private partnerships complement the City's public works project-delivery mechanism, which were recently used to deliver parks and open space projects along the waterfront and the new James R. Herman Cruise Terminal at Pier 27, which opened in September 2014.

**Other Long-Term Challenges Remain**

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

While significant investments are proposed in the City's adopted ten-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over \$10 billion in capital needs are deferred from the plan's horizon. Over two-thirds of these unfunded needs are for the City's transportation and waterfront infrastructure, where core maintenance investments have lagged for decades.

The City has taken significant steps to address long-term unfunded liabilities for employee pension and other postemployment benefits, including retiree health obligations, yet significant liabilities remain. The most recent actuarial analyses estimate unfunded actuarial accrued liabilities of almost \$8 billion for these benefits, comprised of \$3.98 billion for retiree health obligations and \$3.92 billion for employee pension benefits. In recent years, the City and voters have adopted significant changes that should mitigate these unfunded liabilities over time, including adoption of lower-cost benefit tiers, increases to employee and employer contribution requirements, and establishment of a trust fund to set-aside funding for future retiree health costs. The financial benefit from these changes will phase in over time, however, leaving ongoing financial challenges for the City in the shorter term.

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

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

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

**Award for Financial Reporting**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2013. This was the 32nd consecutive year, beginning with the fiscal year ended June 30, 1982, that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. The CAFR must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

**Acknowledgements**

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

Respectfully submitted,



Ben Rosenfield  
Controller



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**City and County of San Francisco  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink that reads "Jeffrey P. Evans". The signature is fluid and cursive, with "Jeffrey" on the top line and "P. Evans" on the bottom line.

Executive Director/CEO

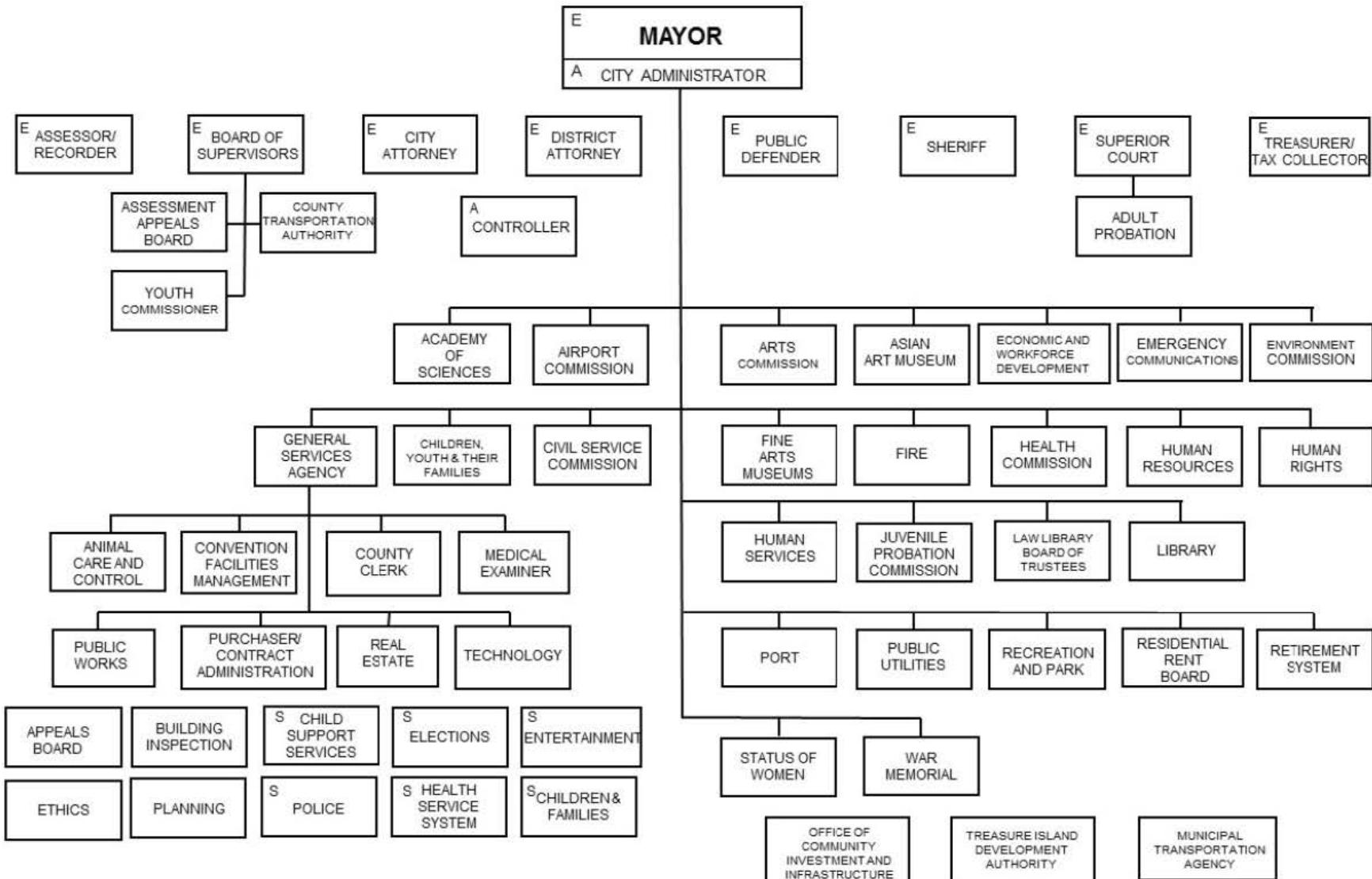


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# City and County of San Francisco Organization Chart

(As of June 30, 2014)



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

# CITY AND COUNTY OF SAN FRANCISCO

## List of Principal Officials

As of June 30, 2014

### ELECTED OFFICIALS

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

### APPOINTED OFFICIALS

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

### DEPARTMENT DIRECTORS/ADMINISTRATORS

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

# CITY AND COUNTY OF SAN FRANCISCO

## List of Principal Officials

As of June 30, 2014

### DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

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

### DISCRETELY PRESENTED COMPONENT UNIT

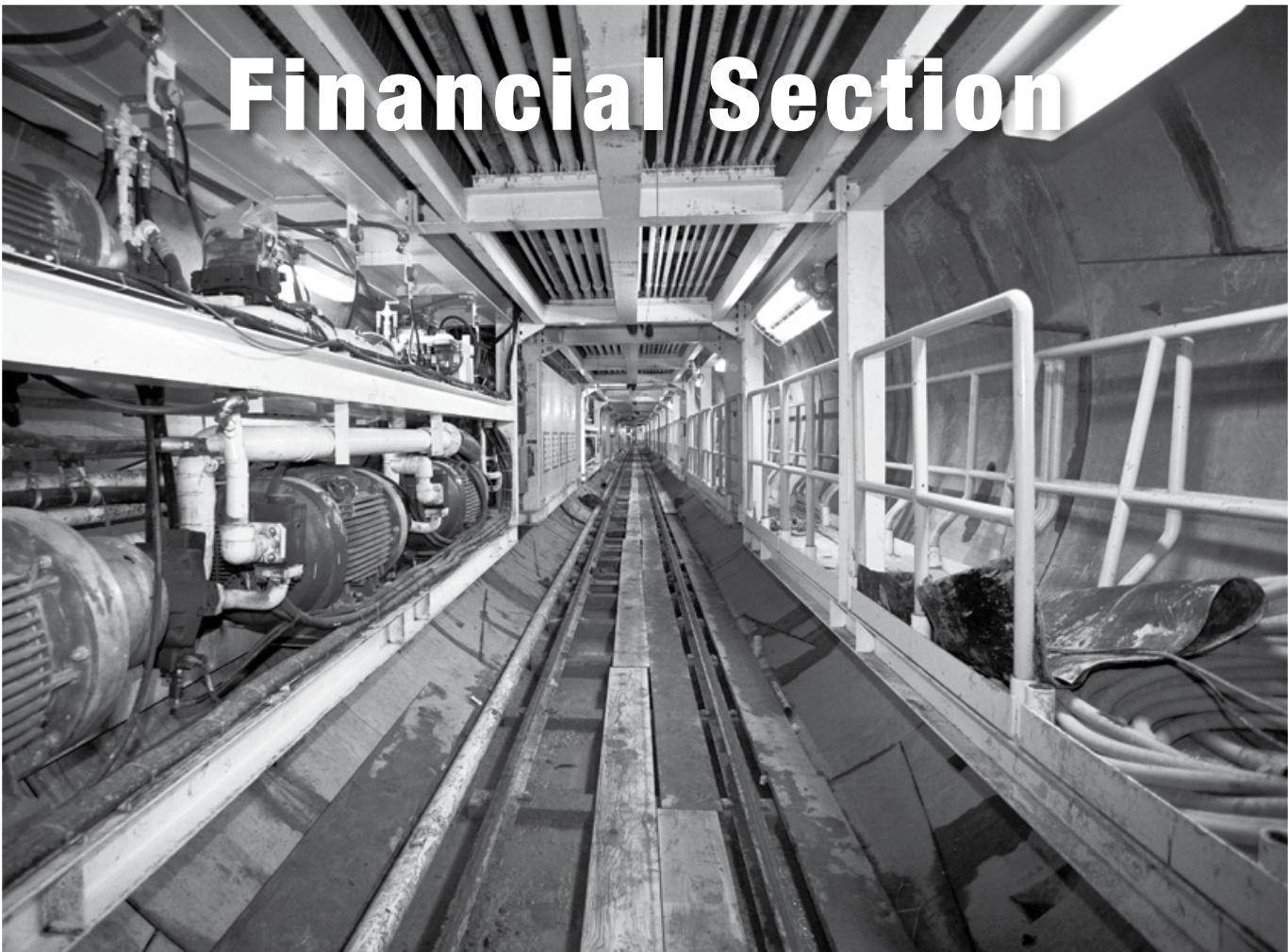
Treasure Island Development Authority.....	Mirian Saez
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# Financial Section



*The Bay Tunnel, now in operation, is a vital new earthquake-resistant water lifeline.*

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



**Independent Auditor's Report**

Sacramento

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

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Business-type activities	91.0%	88.1%	71.7%
Aggregate remaining fund information	0.7%	0.4%	8.3%

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

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

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

***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matters***

As discussed in Note 2(s) to the basic financial statements, in 2014, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, and GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*. The July 1, 2013 beginning net position has been restated for the retroactive application of GASB Statement No. 65. Our opinion is not modified with respect to these matters.

### ***Other Matters***

#### ***Prior-Year Comparative Information***

The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2013, from which such partial and summarized information was derived.

We have previously audited the City's 2013 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated November 27, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 fund financial statements and schedules and the introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



Walnut Creek, California  
November 28, 2014

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2012-13 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2013-14 basic financial statements.

### FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its deferred inflows and liabilities at the end of the fiscal year by approximately \$8.36 billion (net position). Of this balance, \$7.03 billion represents the City's net investment in capital assets, \$1.26 billion represents restricted net position, and \$67.8 million is unrestricted net position. The City's total net position increased by \$957.4 million or 12.9 percent over the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by \$382.7 million or 5.8 percent, \$299.4 million or 31.2 percent and \$275.3 million or 132.6 percent, respectively.

The City's governmental funds reported total revenues of \$4.91 billion, a \$413.1 million or 9.2 percent increase over the prior year. Within this, revenues from property taxes, other local taxes, business taxes, sales and use tax, hotel room tax, intergovernmental grants and charges for services grew by approximately \$95.5 million, \$31.8 million, \$83.3 million, \$19.6 million, \$71.3 million, \$38.8 million and \$37.8 million, respectively. At the same time, there was a decline in revenues from utility users tax, fines, forfeitures and penalties, and rents and concessions for a total of \$34.5 million. Governmental funds expenditures totaled \$4.58 billion for this period, a \$228.1 million or 5.2 percent increase, reflecting increases in demand for governmental services of \$143.4 million and capital outlay of \$38.7 million.

At the end of the fiscal year, total fund balances for the governmental funds amounted to \$1.94 billion, an increase of \$268.4 million or 16.1 percent from prior year, primarily due to a strong growth in most revenues over a moderate increase of expenditure and other financing uses this year over last year.

The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by \$411.0 million during this fiscal year. The City issued a total of \$862.9 million in bonds, certificates of participation and loans this year. Of this amount, a total of \$210.0 million in general obligation bonds were issued to fund the San Francisco General Hospital rebuild projects. The City also issued \$47.2 million refunding certificates of participation for economic savings and borrowed \$8.7 million for the renovation of the City's west harbor marina. The San Francisco International Airport issued a total of \$461.1 million refunding revenue bonds to finance the construction cost of Terminal 3 East improvements, the renovation of Boarding Area E, and other projects in the Airport's five-year Capital Plan. The SFMTA issued \$75.4 million of revenue bonds to finance its various transit and parking projects. The Port Commission issued \$22.7 million revenue bonds to finance capital projects to various Port facilities and \$37.7 million of Certificates of Participation, of which \$27.2 million was used to repay commercial paper. The Airport issued an additional \$249.4 million in commercial paper notes to finance capital improvement projects. The balance of commercial paper issued to fund new capital projects or to refinance matured commercial paper also increased by \$54.7 million this year. Of this increase, \$80.5 million represented business-type activities while net decreases of \$25.8 million represented governmental activities.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of July 1, 2013. The City restated the July 1, 2013 net position to write off unamortized bond issuance costs previously reported as assets. In the government-wide statements, the City reclassified unamortized losses on refunding of debt and unamortized gains on refunding of debt as deferred outflows of resources and deferred inflows of resources, respectively. The City also reclassified amounts related to the SFMTA's Breda leaseback transaction as a deferred inflow of resources, which were previously reported as liabilities. The total impact of this change was a \$92.2 million reduction in the beginning net position.

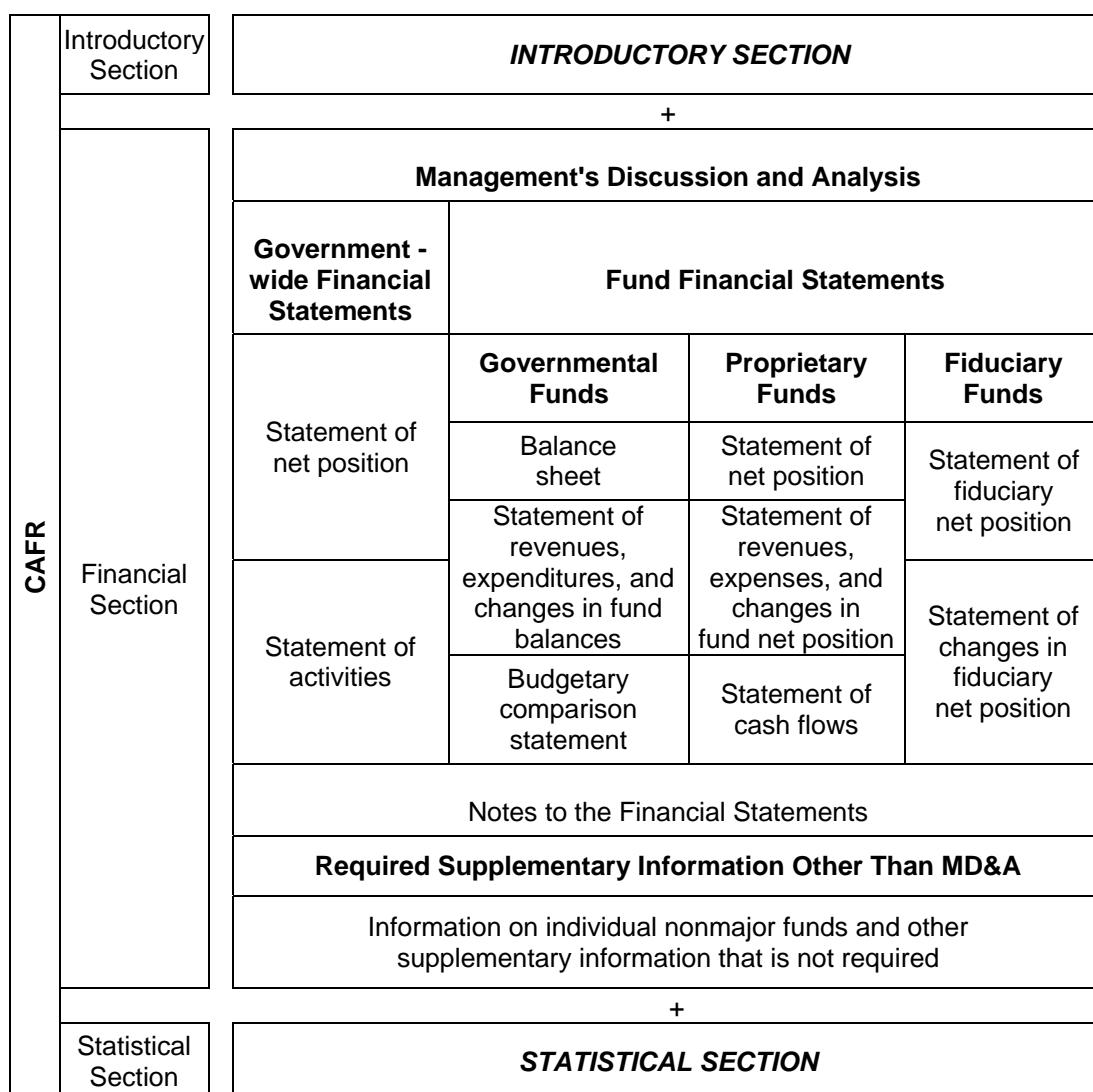
**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

The Rim Fire, the third largest in California history, began on August 17, 2013 and burned over 257,135 acres. The City recorded an extraordinary loss of \$6.8 million, net of impairment loss and insurance recovery, in the Hetch Hetchy Water and Power Enterprise Fund.

## **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, 2014

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.

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.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

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 and San Francisco Finance Corporation. Included within the business-type activities of the government-wide financial statements is the operation of the San Francisco Parking Authority. Although legally separate from the City, these component units are blended with the primary government because of their governance or financial relationships to the City. The City also considers the Successor Agency to the Redevelopment Agency as a Fiduciary component unit of the City.

**Fund Financial Statements**

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

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

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

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

The City, for the first time, adopted a rolling two year budget in July 2012, which appropriated budget for its General Fund for fiscal year 2013-14. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2014

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

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

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

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

#### **Required Supplementary Information**

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

#### **Combining Statements and Schedules**

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

**Government-Wide Financial Analysis**

	Net Position (in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
<b>Assets:</b>						
Current and other assets.....	\$ 3,327,511	\$ 3,026,538	\$ 4,680,939	\$ 4,869,555	\$ 8,008,450	\$ 7,896,093
Capital assets.....	4,462,714	4,044,648	13,997,489	12,840,891	18,460,203	16,885,539
Total assets.....	<u>7,790,225</u>	<u>7,071,186</u>	<u>18,678,428</u>	<u>17,710,446</u>	<u>26,468,653</u>	<u>24,781,632</u>
<b>Deferred outflows of resources</b>	<u>11,701</u>	<u>13,628</u>	<u>176,314</u>	<u>194,204</u>	<u>188,015</u>	<u>207,832</u>
<b>Liabilities:</b>						
Current liabilities.....	1,391,609	1,333,315	1,884,942	2,032,078	3,276,551	3,365,393
Noncurrent liabilities.....	4,068,411	3,957,610	10,934,203	10,240,045	15,002,614	14,197,655
Total liabilities.....	<u>5,460,020</u>	<u>5,290,925</u>	<u>12,819,145</u>	<u>12,272,123</u>	<u>18,279,165</u>	<u>17,563,048</u>
<b>Deferred inflows of resources</b>	<u>275</u>	<u>-</u>	<u>17,737</u>	<u>24,307</u>	<u>18,012</u>	<u>24,307</u>
<b>Net position:</b>						
Net investment in capital assets * ....	2,483,086	2,274,460	4,832,659	4,650,574	7,032,674	6,649,991
Restricted * .....	862,706	686,191	452,465	371,958	1,259,065	959,707
Unrestricted (deficit) * .....	(1,004,161)	(1,166,762)	732,736	585,688	67,752	(207,589)
Total net position.....	<u>\$ 2,341,631</u>	<u>\$ 1,793,889</u>	<u>\$ 6,017,860</u>	<u>\$ 5,608,220</u>	<u>\$ 8,359,491</u>	<u>\$ 7,402,109</u>

\* See note 2(k) 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 \$8.36 billion at the end of fiscal year 2013-14, a 12.9 percent increase over the prior year. The City's governmental activities account for \$2.34 billion of this total and \$6.02 billion stem from its business-type activities.

The largest portion of the City's net position is the 84.1 percent or \$7.03 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$382.7 million or 5.8 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except Laguna Honda Hospital. 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 \$1.26 billion or 15.1 percent that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is an unrestricted position of \$67.8 million which consists of a \$1.00 billion deficit in governmental activities offset by a positive \$732.7 million unrestricted position for the business-type activities. The governmental activities deficit is largely due to transfers to business type activities, recognition of other postemployment benefit expenses, and the \$339.2 million in long-term bonds liabilities that fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 2(k)).

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

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

	Governmental activities		Business-type activities		Total	
	2014	2013 (restated)	2014	2013 (restated)	2014	2013 (restated)
<b>Revenues</b>						
Program revenues:						
Charges for services.....	\$ 568,528	\$ 517,660	\$ 3,102,934	\$ 3,279,283	\$ 3,671,462	\$ 3,796,943
Operating grants and contributions.....	1,142,094	1,086,154	190,351	224,382	1,332,445	1,310,536
Capital grants and contributions.....	39,379	29,718	515,445	251,753	554,824	281,471
General revenues:						
Property taxes.....	1,521,471	1,415,068	-	-	1,521,471	1,415,068
Business taxes.....	563,406	480,131	-	-	563,406	480,131
Sales and use tax.....	227,636	208,025	-	-	227,636	208,025
Hotel room tax.....	310,052	238,782	-	-	310,052	238,782
Utility users tax.....	86,810	91,871	-	-	86,810	91,871
Other local taxes.....	391,638	359,808	-	-	391,638	359,808
Interest and investment income.....	21,887	7,862	29,843	1,009	51,730	8,871
Other.....	70,024	52,865	82,737	67,344	152,761	120,209
Total revenues.....	<u>4,942,925</u>	<u>4,487,944</u>	<u>3,921,310</u>	<u>3,823,771</u>	<u>8,864,235</u>	<u>8,311,715</u>
<b>Expenses</b>						
Public protection.....	1,229,591	1,236,922	-	-	1,229,591	1,236,922
Public works, transportation and commerce.....	200,712	189,124	-	-	200,712	189,124
Human welfare and neighborhood development.....	1,009,190	946,562	-	-	1,009,190	946,562
Community health.....	786,761	751,491	-	-	786,761	751,491
Culture and recreation.....	357,620	338,042	-	-	357,620	338,042
General administration and finance.....	298,563	249,271	-	-	298,563	249,271
General City responsibilities.....	85,239	83,895	-	-	85,239	83,895
Unallocated Interest on long-term debt.....	115,880	109,094	-	-	115,880	109,094
Airport.....	-	-	827,658	754,553	827,658	754,553
Transportation.....	-	-	1,037,368	1,027,232	1,037,368	1,027,232
Port.....	-	-	88,551	81,404	88,551	81,404
Water.....	-	-	470,200	451,480	470,200	451,480
Power.....	-	-	137,639	129,801	137,639	129,801
Hospitals.....	-	-	1,011,452	992,608	1,011,452	992,608
Sewer.....	-	-	243,466	227,983	243,466	227,983
Market.....	-	-	120	1,231	120	1,231
Total expenses.....	<u>4,083,556</u>	<u>3,904,401</u>	<u>3,816,454</u>	<u>3,666,292</u>	<u>7,900,010</u>	<u>7,570,693</u>
Increase/(decrease) in net position before transfers and extraordinary items.....	859,369	583,543	104,856	157,479	964,225	741,022
Transfers.....	(311,627)	(483,028)	311,627	483,028	-	-
Extraordinary loss.....	-	(201,670)	(6,843)	-	(6,843)	(201,670)
Change in net position.....	547,742	(101,155)	409,640	640,507	957,382	539,352
Net position at beginning of year, as restated.....	1,793,889	1,895,044	5,608,220	4,967,713	7,402,109	6,862,757
Net position at end of year.....	<u>\$ 2,341,631</u>	<u>\$ 1,793,889</u>	<u>\$ 6,017,860</u>	<u>\$ 5,608,220</u>	<u>\$ 8,359,491</u>	<u>\$ 7,402,109</u>

**Analysis of Changes in Net Position**

The City's total net position increased by \$957.4 million in fiscal year 2013-14, a 12.9 percent increase over the prior fiscal year, as noted above. This was the fourth consecutive year of improvement overall, and combines increases of \$547.7 million from governmental activities and \$409.6 million from business type activities.

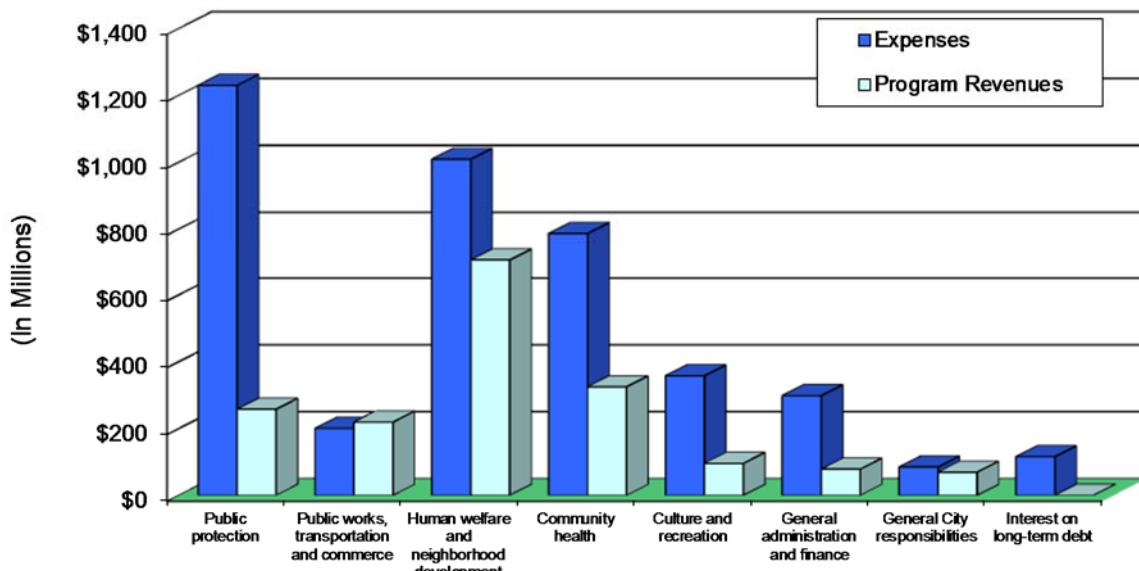
Among the City's business-type activities, SFMTA, General Hospital, Wastewater and the Port all contributed to this growth while the Airport, Water, Hetch Hetchy, Laguna Honda Hospital, and the Market Corporation did not. A discussion of this change is presented in the business-type activities section below.

The City's governmental activities experienced a \$455.0 million or 10.1 percent growth in total revenues. This included increases in nearly all of the general city revenues: \$55.9 million in operating grants and

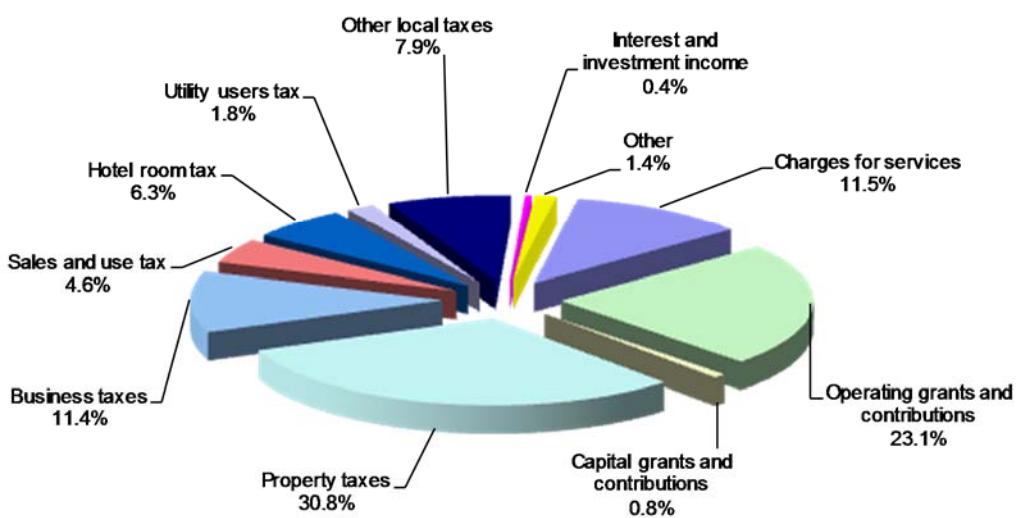
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**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

contributions, \$106.4 million in property taxes, \$50.9 million in charges for services, \$71.3 million in hotel room tax, and \$83.3 million in business taxes. Sales and use tax and other local taxes also had a combined growth of \$51.4 million. These improvements were partly offset by a decline in utility users tax of \$5.1 million. The City's governmental activities expenses reported an increase of \$179.2 million or 4.6 percent this fiscal year. The net transfer to business-type activities decreased by \$171.4 million, a 35.5 percent improvement over the prior year. In addition, there was a one-time extraordinary loss in the prior fiscal year of \$201.7 million related to the dissolution of the former Redevelopment Agency. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

**Expenses and Program Revenues - Governmental Activities**



**Revenues By Source - Governmental Activities**



## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2014

**Governmental activities.** Governmental activities increased the City's total net position by approximately \$547.7 million. Key factors contributing to this change are discussed below.

Overall, total revenues from governmental activities were \$4.94 billion, a \$455.0 million or 10.1 percent increase over the prior year. For the same period, expenses totaled \$4.08 billion before transfers of \$311.6 million, resulting in a total net position increase of \$547.7 million by June 30, 2014.

Property tax revenues increased by \$106.4 million or 7.5 percent. This growth was due in large part to higher assessed values of secured real property in San Francisco, and also due to property tax in-lieu of vehicle license fee revenues tied to the year-over-year increase of the aggregate secured roll assessed value to recent tax rate increases. Further, revenues increased from property tax in-lieu of sales and use tax (also referred to as the triple-flip) tied to actual sales and use taxes. An increase in real property transfer tax by \$29.2 million made up the majority of the growth in other local taxes of \$31.8 million.

Revenues from business and sales and use taxes totaled approximately \$791.0 million, a growth of \$102.9 million over the prior year. Business taxes grew by \$83.3 million due to an increase in payroll tax revenue resulting from a 5.2 percent increase in employment and a 2.6 percent increase in average weekly wages in San Francisco. Increased business registration fee levels and gross receipts tax collection, due to Proposition E passed in November 2012, also significantly contributed to the growth in business taxes. Sales and use tax increased by \$19.6 million, reflecting strong sales growth across virtually every economic segment, with particularly strong performance in retail and food establishments such as restaurants, apparel stores, department stores, and food markets.

Hotel room tax revenues grew by \$71.3 million, or 29.8 percent, due to strong demand from all segments of the market (tourist, convention, and business) while no additions to inventory led to increased occupancy and the average daily room rate. In addition, there was a decline in the amount of hotel room tax revenue that was deferred in fiscal year 2013-14, as compared to the amount deferred in fiscal year 2012-13.

Operating grants and contributions increased \$55.9 million. This was largely due to the increases from state sources, including \$42.4 million for human welfare programs, \$25.2 million for general city responsibilities related to SB90 state funding for various programs, \$6.1 million for public works programs, and \$4.3 million for public protection. These were offset primarily by a decrease of \$25.8 million in community health program grants.

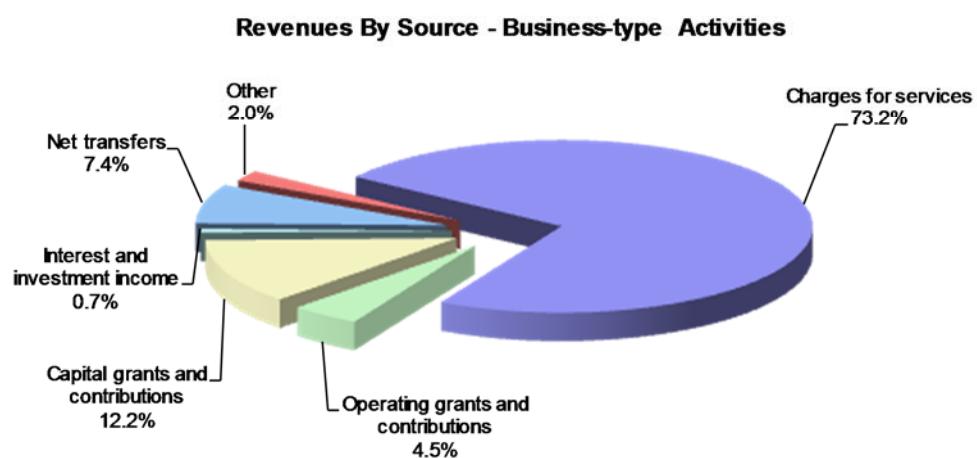
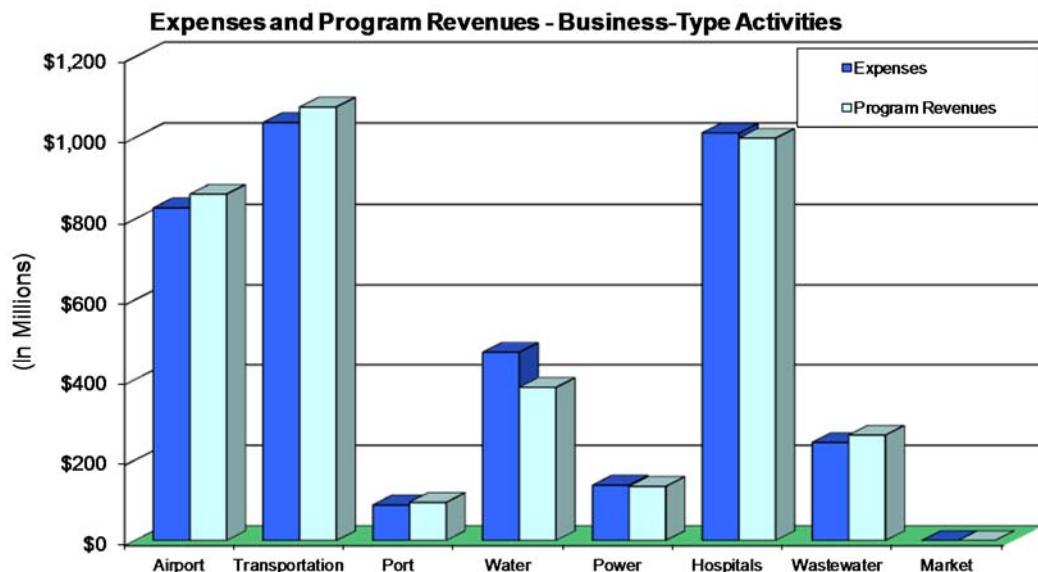
Total charges for services increased \$50.9 million, or 9.8 percent, and other revenues increased \$17.2 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions and expansion in construction activity. The more significant increases are discussed below. The Department of Building Inspection's permit revenue increased \$9.5 million due to an increase in construction permits and project completion. Fire Department charges for services increased by \$6.8 million due to ambulance billing recoveries, as well as plan check and inspection fees consistent with the expansion in construction activity. The Department of Public Works' street space permit revenue and solid waste impound fees increased by \$6.2 million, in addition to \$9.1 million more in revenues from its expedited condo conversion program. The Planning Department's revenues grew by more than \$1.6 million from increased building permits, environmental reviews, and other planning fees. Additional special events, as well as increased recreational service charge fees resulting from improved programming opportunities and implementation of a demand responsive program delivery model improved fee revenues by \$1.0 million for the Recreation and Park Department. In addition, the Department of Public Health's patient charges increased by \$7.7 million. These increases were partially offset by a reduction of \$2.5 million in cost allocation revenues stemming from a change in allocation methodology and a decrease in Human Services Agency revenue of \$1.9 million reflecting the loss of one-time waiver refunds. The increase in other revenues is related to developer exactions, which are requirements placed on developers as conditions of receiving municipal approval, for a new development and construction project.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

Interest and investment income revenue increased by \$14.0 million, or 178.4 percent, primarily due to the large unrealized gain compared to the prior year's unrealized loss from the City's pooled investments, which is the difference between the fair value and the book value of the City's investments. The increase in revenues was partially offset by a reduction in the interest rate on the City's pooled investments from 0.95 percent in the prior year to 0.74 percent in the current year.

Net transfers from the governmental activities to business-type activities were \$311.6 million, a 35.5 percent or \$171.4 million decrease from the prior year. This was mainly due to one-time transfers in the prior year, such as \$71.9 million in transfers of various general obligation bond series proceeds to the Water Enterprise, \$11.0 million in bond proceeds transferred to SFMTA Parking and Traffic, and \$18.2 million in bond proceeds for Port projects.

The moderate increase of total governmental expenses of \$179.2 million, or 4.6 percent, was primarily due to increased demand for the government's services in almost all functional services by \$186.5 million, which was partly offset by the decrease of expenses in public protection by \$7.3 million.



## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2014

**Business-type activities** increased the City's net position by \$409.6 million and key factors contributing to this increase are:

- The San Francisco International Airport's net position at fiscal year-end was \$266.8 million, a \$5.5 million or 2.0 percent decrease over the previous fiscal year. Operating revenues totaled \$770.7 million for fiscal year 2013-14, an increase of \$44.3 million or 6.1 percent over the prior year and included improvements of \$27.3 million, \$7.0 million, and \$6.8 million in aviation, concession and net sales and services revenues, respectively. For the same period, the Airport's operating expenses rose by \$66.6 million, or 11.8 percent, for a net operating income of \$145.0 million for the period. Net non-operating activities saw a deficit of \$203.6 million versus \$190.6 million deficit in the prior year, a \$13.0 million increase. The increases in both operating and non-operating expenses include a rise in depreciation charges and capital asset valuation changes due to change in useful life estimates. Capital contributions, however, improved by \$25.1 million due to federal grants for various Airport improvement programs.
- The City's Water Enterprise, the third largest such entity in California, reported a net position of \$654.2 million at the end of fiscal year 2013-14, a \$45.4 million or 6.5 percent decrease over the prior year. Revenues totaled \$424.1 million, expenses totaled \$470.2 million, and the net increase from capital contributions and transfers was \$0.7 million. Compared to the prior year, total revenues decreased \$337.7 million which included a \$344.6 million decrease in water service revenues and a \$3.4 million decrease in non-operating revenues. The primary reason for the decrease in water service revenues was due to the one time, early repayment in the prior year of \$356.2 million from the Bay Area Water Supply and Conservation Agency (BAWSCA). Within expenses, the enterprise reported a total increase of \$18.7 million in fiscal year 2013-14. This included \$13.6 million more in depreciation expenses, \$11.2 million more in local water conveyance and distribution project expenses, \$10.1 million more in claims liability based on actuarial estimate, offset by \$12.3 million in net interest expense, and \$4.6 million decrease in professional and legal services, lease payment, water assessment fees, and other operational areas.
- Hetch Hetchy Water and Power's net position was \$513.6 million at the end of fiscal year 2013-14, a decrease of \$4.6 million or 0.9 percent. This change consisted of a \$2.2 million increase from activities offset by an extraordinary loss of \$6.8 million sustained in the Rim Fire which began in August 2013 in the Stanislaus National Forest and Yosemite National Park. This enterprise consists of two segments: Hetchy Water upcountry operations and water system which reported a \$1.2 million net position increase offset by \$2.7 million of the extraordinary loss, and Hetchy Power (also known as the Power Enterprise) which reported \$1.0 million net position increase offset by \$4.1 million of the loss. Hetchy Water operating revenues decreased by \$1.8 million due to a \$1.8 million decrease in water assessment fee revenue from the Water Enterprise although interest and investment income increased by \$0.8 million. Total expenses increased by a slight \$0.2 million. Hetchy Power's operating revenues increased by \$2.3 million due to a \$2.3 million increase in power service revenues from City departments from the adopted power rate increase, while interest and investment income also increased by \$1.2 million primarily due to the prior year's unrealized loss compared with the current year's unrealized gain. On the operating expenses side, Hetchy Power reported an increase of \$7.8 million due primarily to a \$4.1 million rise in transmission and power costs, \$1.7 million in project costs, \$1.2 million in purchased electricity and the remaining amount in personnel, depreciation, supply and other expenses.
- The City's Wastewater Enterprise's net position was \$1.18 billion at the end of fiscal year 2013-14, an increase of \$33.1 million or 2.9 percent, over the previous year. Operating revenues increased by \$7.5 million due mostly to increased sewer service charges as a result of a one-time effect of transition from bi-monthly to monthly billing effective July 1, 2013. Under non-operating revenues, federal grants decreased by \$17.3 million due to reduction in grant revenues for flood management projects. In addition, interest and investment income increased by \$1.9 million mainly due to the current year's unrealized gain in investments. Operating expenses totaled \$216.3 million, an \$8.1 million increase over the prior year. Within expenses, increases included a \$6.1 million rise in sewer improvement project costs, \$2.1 million more in depreciation related to building and structures, \$1.1 million more in

## CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2014

services of other departments, \$2.2 million more in a range of contractual, personnel, and supply expenses offset by a decline in claims liability of \$3.4 million.

- The Port of San Francisco's net position was \$371.3 million at the end of fiscal year 2013-14, an \$8.7 million or 2.4 percent increase over the prior fiscal year. 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 2013-14, the Port's rents and concessions revenues increased \$4.5 million while parking revenues also increased by \$2.0 million. Operating expenses increased \$4.4 million over the prior year. This was due in part to a \$2.7 million positive variance in pollution remediation estimates, a \$4.1 million increase in depreciation and amortization, a \$1.9 million decrease in contractual services, a \$1.7 million decrease in the cost of services from other departments, and a net increase of \$1.3 million in personnel, administrative and other expenses.
- The Municipal Transportation Agency's (SFMTA) net position was \$2.69 billion at the end of fiscal year 2013-14, a \$421.6 million or 18.6 percent increase for the year. SFMTA's total revenues and transfers were \$1.45 billion while total expenses including interest expense reached \$1.04 billion, increases of \$260 million and \$8.6 million respectively. Most of the revenue increases are due to \$198.3 million more in capital contributions from federal, state and local grant funds for work on a range of capital transportation projects, \$16.0 million in net transfers from the City for increased subsidies, and \$18.7 million improvement from non-operations including transit impact development fees and interest income. Operating revenue increases included \$26.5 million more in other operating revenues from taxi medallion fees, a combined increase of \$10.9 million from parking and other fees and charges offset by a \$7.3 million decrease in passenger fares. A one-time payment from BART in the prior year for a fare revenue agreement accounted for most of this year's decrease in the latter. On the expenses side, increases of \$22.1 million for personnel, \$21.2 million for general and administrative costs, including judgments and claims, were offset in part by decreases of \$16.6 million in contractual services and \$17.1 million more in other operating expenses for increased cost recovery collections.
- Laguna Honda Hospital (LHH), the City's skilled nursing care hospital, had a decrease in net position of \$11.8 million at the end of fiscal year 2013-14 compared to a decrease of \$9.6 million at the end of the previous year, a \$2.2 million difference. The LHH's loss before capital contributions and transfers for the year was \$50.9 million versus a loss of \$85.7 million the prior year. This change of \$34.8 million was largely due to a \$25.9 million increase in operating revenues, about \$7.4 million increase in expenses, and a \$15.3 million increase in non-operating income. This was offset by a \$35.9 million decrease in net transfers with the City this fiscal year, leading to the fiscal year 2013-14 additional decrease in net position, compared to last year, of \$2.2 million.
- General Hospital, the City's acute care hospital, ended fiscal year 2013-14 with a net position increase of \$25.3 million, compared to a \$14.8 million increase the prior year, a \$10.5 million positive change. For this year, General Hospital reported \$21.2 million in operating income due largely to a \$56.9 million operating revenue increase, mostly from net patient services revenues. This was offset by an increase in operating expense of \$12.0 million, comprised of an additional \$6.8 million in contractual services, \$3.6 million more in services of other departments, and \$1.6 million more in other operating expenses. Net non-operating income declined by about \$4.7 million due to decreases in state grants, and net transfers with the City saw a decrease of \$29.7 million this year.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

**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 2013-14, the City governmental funds reported combined fund balances of \$1.94 billion, an increase of \$268.4 million or 16.1 percent over the prior year. Of the total fund balances, \$559.6 million is assigned and \$9.3 million is unassigned. The total of \$568.9 million or 29.4 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 \$508.9 million. The remainder of the governmental funds fund balances includes \$24.5 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, \$1.20 billion restricted for programs at various levels and \$145.1 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 \$583.2 million while total fund balance reached \$835.6 million. Combined assigned and unassigned fund balances represent 19.7 percent of total expenditures, while total fund balance represents 28.3 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by \$792.5 million, before transfers and other items of \$497.8 million, resulting in total fund balance increasing by \$294.7 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room taxes, and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

**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 2013-14, the unrestricted net position for the proprietary funds was as follows: Airport: \$191.0 million, Water Enterprise: \$158.9 million, Hetch Hetchy Water and Power: \$171.8 million, SFMTA: \$254.4 million, Wastewater Enterprise: \$91.5 million, and the Port: \$42.3 million. In addition, San Francisco General Hospital and Laguna Honda Hospital had deficits in unrestricted net position of \$132.8 million and \$44.5 million, respectively.

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 \$409.6 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Extra-ordinary Loss	Change In Net Position
Airport.....	\$ 770,691	\$ 625,660	\$ 145,031	\$ (203,598)	\$ 91,024	\$ (37,994)	\$ -	\$ (5,537)
Water.....	379,882	333,555	46,327	(92,461)	-	715	-	(45,419)
Hetch Hetchy.....	134,438	136,065	(1,627)	3,513	-	330	(6,843)	(4,627)
Municipal Transportation Agency....	521,628	1,032,437	(510,809)	163,973	414,700	353,770	-	421,634
General Hospital.....	791,360	770,122	21,238	48,885	-	(44,843)	-	25,280
Wastewater Enterprise.....	260,097	216,340	43,757	(10,666)	-	19	-	33,110
Port.....	85,019	83,596	1,423	(3,007)	9,721	543	-	8,680
Laguna Honda Hospital.....	159,678	233,812	(74,134)	23,272	-	39,087	-	(11,775)
Market Corporation.....	141	120	21	(11,727)	-	-	-	(11,706)
Total.....	<u>\$ 3,102,934</u>	<u>\$ 3,431,707</u>	<u>\$ (328,773)</u>	<u>\$ (81,816)</u>	<u>\$ 515,445</u>	<u>\$ 311,627</u>	<u>\$ (6,843)</u>	<u>\$ 409,640</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 2013-14, the net position of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled \$20.06 billion, representing a \$2.94 billion increase over the prior year, and 17.2 percent change. This increase is primarily a result of net appreciation in the fair value of investments. The Private Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of \$439.6 million at year's end. This 6.5 percent, or \$30.8 million, decrease in the net deficit is due to increases in developer payments and Redevelopment property tax revenues. The Investment Trust Fund's net position was \$618.6 million at year's end, and the 88.6 percent increase represents the excess of contributions over distributions to external participants.

***General Fund Budgetary Highlights***

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

During the year, actual revenues and other resources were \$102.2 million higher than the final budget. The City realized \$36.8 million, \$36.1 million, \$29.9 million, and \$24.0 million more revenue than budgeted in real property transfer tax, hotel tax, business taxes, and property taxes, respectively. These increases were partly offset by reductions of \$29.3 million, \$15.0 million, and \$14.8 million in transfers from other funds, Health and Mental Health subventions, and Social Service subventions, respectively.

Differences between the final budget and the actual (budgetary basis) expenditures resulted in \$82.0 million in expenditure savings. Major factors include:

- \$34.7 million in savings from the Department of Public Health due to savings from reduced county participation in intergovernmental transfer programs, and patient census and delays in hiring for vacant positions creating additional salary and fringe savings.
- \$23.9 million in savings from the Human Services Agency, due largely to operating savings from changes in state child care rates and allocations, and lower than expected caseload uptake levels.
- \$9.9 million in salary and benefit savings mainly in the Fire Department, Adult Probation, Superior Court, Juvenile Probation and other departments in public protection.
- \$7.9 million in salary and benefit savings mainly in Treasurer/Tax Collector, Elections, Board of Supervisors, Controller, and other departments in general administration and finance.
- The remaining lower than budgeted expenditures are savings from public works, transportation and commerce, culture and recreation, and general city responsibilities.

The net effect of substantial revenue increases, savings in expenditures and reduction in reserve balances was a budgetary fund balance available for subsequent year appropriation of \$294.7 million at the end of fiscal year 2013-14. The City's fiscal year 2014-15 and 2015-16 Adopted Original Budget assumed an

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

available balance of \$273.0 million fully appropriated in fiscal year 2014-15 and fiscal year 2015-16 leaving \$21.7 million available for future appropriations. (See also Note 4 to the Basic Financial Statements for additional fund balance details).

**Capital Assets and Debt Administration**

**Capital Assets**

The City's capital assets for its governmental and business-type activities as of June 30, 2014, increased by \$1.57 billion, 9.3 percent, to \$18.46 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 \$418.1 million or 26.5 percent to this total while \$1.16 billion or 73.5 percent was from business-type activities. Details are shown in the table below.

	Business-type				Total	
	Governmental Activities		Activities		Total	
	2014	2013	2014	2013	2014	2013
Land.....	\$ 274,163	\$ 257,089	\$ 217,518	\$ 214,992	\$ 491,681	\$ 472,081
Construction in progress.....	1,178,392	863,080	3,362,438	2,617,539	4,540,830	3,480,619
Facilities and improvements...	2,326,314	2,354,846	8,708,923	8,390,105	11,035,237	10,744,951
Machinery and equipment.....	62,392	54,532	896,508	796,341	958,900	850,873
Infrastructure.....	575,746	471,431	739,728	739,865	1,315,474	1,211,296
Intangible asset	45,707	43,670	72,374	82,049	118,081	125,719
Total.....	<b>\$ 4,462,714</b>	<b>\$ 4,044,648</b>	<b>\$ 13,997,489</b>	<b>\$ 12,840,891</b>	<b>\$ 18,460,203</b>	<b>\$ 16,885,539</b>

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

- Under governmental activities, net capital assets increased by \$418.1 million mainly due to the increase in construction in progress and completed assets at various park and recreational sites, branch libraries, various street improvement and traffic signal upgrades. About \$178.4 million worth of construction in progress work was substantially completed and capitalized as facilities and improvement and infrastructure. Of the completed projects, about \$12.2 million is public library improvements and approximately \$33.5 million is for various parks and recreation centers such as Cayuga Playground, Lafayette Park, Cabrillo Playground and various park improvement projects. The remaining completed projects include public works, intangible assets, and traffic signal projects.
- The Water Enterprise's net capital assets totaled \$4.33 billion at the end of fiscal year 2013-14, an increase of \$468.6 million for the year. Facilities, improvements, machinery and equipment for the Crystal Springs Pump Station and Sunol Valley Water Treatment Plan Expansion projects accounted for close to \$330.6 million of this increase, while \$136.6 million was due primarily to the construction work in progress on the Calaveras Dam Replacement and Irvington Tunnel Alternatives projects. These and other projects are part of the enterprise's multi-year Water System Improvement Program (WSIP), a capital program to upgrade the City's regional and local drinking water systems. As of June 30, 2014, this massive project is considered 81 percent completed, and consists of 35 local projects in the City itself and 48 regional projects spread over seven counties ranging from the Sierra foothills to San Francisco.
- SFMTA's net capital assets were \$2.54 billion at the end of fiscal year 2013-14, an increase of \$349.4 million for the year. Of this, \$340.3 million is for construction in progress (CIP) on New Central Subway, Central Control System Upgrade and Security Projects, and other roadway and track infrastructure upgrades. The remaining increase consists of about \$97.4 million for new buses, vans and escalator replacement and \$12.1 million in building improvements offset by additional accumulated depreciation of approximately \$100.3 million. Of the above noted construction projects, the New Central Subway has \$603.6 million or 71.1 percent of SFMTA's total CIP assets of \$849.4 million. It is a vast undertaking that will link the existing T-line at 4<sup>th</sup> and King in the City's South of Market area to Union Square and Chinatown to the north, greatly expanding the transit options on this highly traveled and populated corridor.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

- The Wastewater Enterprise net capital assets totaled \$1.8 billion at the end of fiscal year 2013-14, a \$144.7 million or 8.7 percent increase for the year. Approximately \$59.6 million of the increase was due to facility improvement and equipment purchases for the Oceanside and Southeast Plant Improvements project and the Spot Sewer Repair Project. The remaining increase of \$85.1 million was primarily in construction in progress work on various Sewer System Improvement Projects (SSIP) and sewer repair and replacement work. The enterprise is in Phase 1 of SSIP work, a three phase, 20 year, \$6.9 billion undertaking that will upgrade existing infrastructure for operational reliability and regulatory compliance, and implement innovative green infrastructure projects. Phase 1 consists of \$2.7 billion in critical repair and upgrades including rebuilding the Southeast Treatment Plant, constructing eight green infrastructure projects, and planning, design and environmental review of improvements for the Central Bayside project. Phases 2 and 3 are estimated at \$3.3 billion and \$0.9 billion respectively, for additional infrastructure upgrades, creation of redundancy to critical system components, and seismic and reliability upgrades throughout the system.
- Hetch Hetchy's net capital assets totaled \$362.5 million at the end of fiscal year 2013-14, a \$13.6 or 3.9 percent increase over the prior year. Hetchy Power's net capital assets accounted for \$9.6 million of this increase which was due to increased construction work in progress for Power Distribution, Early Intake Switchyard projects, facilities, improvements, machinery and equipment. The remaining \$4.0 million net increase to capital assets was accounted for by Hetchy Water's rise in construction in progress work on infrastructure projects and the Lower Cherry Aqueduct Project.
- The Port's net capital assets increased by \$30.7 million to \$439.8 million at the end of fiscal year 2013-14. This 7.5 percent increase was largely due to completion of construction of the James R. Herman Cruise Terminal at Pier 27, which became operational in September 2014.
- Laguna Honda Hospital's net capital assets decreased by almost \$13.0 million to \$550.0 million in fiscal year 2013-14. This was primarily due to a small net increase in capital assets and construction in progress of \$3.1 million, largely related to the rebuild of the new hospital which was occupied in 2010. In addition, in the current year there was an increase of \$16.1 million in accumulated depreciation.
- General Hospital's net capital assets increased by close to \$20.0 million in fiscal year 2013-14. This was due primarily to a net increase in construction projects of \$23.0 million, net increase of \$2.8 million in facilities, equipment and improvements, along with an increase of \$5.8 million in accumulated depreciation. In the current year, the hospital continued progress on its rebuild project which is financed by general obligation bonds in the amount of \$887.4 million, accounted for in the City's capital project funds. When completed, the new hospital will be contributed to the SFGH enterprise fund.
- The Airport's net capital assets increased by \$148.9 million at the end of fiscal year 2014, a 4.0 percent increase over the prior year due primarily to construction in progress on several large projects, including the Runway Safety Area Program and improvements to Terminal 3.

At the end of fiscal year 2013-14, the City's business-type activities had approximately \$951.4 million in commitments for various capital projects. Of this, Water Enterprise had \$433.6 million, SFMTA had \$283.6 million, Wastewater had \$116.3 million, Airport had \$68.3 million, Hetch Hetchy had \$23.2 million, the Port had \$17.0 million, Laguna Honda Hospital had \$4.9 million and General Hospital had \$4.7 million. In addition, there was an estimated \$147.1 million reserved in encumbrances for general government capital projects.

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of fiscal year 2013-14. Governmental fund financial statements record capital asset purchases as expenditures.

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

**Debt Administration**

At the end of June 30, 2014, the City had total long-term and commercial paper debt outstanding of \$13.58 billion. Of this amount, \$1.94 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and \$11.64 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by \$411.0 million or 3.1 percent during the fiscal year. The net decrease in debt obligations in the governmental activities was \$21.6 million primarily due to redemption on maturity. For the business-type activities, the net increase in debt obligations was \$432.3 million. This is due primarily to the issuance of commercial paper by the Airport, certificates of participation by the Port Commission and revenue bonds by the Airport, the Municipal Transportation Agency (SFMTA) and the Port Commission for various capital projects.

The business-type activities issued a combined total of \$559.2 million revenue bonds, of which \$461.1 million was issued by the Airport to finance the construction cost of Terminal 3 East improvements, the renovation of Boarding Area E and other projects in the Airport's five-year Capital Plan. The SFMTA issued \$75.4 million of revenue bonds to finance its various transit and parking projects. The Port Commission issued \$22.7 million revenue bonds to finance capital projects to various Port facilities and \$37.7 million of Certificates of Participation, of which \$27.2 million was used to repay commercial paper. The Airport issued additional \$249.4 million commercial paper notes to finance capital improvement projects.

The City issued \$210.0 million in general obligation bonds to fund the General Hospital rebuild projects, \$47.2 million refunding certificates of participation for economic savings and drew an additional loan for \$8.7 million for the renovation of the City's west harbor marina.

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 \$175.97 billion in value as of the close of the fiscal year. As of June 30, 2014, the City had \$2.11 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.15 percent of gross (1.2 percent of net) taxable assessed value of property. As of June 30, 2014, there were an additional \$940.7 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.66 percent of gross (1.73 percent of net) taxable assessed value of property.

The City's underlying ratings on general obligation bonds as of June 30, 2014 were:

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

During the fiscal year, Moody's Investors Service (Moody's), Fitch Ratings and Standard & Poor's affirmed the City's ratings of "Aa1", "AA" and "AA+", respectively, with a stable outlook on all the City's outstanding general obligation bonds.

The City's enterprise activities maintained their underlying debt ratings this fiscal year. Moody's, Standard & Poor's and Fitch Ratings affirmed their underlying credit ratings of the Airport of "A1", "A+" and "A+" with stable rating outlooks, respectively. The Water Enterprise, Wastewater Enterprise and SFMTA all carried underlying ratings of "Aa3" and "AA-" from Moody's and Standard & Poor's, respectively as of June 30, 2014.

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

**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 2014-15 and 2015-16. 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, and the Port, which each have a fixed two-year budget.

- Average unemployment for fiscal year 2013-14 was 5.2 percent, a 1.3 percent decrease from fiscal year 2012-13.
- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2013-14 was \$884,083, up 15.5 percent from the previous fiscal year average median home price of \$765,583. Residential and commercial rents also grew by 9.4 percent and 5.1 percent, respectively, from the prior fiscal year.
- The hotel sector saw significant growth in fiscal year 2013-14 over the prior year. Monthly average hotel room average occupancy improved slightly from 84.2 percent during fiscal year 2012-13 to 85.8 percent in fiscal year 2013-14 while average daily room rates grew by 11.7 percent to \$238 per room-night from an average of \$213 in the prior year.
- The City's taxable sales have also continued to grow, with fiscal year 2013-14 sales tax revenue up 9.4 percent over fiscal year 2012-13.

The Mayor and Board of Supervisors approved a final two-year budget for fiscal years 2014-15 and 2015-16 in July 2014, which assumes use of prior year fund balance from General Fund of \$135.9 million and \$137.1 million, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Management's Discussion and Analysis (Unaudited) (Continued)**  
Year Ended June 30, 2014

**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  
San Francisco, CA 94102

***Laguna Honda Hospital***

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

***Municipal Transportation Agency***

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

***Health Service System***

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

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

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

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

Executive Director  
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

**Blended Component Units Financial Statements**

***San Francisco County Transportation Authority***

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

***San Francisco Finance Corporation***

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



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## **Basic Financial Statements**

**CITY AND COUNTY OF SAN FRANCISCO**

**Statement of Net Position**

June 30, 2014  
(In Thousands)

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Treasure Island Development Authority</b>
<b>ASSETS</b>				
Current assets:				
Deposits and investments with City Treasury.....	\$ 2,423,548	\$ 1,944,883	\$ 4,368,431	\$ 8,868
Deposits and investments outside City Treasury.....	68,302	13,530	81,832	-
Receivables (net of allowance for uncollectible amounts of \$201,932 for the primary government):				
Property taxes and penalties.....	62,510	-	62,510	-
Other local taxes.....	236,255	-	236,255	-
Federal and state grants and subventions.....	299,361	241,515	540,876	-
Charges for services.....	58,101	211,871	269,972	490
Interest and other.....	8,677	115,782	124,459	12
Due from component units.....	1,423	200	1,623	-
Inventories.....	-	82,500	82,500	-
Other assets.....	18,660	6,598	25,258	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	227,894	227,894	-
Deposits and investments outside City Treasury.....	40,417	173,686	214,103	-
Grants and other receivables.....	-	71,103	71,103	-
Total current assets.....	<u>3,217,254</u>	<u>3,089,562</u>	<u>6,306,816</u>	<u>9,370</u>
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$962,170).....	72,079	-	72,079	-
Advance to component units.....	32,276	3,227	35,503	-
Other assets.....	1,172	7,679	8,851	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	957,616	957,616	-
Deposits and investments outside City Treasury.....	4,730	590,343	595,073	-
Grants and other receivables.....	-	32,512	32,512	-
Capital assets:				
Land and other assets not being depreciated.....	1,458,491	3,591,999	5,050,490	-
Facilities, infrastructure and equipment, net of depreciation.....	<u>3,004,223</u>	<u>10,405,490</u>	<u>13,409,713</u>	<u>-</u>
Total capital assets.....	<u>4,462,714</u>	<u>13,997,489</u>	<u>18,460,203</u>	<u>-</u>
Total noncurrent assets.....	<u>4,572,971</u>	<u>15,588,866</u>	<u>20,161,837</u>	<u>-</u>
Total assets.....	<u>7,790,225</u>	<u>18,678,428</u>	<u>26,468,653</u>	<u>9,370</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Unamortized loss on refunding of debt.....	11,701	111,350	123,051	-
Deferred outflows on derivative instruments.....	-	64,964	64,964	-
Total deferred outflows of resources.....	<u>\$ 11,701</u>	<u>\$ 176,314</u>	<u>\$ 188,015</u>	<u>\$ -</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, 2014  
(In Thousands)

	<b>Primary Government</b>			<b>Component Unit</b> <b>Treasure Island</b> <b>Development</b> <b>Authority</b>	
	<b>Governmental</b> <b>Activities</b>	<b>Business-</b> <b>Type Activities</b>	<b>Total</b>		
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable.....	\$ 338,365	\$ 226,467	\$ 564,832	\$ 391	
Accrued payroll.....	145,928	115,579	261,507	-	
Accrued vacation and sick leave pay.....	79,559	57,653	137,212	-	
Accrued workers' compensation.....	37,467	25,774	63,241	-	
Estimated claims payable.....	48,932	39,491	88,423	-	
Bonds, loans, capital leases, and other payables.....	398,816	409,495	808,311	-	
Capital lease payable to other governmental agency.....	870	-	870	-	
Accrued interest payable.....	12,760	51,480	64,240	-	
Unearned grant and subvention revenues.....	18,081	-	18,081		
Due to primary government.....	-	-	-	548	
Internal balances.....	5,734	(5,734)	-	-	
Unearned revenue and other liabilities.....	305,097	441,458	746,555	1,263	
Liabilities payable from restricted assets:					
Bonds, loans, capital leases, and other payables.....	-	278,147	278,147	-	
Accrued interest payable.....	-	31,007	31,007	-	
Other.....	-	214,125	214,125	-	
Total current liabilities.....	<u>1,391,609</u>	<u>1,884,942</u>	<u>3,276,551</u>	<u>2,202</u>	
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	68,721	44,039	112,760	-	
Accrued workers' compensation.....	185,280	135,355	320,635	-	
Other postemployment benefits obligation.....	1,004,141	734,434	1,738,575	-	
Estimated claims payable.....	106,919	51,717	158,636	-	
Bonds, loans, capital leases, and other payables.....	2,698,590	9,791,751	12,490,341		
Advance from primary government.....	-	-	-	13,833	
Capital lease payable to other governmental agency.....	2,215	-	2,215	-	
Unearned revenues and other liabilities.....	2,545	96,672	99,217	-	
Derivative instruments liabilities.....	-	80,235	80,235	-	
Total noncurrent liabilities.....	<u>4,068,411</u>	<u>10,934,203</u>	<u>15,002,614</u>	<u>13,833</u>	
Total liabilities.....	<u>5,460,020</u>	<u>12,819,145</u>	<u>18,279,165</u>	<u>16,035</u>	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unamortized gain on refunding of debt.....	275	449	724	-	
Unamortized gain on leaseback transaction.....	-	17,288	17,288	-	
Total deferred inflows of resources.....	<u>275</u>	<u>17,737</u>	<u>18,012</u>	<u>-</u>	
<b>NET POSITION</b>					
Net investment in capital assets, Note 2(k).....	2,483,086	4,832,659	7,032,674	-	
Restricted for:					
Reserve for rainy day.....	83,194	-	83,194	-	
Debt service.....	91,900	64,143	156,043	-	
Capital projects, Note 2(k).....	110,608	363,601	418,103	-	
Community development.....	200,640	-	200,640	-	
Transportation Authority activities.....	12,496	-	12,496	-	
Building inspection programs.....	97,928	-	97,928	-	
Children and families.....	59,572	-	59,572	-	
Culture and recreation.....	79,594	-	79,594	-	
Grants.....	68,142	-	68,142	-	
Other purposes.....	58,632	24,721	83,353	-	
Total restricted.....	<u>862,706</u>	<u>452,465</u>	<u>1,259,065</u>	<u>-</u>	
Unrestricted (deficit), Note 2(k).....	<u>(1,004,161)</u>	<u>732,736</u>	<u>67,752</u>	<u>(6,665)</u>	
Total net position (deficit).....	<u><u>\$ 2,341,631</u></u>	<u><u>\$ 6,017,860</u></u>	<u><u>\$ 8,359,491</u></u>	<u><u>\$ (6,665)</u></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, 2014  
 (In Thousands)

Functions/Programs	Expenses					Net (Expense) Revenue and Changes in Net Position			
		Program Revenues			Primary Government				Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority	
Primary government:									
Governmental activities:									
Public protection.....	\$ 1,229,591	\$ 69,673	\$ 187,962	\$ 570	\$ (971,386)	\$ -	\$ (971,386)	\$ -	-
Public works, transportation and commerce.....	200,712	135,842	48,588	34,699	18,417	-	18,417	-	-
Human welfare and neighborhood development.....	1,009,190	99,848	604,711	-	(304,631)	-	(304,631)	-	-
Community health.....	786,761	67,680	256,282	719	(462,080)	-	(462,080)	-	-
Culture and recreation.....	357,620	89,969	2,213	3,391	(262,047)	-	(262,047)	-	-
General administration and finance.....	298,563	66,071	12,520	-	(219,972)	-	(219,972)	-	-
General City responsibilities.....	85,239	39,445	29,818	-	(15,976)	-	(15,976)	-	-
Unallocated interest on long-term debt and cost of issuance.....	115,880	-	-	-	(115,880)	-	(115,880)	-	-
Total governmental activities.....	<u>4,083,556</u>	<u>568,528</u>	<u>1,142,094</u>	<u>39,379</u>	<u>(2,333,555)</u>	<u>-</u>	<u>(2,333,555)</u>	<u>-</u>	<u>-</u>
Business-type activities:									
Airport.....	827,658	770,691	-	91,024	-	34,057	34,057	-	-
Transportation.....	1,037,368	521,628	139,668	414,700	-	38,628	38,628	-	-
Port.....	88,551	85,019	165	9,721	-	6,354	6,354	-	-
Water.....	470,200	379,882	715	-	-	(89,603)	(89,603)	-	-
Power.....	137,639	134,438	156	-	-	(3,045)	(3,045)	-	-
Hospitals.....	1,011,452	951,038	47,867	-	-	(12,547)	(12,547)	-	-
Sewer.....	243,466	260,097	1,780	-	-	18,411	18,411	-	-
Market.....	120	141	-	-	-	21	21	-	-
Total business-type activities.....	<u>3,816,454</u>	<u>3,102,934</u>	<u>190,351</u>	<u>515,445</u>	<u>-</u>	<u>(7,724)</u>	<u>(7,724)</u>	<u>-</u>	<u>-</u>
Total primary government.....	<u>\$ 7,900,010</u>	<u>\$ 3,671,462</u>	<u>\$ 1,332,445</u>	<u>\$ 554,824</u>	<u>(2,333,555)</u>	<u>(7,724)</u>	<u>(2,341,279)</u>	<u>-</u>	<u>-</u>
Component unit:									
Treasure Island Development Authority.....	\$ 7,963	\$ 9,605	\$ -	\$ -				\$ 1,642	
General Revenues									
Taxes:									
Property taxes.....				1,521,471	-	1,521,471	-		
Business taxes.....				563,406	-	563,406	-		
Sales and use tax.....				227,636	-	227,636	-		
Hotel room tax.....				310,052	-	310,052	-		
Utility users tax.....				86,810	-	86,810	-		
Parking tax.....				83,476	-	83,476	-		
Real property transfer tax.....				261,925	-	261,925	-		
Other local taxes.....				46,237	-	46,237	-		
Interest and investment income.....				21,887	29,843	51,730	70		
Other.....				70,024	82,737	152,761	-		
Transfers - internal activities of primary government.....				(311,627)	311,627	-	-		
Total general revenues and transfers.....				<u>2,881,297</u>	<u>424,207</u>	<u>3,305,504</u>	<u>70</u>		
Extraordinary loss from the Rim Fire.....				-	(6,843)	(6,843)	-	-	
Change in net position.....				547,742	409,640	957,382	1,712		
Net position (deficit) at beginning of year, as restated.....				<u>1,793,889</u>	<u>5,608,220</u>	<u>7,402,109</u>	<u>(8,377)</u>		
Net position (deficit) at end of year.....				<u>\$ 2,341,631</u>	<u>\$ 6,017,860</u>	<u>\$ 8,359,491</u>	<u>\$ (6,665)</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, 2014

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

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2014	2013	2014	2013	2014	2013
<b>Assets:</b>						
Deposits and investments with City Treasury.....	\$ 1,053,040	\$ 720,132	\$ 1,332,623	\$ 1,357,554	\$ 2,385,663	\$ 2,077,686
Deposits and investments outside City Treasury.....	2,311	1,004	65,991	71,413	68,302	72,417
Receivables (net of allowance for uncollectible amounts of \$163,588 in 2014; \$175,712 in 2013):						
Property taxes and penalties.....	52,282	47,791	10,228	8,980	62,510	56,771
Other local taxes.....	218,551	223,091	17,704	15,191	236,255	238,282
Federal and state grants and subventions.....	179,065	171,113	120,296	109,308	299,361	280,421
Charges for services.....	44,550	41,864	13,517	11,538	58,067	53,402
Interest and other.....	4,249	2,318	3,829	2,071	8,078	4,389
Due from other funds.....	12,511	11,753	5,873	29,460	18,384	41,213
Due from component unit.....	878	2,179	545	457	1,423	2,636
Advance to component unit.....	21,670	20,067	10,606	10,336	32,276	30,403
Loans receivable (net of allowance for uncollectible amounts of \$962,170 in 2014; \$945,031 in 2013).....	1,332	157	70,747	70,169	72,079	70,326
Other assets.....	3,458	4,473	13,638	12,404	17,096	16,877
<b>Total assets.....</b>	<b><u>\$ 1,593,897</u></b>	<b><u>\$ 1,245,942</u></b>	<b><u>\$ 1,665,597</u></b>	<b><u>\$ 1,698,881</u></b>	<b><u>\$ 3,259,494</u></b>	<b><u>\$ 2,944,823</u></b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 177,241	\$ 152,649	\$ 151,808	\$ 149,246	\$ 329,049	\$ 301,895
Accrued payroll.....	118,012	107,889	25,181	23,009	143,193	130,898
Unearned grant and subvention revenues.....	9,748	8,186	8,333	8,025	18,081	16,211
Due to other funds.....	701	870	20,910	27,856	21,611	28,726
Due to component unit.....	-	-	-	280	-	280
Unearned revenues and other liabilities.....	249,566	212,732	55,412	52,532	304,978	265,264
Bonds, loans, capital leases, and other payables.....	-	-	175,760	201,546	175,760	201,546
<b>Total liabilities.....</b>	<b><u>555,268</u></b>	<b><u>482,326</u></b>	<b><u>437,404</u></b>	<b><u>462,494</u></b>	<b><u>992,672</u></b>	<b><u>944,820</u></b>
Deferred inflows of resources	203,067	222,745	126,776	108,697	329,843	331,442
<b>Fund balances:</b>						
Nonspendable.....	24,022	23,854	441	274	24,463	24,128
Restricted.....	83,194	26,339	1,115,226	1,191,189	1,198,420	1,217,528
Committed.....	145,126	137,487	-	-	145,126	137,487
Assigned.....	508,903	353,191	50,733	30,759	559,636	383,950
Unassigned.....	74,317	-	(64,983)	(94,532)	9,334	(94,532)
<b>Total fund balances.....</b>	<b><u>835,562</u></b>	<b><u>540,871</u></b>	<b><u>1,101,417</u></b>	<b><u>1,127,690</u></b>	<b><u>1,936,979</u></b>	<b><u>1,668,561</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 1,593,897</u></b>	<b><u>\$ 1,245,942</u></b>	<b><u>\$ 1,665,597</u></b>	<b><u>\$ 1,698,881</u></b>	<b><u>\$ 3,259,494</u></b>	<b><u>\$ 2,944,823</u></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, 2014  
(In Thousands)

Fund balances – total governmental funds	\$ 1,936,979
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	4,453,436
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(4,190,458)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not recognized in the governmental funds	329,568
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(11,182)
Deferred outflow of resources in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	10,451
Internal service funds are used by management to charge the costs of capital lease financing, fleet management, printing and mailing services, and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>(187,163)</u>
Net position of governmental activities	<u>\$ 2,341,631</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
Year Ended June 30, 2014  
(With comparative financial information as of June 30, 2013)  
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2014	2013	2014	2013	2014	2013
<b>Revenues:</b>						
Property taxes.....	\$ 1,178,277	\$ 1,122,008	\$ 338,984	\$ 299,756	\$ 1,517,261	\$ 1,421,764
Business taxes.....	562,896	479,627	510	504	563,406	480,131
Sales and use tax.....	133,705	122,271	93,931	85,754	227,636	208,025
Hotel room tax.....	310,052	182,396	-	56,386	310,052	238,782
Utility users tax.....	86,810	91,871	-	-	86,810	91,871
Parking tax.....	83,476	81,645	-	-	83,476	81,645
Real property transfer tax.....	261,925	232,731	-	-	261,925	232,731
Other local taxes.....	46,237	45,432	-	-	46,237	45,432
Licenses, permits and franchises.....	26,975	26,273	15,396	14,628	42,371	40,901
Fines, forfeitures, and penalties.....	5,281	6,226	23,144	43,615	28,425	49,841
Interest and investment income.....	7,866	2,125	13,812	5,364	21,678	7,489
Rents and concessions.....	25,501	35,273	65,211	63,497	90,712	98,770
Intergovernmental:						
Federal.....	215,682	174,753	210,632	246,022	426,314	420,775
State.....	609,877	542,800	111,858	113,341	721,735	656,141
Other.....	2,191	3,072	7,217	38,717	9,408	41,789
Charges for services.....	180,850	164,391	153,054	131,668	333,904	296,059
Other.....	9,760	14,142	125,163	66,872	134,923	81,014
<b>Total revenues.....</b>	<b>3,747,361</b>	<b>3,327,036</b>	<b>1,158,912</b>	<b>1,166,124</b>	<b>4,906,273</b>	<b>4,493,160</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	1,096,839	1,057,451	75,658	88,433	1,172,497	1,145,884
Public works, transportation and commerce.....	78,249	68,014	153,756	155,204	232,005	223,218
Human welfare and neighborhood development.....	720,787	660,657	274,405	284,449	995,192	945,106
Community health.....	668,701	634,701	92,738	100,035	761,439	734,736
Culture and recreation.....	113,019	105,870	218,895	222,924	331,914	328,794
General administration and finance.....	190,335	186,342	43,642	24,796	233,977	211,138
General City responsibilities.....	86,968	81,657	28	118	86,996	81,775
Debt service:						
Principal retirement.....	-	-	190,266	154,542	190,266	154,542
Interest and other fiscal charges.....	-	-	119,142	108,189	119,142	108,189
Bond issuance costs.....	-	-	2,185	2,913	2,185	2,913
Capital outlay.....	-	-	449,726	410,994	449,726	410,994
<b>Total expenditures.....</b>	<b>2,954,898</b>	<b>2,794,692</b>	<b>1,620,441</b>	<b>1,552,597</b>	<b>4,575,339</b>	<b>4,347,289</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>						
	792,463	532,344	(461,529)	(386,473)	330,934	145,871
<b>Other financing sources (uses):</b>						
Transfers in.....	216,449	195,272	346,834	252,462	563,283	447,734
Transfers out.....	(720,806)	(646,912)	(154,490)	(283,881)	(875,296)	(930,793)
Issuance of bonds and loans:						
Face value of bonds issued.....	-	-	257,175	557,490	257,175	557,490
Face value of loans issued.....	-	-	8,735	5,890	8,735	5,890
Premium on issuance of bonds.....	-	-	19,773	64,469	19,773	64,469
Payment to refunded bond escrow agent.....	-	-	(49,055)	-	(49,055)	-
Other financing sources-capital leases.....	6,585	4,442	6,284	9,028	12,869	13,470
<b>Total other financing sources (uses).....</b>	<b>(497,772)</b>	<b>(447,198)</b>	<b>435,256</b>	<b>605,458</b>	<b>(62,516)</b>	<b>158,260</b>
Extraordinary loss from dissolution of the						
Redevelopment Agency.....	-	-	-	(172,651)	-	(172,651)
Net changes in fund balances.....	294,691	85,146	(26,273)	46,334	268,418	131,480
Fund balances at beginning of year.....	540,871	455,725	1,127,690	1,081,356	1,668,561	1,537,081
<b>Fund balances at end of year.....</b>	<b>\$ 835,562</b>	<b>\$ 540,871</b>	<b>\$ 1,101,417</b>	<b>\$ 1,127,690</b>	<b>\$ 1,936,979</b>	<b>\$ 1,668,561</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, 2014  
(In Thousands)

Net changes in fund balances - total governmental funds	\$ 268,418
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposal of capital assets in the current period.	414,708
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(136,301)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,210
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.	15,497
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. At the government-wide level, these activities are reported in the statement of net position. This is the net expenditure reported in the governmental funds, which is not reported in the statement of activities.	1,432
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net position. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	7,348
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.	(26,589)
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.	(19,773)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses and gains.	11,015
The activities of internal service funds are reported with governmental activities.	<u>7,777</u>
Change in net position of governmental activities	<u><u>\$ 547,742</u></u>

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

**CITY AND COUNTY OF SAN FRANCISCO**

**Budgetary Comparison Schedule - General Fund**

Year Ended June 30, 2014

(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Budgetary Fund Balance, July 1</b>	<b>\$ 156,426</b>	<b>\$ 674,637</b>	<b>\$ 674,637</b>	<b>\$ -</b>
<b>Resources (Inflows):</b>				
Property taxes.....	1,153,417	1,153,417	1,177,370	23,953
Business taxes.....	532,988	532,988	562,896	29,908
Other local taxes:				
Sales and use tax.....	125,697	125,697	133,705	8,008
Hotel room tax.....	273,930	273,930	310,052	36,122
Utility users tax.....	93,515	93,515	86,810	(6,705)
Parking tax.....	83,251	83,251	83,476	225
Real property transfer tax.....	225,150	225,150	261,925	36,775
Other local taxes.....	45,381	45,381	46,237	856
Licenses, permits and franchises:				
Licenses and permits.....	9,390	9,390	10,641	1,251
Franchise tax.....	16,143	16,143	16,334	191
Fines, forfeitures, and penalties.....	9,097	4,994	5,281	287
Interest and investment income.....	10,946	10,946	10,132	(814)
Rents and concessions:				
Garages - Recreation and Park.....	9,761	9,761	12,366	2,605
Rents and concessions - Recreation and Park.....	11,093	11,093	11,896	803
Other rents and concessions.....	2,206	2,206	2,656	450
Intergovernmental:				
Federal grants and subventions.....	214,450	203,231	217,198	13,967
State subventions:				
Social service subventions.....	70,108	99,260	84,500	(14,760)
Health / mental health subventions.....	135,573	135,071	120,080	(14,991)
Health and welfare realignment.....	225,155	225,867	229,283	3,416
Public safety sales tax.....	86,836	86,836	87,473	637
Motor vehicle in-lieu - county.....	-	-	-	-
Other grants and subventions.....	45,251	45,264	61,628	16,364
Allowance for state revenue reduction.....	-	-	-	-
Other.....	3,563	3,659	2,191	(1,468)
Charges for services:				
General government service charges.....	56,030	56,030	56,546	516
Public safety service charges.....	26,635	26,635	33,080	6,445
Recreation charges - Recreation and Park.....	15,569	15,577	18,035	2,458
MediCal, MediCare and health service charges.....	78,814	78,839	73,618	(5,221)
Other financing sources:				
Transfers from other funds.....	217,982	242,958	213,647	(29,311)
Repayment of loan from Component Unit.....	1,105	1,105	-	(1,105)
Other resources (inflows).....	14,302	14,321	5,610	(8,711)
<b>Subtotal - Resources (Inflows)</b>	<b>3,793,338</b>	<b>3,832,515</b>	<b>3,934,666</b>	<b>102,151</b>
<b>Total amounts available for appropriation.....</b>	<b>3,949,764</b>	<b>4,507,152</b>	<b>4,609,303</b>	<b>102,151</b>

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Budgetary Comparison Schedule - General Fund (Continued)**  
Year Ended June 30, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>Charges to Appropriations (Outflows):</b>				
<b>Public Protection</b>				
Adult Probation.....	\$ 25,493	\$ 23,410	\$ 21,867	\$ 1,543
District Attorney.....	41,170	40,816	40,430	386
Emergency Communications.....	42,778	43,432	43,204	228
Fire Department.....	304,496	305,406	301,975	3,431
Juvenile Probation.....	35,472	31,488	30,245	1,243
Police Department.....	455,186	445,443	445,443	-
Public Defender.....	28,623	28,634	27,791	843
Sheriff.....	163,108	151,560	150,742	818
Superior Court.....	32,427	32,478	31,111	1,367
Subtotal - Public Protection	<u>1,128,753</u>	<u>1,102,667</u>	<u>1,092,808</u>	<u>9,859</u>
<b>Public Works, Transportation and Commerce</b>				
Board of Appeals.....	942	971	881	90
Business and Economic Development.....	26,954	24,106	22,016	2,090
General Services Agency - Public Works.....	52,901	53,267	52,984	283
Hetch Hetchy.....	-	993	993	-
Municipal Transportation Agency.....	-	298	298	-
Subtotal - Public Works, Transportation and Commerce	<u>80,797</u>	<u>79,635</u>	<u>77,172</u>	<u>2,463</u>
<b>Human Welfare and Neighborhood Development</b>				
Children, Youth and Their Families.....	28,966	29,695	29,695	-
Commission on the Status of Women.....	4,925	4,988	4,959	29
County Education Office.....	116	116	116	-
Environment.....	-	265	263	2
Human Rights Commission.....	1,529	1,301	938	363
Human Services.....	664,718	696,181	672,276	23,905
Mayor - Housing/Neighborhoods.....	26,366	12,731	12,540	191
Subtotal - Human Welfare and Neighborhood Development	<u>726,620</u>	<u>745,277</u>	<u>720,787</u>	<u>24,490</u>
<b>Community Health</b>				
Public Health.....	<u>701,978</u>	<u>703,092</u>	<u>668,412</u>	<u>34,680</u>
<b>Culture and Recreation</b>				
Academy of Sciences.....	4,433	4,433	4,433	-
Arts Commission.....	8,894	7,042	6,963	79
Asian Art Museum.....	8,246	8,335	8,067	268
Fine Arts Museum.....	13,783	13,351	13,250	101
Law Library.....	1,285	1,282	1,157	125
Recreation and Park Commission.....	82,938	78,181	78,181	-
Subtotal - Culture and Recreation	<u>119,579</u>	<u>112,624</u>	<u>112,051</u>	<u>573</u>

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Budgetary Comparison Schedule - General Fund (Continued)**  
Year Ended June 30, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
<b>General Administration and Finance</b>				
Assessor/Recorder.....	\$ 19,077	\$ 18,907	\$ 18,061	\$ 846
Board of Supervisors.....	12,705	12,963	12,566	397
City Attorney.....	14,933	11,383	10,550	833
City Planning.....	27,718	28,739	28,739	-
Civil Service.....	612	616	615	1
Controller.....	14,469	13,591	12,610	981
Elections.....	16,551	16,398	13,557	2,841
Ethics Commission.....	4,532	2,625	2,294	331
General Services Agency - Administrative Services.....	59,603	45,567	44,460	1,107
General Services Agency - Technology.....	1,885	2,085	1,934	151
Health Service System.....	173	395	395	-
Human Resources.....	11,226	13,849	13,833	16
Mayor.....	4,845	4,935	4,935	-
Retirement Services.....	1,117	1,290	1,290	-
Treasurer/Tax Collector.....	28,776	26,366	25,966	400
<b>Subtotal - General Administration and Finance</b>	<b>218,222</b>	<b>199,709</b>	<b>191,805</b>	<b>7,904</b>
<b>General City Responsibilities</b>				
General City Responsibilities.....	96,940	86,516	85,085	1,431
Other financing uses:				
Debt service.....	2,215	-	-	-
Transfers to other funds.....	804,777	720,114	719,481	633
Budgetary reserves and designations.....	69,883	-	-	-
Total charges to appropriations.....	3,949,764	3,749,634	3,667,601	82,033
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 757,518</u>	<u>\$ 941,702</u>	<u>\$ 184,184</u>
<b>Budgetary fund balance, June 30 before reserves and designations</b>			<b>\$ 941,702</b>	
Reserves and designations made from budgetary fund balance not available for appropriation			(522,062)	
Reserves for Litigation and Contingencies and General Reserves			(124,971)	
<b>Net Available Budgetary Fund Balance, June 30</b>			<b><u>\$ 294,669</u></b>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 4,609,303	
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.....			(674,637)	
Property tax revenue - Teeter Plan net change from prior year.....			906	
Change in unrealized gain/(loss) on investments.....			2,075	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment.....			(4,341)	
Interest earnings from other funds assigned to General Fund as other revenues.....			1,623	
Grants, subventions and other receivables received after 90-day recognition period.....			27,495	
Prepaid lease revenue, Civic Center Garage.....			(1,416)	
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.....			<u>(213,647)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 3,747,361</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 3,667,601	
Difference - budget to GAAP:				
Capital asset purchases funded under capital leases with Finance Corporation and other vendors.....			6,585	
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund			193	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....			<u>(719,481)</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 2,954,898</u>	

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

# CITY AND COUNTY OF SAN FRANCISCO

## Statement of Net Position - Proprietary Funds

June 30, 2014

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

	Business-type Activities - Enterprise Funds												Governmental Activities - Internal Service Funds			
	Major Funds				Other Fund								2014		2013	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total	2014	2013	2014	2013	2014	2013
<b>ASSETS</b>																
Current Assets:																
Deposits and investments with City Treasury.....	\$ 380,170	\$ 328,798	\$ 188,019	\$ 708,199	\$ 132,847	\$ 122,546	\$ 77,126	\$ 7,178	\$ -	\$ 1,944,883	\$ 1,806,112	\$ 37,885	\$ 32,368			
Deposits and investments outside City Treasury.....	6,626	106	10	6,679	10	92	5	2	-	13,530	9,808	-	-			
Receivables (net of allowance for uncollectible amounts of \$38,344 and \$44,179 in 2014 and 2013, respectively):																
Federal and state grants and subventions.....	-	177	-	174,064	197	19,805	6,739	40,533	-	241,515	139,951	-	-			
Charges for services.....	37,027	44,018	7,560	5,523	63,673	27,156	4,061	22,853	-	211,871	229,350	34	-			
Interest and other.....	1,391	6,408	216	6,472	85,541	1,557	141	14,056	-	115,782	110,820	599	763			
Lease receivable.....	-	-	-	-	-	-	-	-	-	-	-	-	-	22,128	22,545	
Due from other funds.....	-	260	11,417	6,286	155	110	-	5	-	18,233	20,043	-	-			
Due from component unit.....	-	-	200	-	-	-	-	-	-	-	200	200	-	-		
Inventories.....	56	7,735	344	62,069	7,750	2,472	1,010	1,064	-	82,500	78,225	-	-			
Other assets.....	681	-	5,255	515	-	-	147	-	-	6,598	6,101	225	-			
Restricted assets:																
Deposits and investments with City Treasury.....	141,692	-	-	-	-	-	47,598	38,604	-	227,894	160,160	-	-			
Deposits and investments outside City Treasury...	65,551	64,999	1,281	-	-	24,601	13,227	4,027	-	173,686	165,938	40,417	55,337			
Grants and other receivables.....	71,103	-	-	-	-	-	-	-	-	71,103	51,810	-	-			
Total current assets.....	704,297	452,501	214,302	969,807	290,173	198,339	150,054	128,322	-	3,107,795	2,778,518	101,288	111,013			
Noncurrent assets:																
Other assets.....	2,474	1,666	2,238	-	-	-	1,301	-	-	7,679	9,155	-	-			
Capital lease receivable.....	-	-	-	-	-	-	-	-	-	-	-	218,983	239,998			
Advance to component unit.....	-	-	3,227	-	-	-	-	-	-	3,227	3,427	-	-			
Restricted assets:																
Deposits and investments with City Treasury.....	230,817	597,887	11,062	20,808	-	97,042	-	-	-	957,616	1,449,790	-	-			
Deposits and investments outside City Treasury...	346,217	213,183	-	12,763	4,057	-	-	14,123	-	590,343	596,558	4,730	4,777			
Grants and other receivables.....	425	6,224	119	2,762	-	7,716	-	15,266	-	32,512	32,107	-	-			
Capital assets:																
Land and other assets not being depreciated.....	394,377	1,689,784	94,053	890,477	66,149	301,425	155,506	228	-	3,591,999	2,837,693	-	-			
Facilities, infrastructure, and equipment, net of depreciation.....	3,475,341	2,637,766	268,444	1,651,571	34,161	1,504,134	284,267	549,806	-	10,405,490	10,003,198	9,278	5,920			
Total capital assets.....	3,869,718	4,327,550	362,497	2,542,048	100,310	1,805,559	439,773	550,034	-	13,997,489	12,840,891	9,278	5,920			
Total noncurrent assets.....	4,449,651	5,146,510	379,143	2,578,381	104,367	1,910,317	441,074	579,423	-	15,588,866	14,931,928	232,991	250,695			
Total assets.....	5,153,948	5,599,011	593,445	3,548,188	394,540	2,108,656	591,128	707,745	-	18,696,661	17,710,446	334,279	361,708			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>																
Unamortized loss on refunding of debt.....	92,147	17,505	-	-	-	1,698	-	-	-	111,350	129,461	1,250	1,330			
Deferred outflows on derivative instruments.....	64,964	-	-	-	-	-	-	-	-	64,964	64,743	-	-			
Total deferred outflows of resources.....	157,111	17,505	-	-	-	1,698	-	-	-	176,314	194,204	1,250	1,330			

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, 2014  
(With comparative financial information as of June 30, 2013)  
(In Thousands)

	Business-type Activities - Enterprise Funds												Governmental Activities - Internal Service Funds				
	San Francisco International Airport		San Francisco Water Enterprise		Hetch Hetchy Water and Power		Municipal Transportation Agency		General Hospital Medical Center		San Francisco Wastewater Enterprise		Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	
<b>LIABILITIES</b>																	
Current liabilities:																	
Accounts payable.....	\$ 40,782	\$ 9,724	\$ 13,260	\$ 97,717	\$ 41,060	\$ 7,469	\$ 14,333	\$ 2,122	\$	\$	\$ 226,467	\$ 212,498	\$ 9,316	\$ 5,526			
Accrued payroll.....	15,285	10,392	3,441	38,730	27,471	6,900	2,269	11,091	-	-	115,579	103,099	2,735	2,391			
Accrued vacation and sick leave pay.....	8,728	5,932	1,948	18,475	12,565	3,380	1,252	5,373	-	-	57,653	55,019	1,506	1,408			
Accrued workers' compensation.....	1,243	1,419	439	15,423	3,677	873	406	2,294	-	-	25,774	24,002	322	290			
Estimated claims payable.....	1,319	6,263	788	27,345	-	2,296	1,480	-	-	-	39,491	24,284	-	-			
Due to other funds.....	-	9	8	2,500	946	1,773	318	6,945	-	-	12,499	30,567	2,507	1,963			
Unearned revenues and other liabilities.....	55,633	30,181	247	174,384	112,865	1,902	15,062	51,184	-	-	441,458	435,257	39,866	55,579			
Accrued interest payable.....	-	37,043	223	2,064	109	8,811	1,472	1,758	-	-	51,480	51,380	1,578	1,650			
Bonds, loans, capital leases, and other payables.....	145,733	213,956	1,608	5,945	2,551	31,452	2,600	5,650	-	-	409,495	635,557	20,440	21,144			
Liabilities payable from restricted assets:																	
Bonds, loans, capital leases, and other payables..	278,147	-	-	-	-	-	-	-	-	-	278,147	207,708	-	-			
Accrued interest payable.....	31,007	-	-	-	-	-	-	-	-	-	31,007	28,158	-	-			
Other.....	100,933	79,180	567	1,268	-	31,489	-	688	-	-	214,125	224,549	-	-			
Total current liabilities.....	678,810	394,099	22,529	383,851	201,244	96,345	39,192	87,105	-	-	1,903,175	2,032,078	78,270	89,951			
Noncurrent liabilities:																	
Accrued vacation and sick leave pay.....	7,224	5,538	1,501	12,256	9,799	2,659	1,040	4,022	-	-	44,039	44,414	1,272	1,324			
Accrued workers' compensation.....	4,427	7,316	2,028	79,728	22,881	4,225	2,368	12,382	-	-	135,355	124,442	1,445	1,218			
Other postemployment benefits obligation.....	103,783	94,762	20,123	199,205	191,610	37,152	18,091	69,708	-	-	734,434	658,008	19,789	17,847			
Estimated claims payable.....	68	12,601	2,106	32,356	-	4,236	350	-	-	-	51,717	39,297	-	-			
Unearned revenue and other liabilities.....	-	31,075	186	-	-	571	64,840	-	-	-	96,672	89,080	-	-			
Bonds, loans, capital leases, and other payables....	4,169,755	4,416,913	31,422	136,995	19,576	783,299	93,958	139,833	-	-	9,791,751	9,203,466	223,063	244,048			
Derivative instruments liabilities.....	80,235	-	-	-	-	-	-	-	-	-	80,235	81,338	-	-			
Total noncurrent liabilities.....	4,365,492	4,568,205	57,366	460,540	243,866	832,142	180,647	225,945	-	-	10,934,203	10,240,045	245,569	264,437			
Total liabilities.....	5,044,302	4,962,304	79,895	844,391	445,110	928,487	219,839	313,050	-	-	12,837,378	12,272,123	323,839	354,388			
<b>DEFERRED INFLOWS OF RESOURCES</b>																	
Unamortized gain on refunding of debt.....	-	-	-	449	-	-	-	-	-	-	449	488	-	-			
Unamortized gain on leaseback transaction.....	-	-	-	17,288	-	-	-	-	-	-	17,288	23,819	-	-			
Total deferred inflows of resources.....	-	-	-	17,737	-	-	-	-	-	-	17,737	24,307	-	-			
<b>NET POSITION</b>																	
Net investment in capital assets.....	(149,894)	366,799	336,202	2,396,595	82,210	1,066,814	312,572	421,361	-	-	4,832,659	4,650,574	9,278	5,556			
Restricted:																	
Debt service.....	25,390	25,356	-	12,763	-	634	-	-	-	-	64,143	58,970	-	-			
Capital projects.....	200,219	103,154	5,507	-	-	22,929	16,389	15,403	-	-	363,601	299,942	-	-			
Other purposes.....	-	-	-	22,302	-	-	-	2,419	-	-	24,721	13,046	-	-			
Unrestricted (deficit).....	191,042	158,903	171,841	254,400	(132,780)	91,490	42,328	(44,488)	-	-	732,736	585,688	2,412	3,094			
Total net position (deficit).....	\$ 266,757	\$ 654,212	\$ 513,550	\$ 2,686,060	\$ (50,570)	\$ 1,181,867	\$ 371,289	\$ 394,695	\$	\$	\$ 6,017,860	\$ 5,608,220	\$ 11,690	\$ 8,650			

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

**CITY AND COUNTY OF SAN FRANCISCO**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds**  
Year Ended June 30, 2014  
(With comparative financial information as of June 30, 2013)  
(In Thousands)

	Business-type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds																			
	San Francisco International Airport		San Francisco Water Enterprise		Hetch Hetchy Water and Power		Municipal Transportation Agency		General Hospital Medical Center		San Francisco Wastewater Enterprise		Port of San Francisco		Laguna Honda Hospital		Other Fund		San Francisco Market Corporation		Total		2014		2013		2014		2013	
Operating revenues:																														
Aviation.....	\$ 441,259	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 441,259	\$ 413,918	\$ -	\$ -	\$ -	\$ -	\$ -				
Water and power service.....	-	354,827	134,214	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	489,041	834,195	-	-	-	-	-				
Passenger fees.....	-	-	-	-	-	211,684	-	-	-	-	-	-	-	-	-	-	-	-	-	211,684	218,939	-	-	-	-	-				
Net patient service revenue.....	-	-	-	-	-	-	785,252	-	-	-	-	158,509	-	-	-	-	-	-	-	943,761	861,231	-	-	-	-	-				
Sewer service.....	-	-	-	-	-	-	-	244,705	-	-	-	-	-	-	-	-	-	-	244,705	235,479	-	-	-	-	-					
Rents and concessions.....	136,587	10,675	224	7,524	2,210	-	-	62,589	-	-	-	-	-	-	-	-	-	-	219,809	207,756	142	90	-	-	-					
Parking and transportation.....	116,703	-	-	217,703	-	-	-	-	19,724	-	-	-	-	-	-	-	-	-	354,130	344,057	-	-	-	-	-					
Other charges for services.....	-	-	-	17,620	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141	17,761	19,592	118,424	106,682	-	-					
Other revenues.....	76,142	14,380	-	67,097	3,898	15,392	2,706	1,169	-	-	-	-	-	-	-	-	-	-	180,784	144,116	-	-	-	-	-					
Total operating revenues.....	<u>770,691</u>	<u>379,882</u>	<u>134,438</u>	<u>521,628</u>	<u>791,360</u>	<u>260,097</u>	<u>85,019</u>	<u>159,678</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,102,934</u>	<u>3,279,283</u>	<u>118,566</u>	<u>106,772</u>	-	-	-					
Operating expenses:																														
Personal services.....	250,088	119,849	47,105	628,849	454,909	85,114	33,489	180,811	-	-	-	-	-	-	-	-	-	-	1,800,214	1,761,020	47,660	44,661	-	-	-					
Contractual services.....	65,126	10,921	4,898	93,140	191,555	14,314	4,770	9,214	-	-	-	-	-	-	-	-	-	-	393,938	404,612	39,965	34,854	-	-	-					
Light, heat and power.....	20,919	-	26,215	-	-	-	-	1,974	-	-	-	-	-	-	-	-	-	-	49,108	42,181	-	-	-	-	-					
Materials and supplies.....	14,536	12,154	3,427	87,332	74,054	10,830	1,635	18,831	-	-	-	-	-	-	-	-	-	-	222,799	218,786	18,152	19,098	-	-	-					
Depreciation and amortization.....	222,815	89,026	15,314	120,954	5,761	48,402	20,434	16,311	-	-	-	-	-	-	-	-	-	-	539,137	474,393	1,957	1,547	-	-	-					
General and administrative.....	3,334	46,749	32,318	58,284	1,099	22,406	3,988	-	-	-	-	-	-	-	-	-	-	-	168,178	119,657	382	509	-	-	-					
Services provided by other departments.....	16,918	54,856	6,788	56,957	42,676	35,274	15,571	8,645	-	-	-	-	-	-	-	-	-	-	237,685	234,630	7,298	6,403	-	-	-					
Other.....	31,924	-	-	(13,079)	68	-	1,735	-	-	-	-	-	-	-	-	-	-	-	20,648	32,640	1,405	987	-	-	-					
Total operating expenses.....	<u>625,660</u>	<u>333,555</u>	<u>136,065</u>	<u>1,032,437</u>	<u>770,122</u>	<u>216,340</u>	<u>83,596</u>	<u>233,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,431,707</u>	<u>3,287,919</u>	<u>116,819</u>	<u>108,059</u>	-	-	-					
Operating income (loss).....	<u>145,031</u>	<u>46,327</u>	<u>(1,627)</u>	<u>(510,809)</u>	<u>21,238</u>	<u>43,757</u>	<u>1,423</u>	<u>(74,134)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(328,773)</u>	<u>(8,636)</u>	<u>1,747</u>	<u>(1,287)</u>	-	-	-					
Nonoperating revenues (expenses):																														
Operating grants:																														
Federal.....	-	715	156	8,507	-	1,780	165	42	-	-	-	-	-	-	-	-	-	-	11,365	36,872	-	-	-	-	-					
State / other.....	-	-	-	-	131,161	47,825	-	-	-	-	-	-	-	-	-	-	-	-	178,986	187,332	-	-	-	-	-					
Interest and investment income.....	5,425	10,907	1,776	6,093	1,364	2,400	1,236	642	-	-	-	-	-	-	-	-	-	-	29,843	1,009	5,279	5,794	-	-	-					
Interest expense.....	(201,998)	(136,645)	(1,574)	(4,931)	(304)	(27,126)	(4,955)	(7,214)	-	-	-	-	-	-	-	-	-	-	(384,747)	(378,373)	(5,568)	(5,983)	-	-	-					
Other, net.....	(7,025)	32,562	3,155	23,143	-	12,280	547	29,802	(11,727)	-	-	-	-	-	-	-	-	82,737	67,344	518	337	-	-	-						
Total nonoperating revenues (expenses).....	<u>(203,598)</u>	<u>(92,461)</u>	<u>3,513</u>	<u>163,973</u>	<u>48,885</u>	<u>(10,666)</u>	<u>(3,007)</u>	<u>23,272</u>	<u>(11,727)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,816)</u>	<u>(85,816)</u>	<u>229</u>	<u>148</u>	-	-	-					
Income (loss) before capital contributions and transfers.....	(58,567)	(46,134)	1,886	(346,836)	70,123	33,091	(1,584)	(50,862)	(11,706)	-	-	-	-	-	-	-	-	-	(410,589)	(94,452)	1,976	(1,139)	-	-	-					
Capital contributions.....	91,024	-	-	-	414,700	-	-	9,721	-	-	-	-	-	-	-	-	-	-	515,445	251,753	-	-	-	-	-					
Transfers in.....	-	2,014	368	358,353	121,407	51	27,742	39,206	-	-	-	-	-	-	-	-	-	-	549,141	694,352	1,242	177	-	-	-					
Transfers out.....	(37,994)	(1,299)	(38)	(4,583)	(166,250)	(32)	(27,199)	(119)	-	-	-	-	-	-	-	-	-	-	(237,514)	(211,146)	(178)	(324)	-	-	-					
Change in net position before extraordinary loss.....	(5,537)	(45,419)	2,216	421,634	25,280	33,110	8,680	(11,775)	(11,706)	-	-	-	-	-	-	-	-	-	416,483	640,507	3,040	(1,286)	-	-	-					
Extraordinary loss.....	-	-	(6,843)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,843)	-	-	-	-	-	-					
Change in net position.....	(5,537)	(45,419)	(4,627)	421,634	25,280	33,110	8,680	(11,775)	(11,706)	-	-	-	-	-	-	-	-	-	409,640	640,507	3,040	(1,286)	-	-	-					
Net position (deficit) at beginning of year, as restated.....	272,294	699,631	518,177	2,264,426	(75,850)	1,148,757	362,609	406,470	11,706	-	-	-	-	-	-	-	-	-	5,608,220	4,967,713	8,650	9,936	-	-	-					
Net position (deficit) at end of year.....	<u>\$ 266,757</u>	<u>\$ 654,212</u>	<u>\$ 513,550</u>	<u>\$ 2,686,060</u>	<u>\$ (50,570)</u>	<u>\$ 1,181,867</u>	<u>\$ 371,289</u>	<u>\$ 394,695</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 6,017,860</u>	<u>\$ 5,608,220</u>	<u>\$ 11,690</u>	<u>\$ 8,650</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 Cash Flows – Proprietary Funds

Year Ended June 30, 2014

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

	Business-type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds			
	Major Funds								Other Fund					
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	San Francisco Market Corporation	Total				
										2014	2013	2014	2013	
Cash flows from operating activities:														
Cash received from customers, including cash deposits...	\$ 784,560	\$ 392,145	\$ 142,632	\$ 578,292	\$ 820,905	\$ 266,907	\$ 16,865	\$ 147,383	\$ 477	\$ 3,150,166	\$ 3,241,969	\$ 143,692	\$ 133,734	
Cash received from tenants for rent.....	-	10,325	224	7,566	2,210	838	65,674	-	-	86,837	80,727	-	-	
Cash paid to employees for services.....	(234,514)	(107,380)	(43,240)	(598,468)	(427,415)	(76,953)	(31,294)	(172,509)	(174)	(1,691,947)	(1,637,141)	(45,066)	(41,960)	
Cash paid to suppliers for goods and services.....	(163,472)	(97,703)	(78,263)	(312,771)	(303,353)	(80,110)	(29,900)	(37,404)	(564)	(1,103,540)	(1,062,244)	(77,186)	(79,920)	
Cash paid for judgments and claims.....	-	(7,391)	(3,841)	(15,651)	-	(2,638)	-	-	-	(29,521)	(16,528)	-	-	
Net cash provided by (used in) operating activities.....	386,574	189,996	17,512	(341,032)	92,347	108,044	21,345	(62,530)	(261)	411,995	606,783	21,440	11,854	
Cash flows from noncapital financing activities:														
Operating grants.....	-	2,883	298	131,834	47,737	414	1,131	42	-	184,339	219,404	-	-	
Transfers in.....	-	404	-	327,114	121,407	51	720	39,206	-	488,902	601,329	1	177	
Transfers out.....	(37,994)	(1,299)	(38)	(4,583)	(166,250)	(32)	-	(119)	-	(210,315)	(203,380)	(178)	(324)	
Other noncapital financing increases.....	1,337	-	-	17,198	-	-	-	6,940	-	25,475	10,426	-	-	
Other noncapital financing decreases.....	(52,776)	-	-	-	(253)	-	-	-	(5,476)	(58,505)	(47,352)	-	-	
Net cash provided by (used in) noncapital financing activities.....	(89,433)	1,988	260	471,563	2,641	433	1,851	46,069	(5,476)	429,896	580,427	(177)	(147)	
Cash flows from capital and related financing activities:														
Capital grants and other taxes														
restricted for capital purposes.....	82,047	-	-	282,444	-	-	1,734	29,550	-	395,775	301,020	-	-	
Transfers in.....	-	1,300	-	31,239	-	-	27,022	-	-	59,561	90,222	1,241	-	
Transfers out.....	-	-	-	-	-	-	(27,199)	-	-	(27,199)	(4,965)	-	-	
Bond sale proceeds and loans received.....	475,847	-	-	82,243	-	-	35,735	-	-	593,825	676,627	-	11,829	
Proceeds from sale/transfer of capital assets.....	-	30	11	25	-	26	10	-	-	102	3,352	-	-	
Proceeds from commercial paper borrowings.....	249,350	12,000	-	-	-	-	-	-	-	261,350	255,075	-	-	
Proceeds from passenger facility charges.....	86,868	-	-	-	-	-	-	-	-	86,868	87,033	-	-	
Acquisition of capital assets.....	(375,053)	(532,708)	(30,220)	(458,850)	(23,992)	(182,876)	(44,614)	(7,120)	-	(1,655,433)	(1,347,531)	(5,316)	(1,996)	
Retirement of capital leases, bonds and loans.....	(343,970)	(22,860)	(1,584)	(5,896)	(2,449)	(33,343)	(3,332)	(5,447)	-	(418,881)	(705,853)	(21,143)	(22,970)	
Bond issue costs paid.....	-	-	-	(1,051)	-	(210)	-	-	-	(1,261)	(3,101)	(146)	(143)	
Interest paid on debt.....	(207,763)	(223,064)	(1,639)	(3,617)	(304)	(37,439)	(4,402)	(7,407)	-	(485,635)	(469,249)	(5,639)	(5,915)	
Other capital financing increases.....	-	24,137	694	2,500	-	3,955	3,130	-	-	34,416	69,231	-	-	
Other capital financing decreases.....	-	-	-	-	-	-	(1,248)	989	-	(259)	(9,339)	-	-	
Net cash provided by (used in) capital and related financing activities.....	(32,674)	(741,165)	(32,738)	(70,963)	(26,745)	(249,887)	(13,164)	10,565	-	(1,156,771)	(1,057,478)	(31,003)	(19,195)	
Cash flows from investing activities:														
Purchases of investments with trustees.....	(2,459,855)	(350,617)	(483)	-	-	(148,568)	-	-	-	(2,959,523)	(2,560,575)	(23)	(4,727)	
Proceeds from sale of investments with trustees.....	2,406,640	401,272	483	-	-	137,958	-	-	-	2,946,353	2,650,123	4,870	5,042	
Interest and investment income.....	9,055	8,469	1,268	5,440	1,364	1,799	1,125	318	-	28,838	17,420	291	293	
Other investing activities.....	-	-	-	-	-	-	-	189	-	189	-	(1)	(501)	
Net cash provided by (used in) investing activities.....	(44,160)	59,124	1,268	5,440	1,364	(8,811)	1,125	507	-	15,857	106,968	5,137	107	
Net increase (decrease) in cash and cash equivalents.....	220,307	(490,057)	(13,698)	65,008	69,607	(150,221)	11,157	(5,389)	(5,737)	(299,023)	236,700	(4,603)	(7,381)	
Cash and cash equivalents-beginning of year.....	539,647	1,574,192	212,986	683,441	67,307	374,669	126,450	55,201	5,737	3,639,630	3,402,930	82,905	90,286	
Cash and cash equivalents-end of year.....	\$ 759,954	\$ 1,084,135	\$ 199,288	\$ 748,449	\$ 136,914	\$ 224,448	\$ 137,607	\$ 49,812	\$ -	\$ 3,340,607	\$ 3,639,630	\$ 78,302	\$ 82,905	

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, 2014  
(With comparative financial information as of June 30, 2013)  
(In Thousands)

	Business-type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds				
	Major Funds		Other Fund								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	San Francisco Market Corporation	2014	2013	2014	2013		
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:															
Operating income (loss).....	\$ 145,031	\$ 46,327	\$ (1,627)	\$ (510,809)	\$ 21,238	\$ 43,757	\$ 1,423	\$ (74,134)	\$ 21	\$ (328,773)	\$ (8,636)	\$ 1,747	\$ (1,287)		
Adjustments for non-cash and other activities:															
Depreciation and amortization.....	222,815	89,026	15,314	120,954	5,761	48,402	20,434	16,311	120	539,137	474,393	1,957	1,547		
Provision for uncollectibles.....	163	(276)	-	64	-	(9)	17	-	-	(41)	(431)	-	-		
Write-off of capital assets.....	-	6,605	(5,693)	-	-	2,324	-	-	-	3,236	42,707	-	-		
Other.....	2,487	2,226	2,412	-	-	662	-	-	306	8,093	5,431	52	1		
Changes in assets/liabilities:															
Receivables, net.....	(10,618)	14,665	2,024	8,573	4,953	7,240	(653)	(35,418)	30	(9,204)	(19,963)	20,828	22,591		
Due from other funds.....	-	(23)	1,273	-	(156)	(22)	-	-	-	1,072	1,282	-	-		
Inventories.....	31	(171)	(8)	(5,083)	(23)	730	182	67	-	(4,275)	(2,525)	-	-		
Other assets.....	(5)	-	(1,529)	(182)	-	(342)	59	-	29	(1,970)	798	-	-		
Accounts payable.....	7,385	3,510	2,469	(15,104)	3,377	990	(1,228)	(780)	(564)	55	1,039	3,899	(1,627)		
Accrued payroll.....	1,715	971	342	4,306	2,521	1,184	171	953	-	12,163	2,628	343	68		
Accrued vacation and sick leave pay.....	353	(247)	151	1,577	704	26	(38)	(269)	-	2,257	1,247	47	(347)		
Accrued workers' compensation.....	437	236	44	5,949	4,131	767	59	1,062	-	12,685	3,988	259	513		
Other postemployment benefits obligation.....	13,070	8,933	2,564	18,548	20,134	4,587	2,035	6,555	-	76,426	105,791	1,942	2,467		
Estimated claims payable.....	-	7,979	(543)	22,064	-	(1,846)	148	-	-	27,802	6,358	-	-		
Due to other funds.....	-	-	8	(33)	-	(133)	-	-	-	(158)	(3,830)	(114)	190		
Unearned revenue and other liabilities.....	3,710	10,235	311	8,144	29,707	(273)	(1,264)	23,123	(203)	73,490	(3,494)	(9,520)	(12,262)		
Total adjustments.....	241,543	143,669	19,139	169,777	71,109	64,287	19,922	11,604	(282)	740,768	615,419	19,693	13,141		
Net cash provided by (used in) operating activities.....	\$ 386,574	\$ 189,996	\$ 17,512	\$ (341,032)	\$ 92,347	\$ 108,044	\$ 21,345	\$ (62,530)	\$ (261)	\$ 411,995	\$ 606,783	\$ 21,440	\$ 11,854		
Reconciliation of cash and cash equivalents to the statement of net position:															
Deposits and investments with City Treasury:															
Unrestricted.....	\$ 380,170	\$ 328,798	\$ 188,019	\$ 708,199	\$ 132,847	\$ 122,546	\$ 77,126	\$ 7,178	\$ -	\$ 1,944,883	\$ 1,806,112	\$ 37,885	\$ 32,368		
Restricted.....	372,509	597,887	11,062	20,808	-	97,042	47,598	38,604	-	1,185,510	1,609,950	-	-		
Deposits and investments outside City Treasury:															
Unrestricted.....	6,626	106	10	6,679	10	92	5	2	-	13,530	9,808	-	-		
Restricted.....	411,768	278,182	1,281	12,763	4,057	24,601	13,227	18,150	-	764,029	762,496	45,147	60,114		
Total deposits and investments.....	1,171,073	1,204,973	200,372	748,449	136,914	244,281	137,956	63,934	-	3,907,952	4,188,366	83,032	92,482		
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(411,119)	(120,838)	(1,084)	-	-	(19,833)	(349)	(14,122)	-	(567,345)	(548,736)	(4,730)	(9,577)		
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 759,954	\$ 1,084,135	\$ 199,288	\$ 748,449	\$ 136,914	\$ 224,448	\$ 137,607	\$ 49,812	\$ -	\$ 3,340,607	\$ 3,639,630	\$ 78,302	\$ 82,905		
Non-cash capital and related financing activities:															
Acquisition of capital assets on accounts payable and capital lease.....	\$ 87,072	\$ 79,180	\$ 199	\$ -	\$ 519	\$ 31,489	\$ 11,347	\$ 375	\$ -	\$ 210,181	\$ 232,596	\$ 2,703	\$ 2,104		
In-kind contribution for pier demolition.....	-	-	-	-	-	-	-	-	-	-	22	-	-		
Tenant improvements financed by rent credits.....	-	-	-	-	-	-	2,861	-	-	-	2,861	45,670	-	-	
Net capitalized interest.....	8,357	85,940	59	790	1,135	8,934	67	-	-	105,282	88,203	-	-		
Accrued fire insurance settlement.....	-	-	-	-	2,746	-	-	-	-	2,746	2,759	-	-		
Donated inventory.....	-	-	-	-	-	-	-	-	-	-	-	-	-		
Capital contributions and other noncash capital items.....	-	310	368	-	-	-	696	-	-	-	1,374	1,803	-	-	
Bond refunding.....	182,342	-	-	-	-	-	26,785	-	-	-	209,127	88,353	-	-	
Interfund loan.....	-	9	6	-	1,473	-	-	-	-	1,488	1,613	-	-		

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

**CITY AND COUNTY OF SAN FRANCISCO**

**Statement of Fiduciary Net Position**

**Fiduciary Funds**

June 30, 2014

(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.....	\$ 190,459	\$ 617,667		\$ 211,978	\$ 157,870
Deposits and investments outside City Treasury:					
Cash and deposits.....	82,283	105		-	1,170
Short-term investments.....	838,466	-		204,177	-
Debt securities.....	4,531,032	-		-	-
Equity securities.....	10,441,661	-		-	-
Real estate.....	1,582,169	-		-	-
Alternative investments.....	2,424,678	-		-	-
Foreign currency contracts, net.....	829	-		-	-
Invested in securities lending collateral.....	911,577	-		-	-
Receivables:					
Employer and employee contributions.....	90,906	-		-	66,007
Brokers, general partners and others.....	281,319	-		-	-
Federal and state grants and subventions.....	-	-		444	-
Interest and other.....	66,067	846		17,996	144,826
Other assets.....	-	-		-	45,538
Capital assets:					
Land and other assets not being depreciated.....	-	-		62,203	-
Facilities, infrastructure and equipment, net of depreciation.....	-	-		135,511	-
Total assets.....	<u>21,441,446</u>	<u>618,618</u>		<u>632,309</u>	<u>415,411</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Unamortized loss on refunding of debt.....	-	-		2,926	-
<b>LIABILITIES</b>					
Accounts payable.....	32,478	28		30,661	27,644
Estimated claims payable.....	29,156	-		-	-
Due to the primary government.....	-	-		1,075	-
Agency obligations.....	-	-		-	387,767
Bond interest payable.....	-	-		21,002	-
Payable to brokers.....	356,990	-		-	-
Deferred Retirement Option Program.....	3,096	-		-	-
Payable to borrowers of securities.....	912,886	-		-	-
Other liabilities.....	44,395	-		1,288	-
Advance from primary government.....	-	-		21,670	-
Long-term obligations.....	-	-		999,176	-
Total liabilities.....	<u>1,379,001</u>	<u>28</u>		<u>1,074,872</u>	<u>\$ 415,411</u>
<b>NET POSITION</b>					
Held in trust for:					
Pension and other employee benefits .....	20,062,445	-		-	-
External pool participants.....	-	618,590			
Redevelopment Agency dissolution.....	-	-		(439,637)	-
Total net position (deficit).....	<u>\$ 20,062,445</u>	<u>\$ 618,590</u>		<u>\$ (439,637)</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, 2014  
(In Thousands)

	<b>Pension, Other</b>			<b>Private- Purpose Trust Fund</b>
	<b>Employee and Other Post- Employment Benefit Trust Funds</b>	<b>Investment Trust Fund</b>		
Additions:				
Redevelopment property tax revenues.....	\$ -	\$ -	\$ 131,744	
Charges for services.....	- -	- -	56,530	
Contributions:				
Employees' contributions.....	419,723	- -	- -	
Employer contributions.....	1,182,831	- -	- -	
Contributions to pooled investments.....	- -	2,956,714	- -	
Total contributions.....	<u>1,602,554</u>	<u>2,956,714</u>	<u>188,274</u>	
Investment income:				
Interest.....	178,509	4,338	1,812	
Dividends.....	195,503	- -	- -	
Net appreciation in fair value of investments.....	2,844,568	- -	- -	
Securities lending income.....	4,871	- -	- -	
Total investment income.....	<u>3,223,451</u>	<u>4,338</u>	<u>1,812</u>	
Less investment expenses:				
Securities lending borrower rebates and expenses.....	952	- -	- -	
Other investment expenses.....	(47,599)	- -	- -	
Total investment expenses.....	<u>(46,647)</u>	<u>- -</u>	<u>- -</u>	
Other additions.....	- -	- -	4,309	
Total additions, net.....	<u>4,779,358</u>	<u>2,961,052</u>	<u>194,395</u>	
Deductions:				
Neighborhood development.....	- -	- -	91,222	
Depreciation.....	- -	- -	5,499	
Interest on debt.....	- -	- -	57,059	
Benefit payments.....	1,810,793	- -	- -	
Refunds of contributions.....	10,297	- -	- -	
Distribution from pooled investments.....	- -	2,670,438	- -	
Administrative expenses.....	15,905	- -	9,829	
Total deductions.....	<u>1,836,995</u>	<u>2,670,438</u>	<u>163,609</u>	
Change in net position.....	2,942,363	290,614	30,786	
Net position at beginning of year, as restated	<u>17,120,082</u>	<u>327,976</u>	<u>(470,423)</u>	
Net position (deficit) at end of year.....	<u>\$ 20,062,445</u>	<u>\$ 618,590</u>	<u>\$ (439,637)</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, 2014

(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 a voter-approved sales and use tax of one-half of one percent, for a period not to exceed 20 years, to fund essential traffic and transportation projects. In 2003, the voters approved Proposition K, extending the city-wide one-half of one percent sales tax with a new 30 year plan. A board consisting of the eleven members of the City's Board of Supervisors serving ex officio governs the 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 million (plus 5% per year growth) of equipment using tax-exempt obligations. Although legally separate from the City, the Finance Corporation is reported as if it were part of the primary government because its sole purpose is to provide lease financing to the City. The Finance Corporation is governed by a three-member board of directors approved by the Mayor and the Board of Supervisors. The Finance Corporation is reported as an internal service fund. Financial statements for the Finance Corporation can be obtained from their administrative offices at City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

*San Francisco Parking Authority (The Parking Authority)* – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA Chief Financial Officer at 1 South Van Ness Avenue, 8<sup>th</sup> Floor, San Francisco, CA 94102.

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

*Treasure Island Development Authority (The TIDA)* – The TIDA is a nonprofit public benefit corporation. The TIDA was authorized in accordance with the Treasure Island Conversion Act of 1997. Seven

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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, 2014

(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 certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenues are considered to be available if they are generally collected within 90 days of the end of the current fiscal period. It is the City's policy to submit reimbursement and

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

claim requests for federal and state grant revenues within 30 days of the end of the program cycle and payment is generally received within the first or second quarter of the following fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to vacation, sick leave, claims and judgments, are recorded only when payment is due.

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

During the year ended June 30, 2014, the City adopted a new revenue recognition policy, and changed the availability period from 120 days to 90 days. The new policy more closely reflects the use of current resources to pay liabilities of the current period. The adoption of the new accounting principle resulted in a reduction in revenues by approximately \$16 million for the year ended June 30, 2014, and did not have a significant impact on the financial statements as of and for the year ended June 30, 2013.

The City reports the following major governmental fund:

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

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

- The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The **San Francisco Water Enterprise Fund** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The **Hetch Hetchy Water and Power Enterprise Fund** accounts for the activities of Hetch Hetchy Water and Power Department (Hetch Hetchy). The department is engaged in the collection and conveyance of approximately 85% of the City's water supply and in the generation and transmission of electricity.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (MTA). The MTA was established by Proposition E, passed by the City's voters in November 1999. The MTA includes the San Francisco Municipal Railway (MUNI) and the operations of Sustainable Streets (previously named the Department of Parking and Traffic), which includes the Parking Authority. MUNI was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the MTA. The parking garages fund accounts for the activities of various non-profit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The **San Francisco General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital Medical Center (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240 million in bonds for the purpose of acquiring, construction, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

- 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 **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 employee contributions from active employees hired after January 9, 2009, related City contributions, and the earnings and profits from investments. No disbursements, other than to defray reasonable expenses of administering the trust, will be made until sufficient funds are set aside to pay for all future retiree health care costs, except in certain limited circumstances.
- The **Investment Trust Fund** accounts for the external portion of the Treasurer's Office investment pool. The funds of the San Francisco Community College District, San Francisco Unified School District, the Trial Courts of the State of California and the Transbay Joint Powers Authority are accounted for within the Investment Trust Fund.
- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Act.
- The **Agency Funds** account for the resources held by the City in a custodial capacity on behalf of: the State of California, human welfare, community health, and transportation programs.

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

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

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

### **(c) Budgetary Data**

The City adopts two-year rolling budgets annually for all governmental funds on a substantially modified accrual basis of accounting except for capital project funds and certificates of participation and other debt service funds, which substantially adopt project length budgets.

The budget of the City is a detailed operating plan, which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services, and activities to be provided during the fiscal year, (2) the estimated resources (inflows) available for appropriation, and (3) the estimated charges to appropriations. The budget represents a process through which policy decisions are deliberated, implemented, and controlled. The City Charter prohibits expending funds for which there is no legal appropriation.

The Administrative Code Chapter 3 outlines the City's general budgetary procedures, with Section 3.3 detailing the budget timeline. A summary of the key budgetary steps are summarized as follows:

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

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

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

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

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

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

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

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

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

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

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

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2014, involuntary participants accounted for approximately 98.9% of the pool. Voluntary participants accounted for 1.1% 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, 2014, \$618.6 million was held on behalf of these external participants. The total percentage share of the City's pool that relates to these four external participants is 9.2%. Internal participants accounted for 90.8% of the pool.

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

The fair values of the Retirement System's real estate investments are based on net asset values provided by the investment managers. Partnership financial statements are audited annually as of December 31 and net asset values are adjusted monthly or quarterly for cash flows to/from the Retirement System, investment earnings and expenses, and changes in fair value. The Retirement System has established leverage limits for each investment style based on the risk/return profile of the underlying investments. The leverage limits for core and value-added real estate investments are 40% and 65%, respectively. The leverage limits for high return real estate investments depend on each specific offering. Outstanding mortgages for the Retirement System's real estate investments were \$964.9 million including \$93.7 million in recourse debt at June 30, 2014. The underlying real estate holdings are valued periodically based on appraisals performed by independent appraisers in accordance with Uniform Standards of Professional Appraisal Practice (USPAP). Such fair value estimates involve subjective judgments of unrealized gains and losses, and the actual market price of the real estate can only be determined by negotiation between independent third-parties in a purchase and sale transaction.

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

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

All securities loans can be terminated on demand by either the Retirement System or the borrower, although the average term of the loans as of June 30, 2014 was 96 days. All cash collateral received was invested in a separately managed account by the lending agent using investment guidelines developed and approved by the Retirement System. As of June 30, 2014, the weighted average maturity of the reinvested cash collateral account was 33 days. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the said collateral. Cash collateral may also be invested separately in term loans, in which case the maturity of the loaned securities matches the term of the loan.

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

*San Francisco International Airport* – The Airport has entered into certain derivative instruments, which it values at fair value, in accordance with GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments*. The Airport applies hedge accounting for changes in the fair value of hedging derivative instruments, in accordance with GASB Statement No. 64 – *Derivative Instruments: Application of Hedge Accounting Termination Provisions, an amendment of GASB Statement No. 53*. Under hedge accounting, the changes in the fair value of hedging derivative instruments are reported as either deferred outflows of resources or deferred inflows of resources in the statement of net position.

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

#### **Investment Income**

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

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

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

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

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2014, it was determined that \$962.2 million of the \$1,034.3 million loan portfolio is not expected to be ultimately collected.

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### **(f) Inventories**

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

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

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

#### **(h) Capital Assets**

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the private-purpose trust fund. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 thousand and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100 thousand. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds of tax-exempt debt over the same period. Amortization of assets acquired under capital leases is included in depreciation and amortization. Facilities and improvements, infrastructure, machinery and equipment, easements, and intangible assets of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful lives:

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.

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

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

The City accrues for all salary-related items in the government-wide and proprietary fund financial statements for which they are liable to make a payment directly and incrementally associated with

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

payments made for compensated absences on termination. The City includes its share of social security and Medicare payments made on behalf of the employees in the accrual for vacation and sick leave pay.

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

In the government-wide financial statements, 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, the Municipal Transportation Agency, and San Francisco Wastewater Enterprise are amortized over the life of the bonds using the effective interest method. The remaining bond prepaid issuance 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.

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

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

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

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

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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.

Fund balances for all the major and nonmajor governmental funds as of June 30, 2014, were distributed as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Imprest Cash, Advances, and Long Term Receivables.	\$ 24,022	\$ 249	\$ 24,271
Gift Fund Principal.....	- 24,022	192 441	192 24,463
<b>Total Nonspendable.....</b>			
<b>Restricted</b>			
Rainy Day.....	83,194	-	83,194
Public Protection.....	-	24,939	24,939
Public Works, Transportation & Commerce.....	-	132,625	132,625
Human Welfare & Neighborhood Development.....	-	257,054	257,054
Community Health.....	-	21,951	21,951
Culture & Recreation.....	-	120,876	120,876
General Administration & Finance.....	-	8,770	8,770
Capital Projects.....	-	422,507	422,507
Debt Service.....	-	126,504	126,504
<b>Total Restricted.....</b>	83,194	1,115,226	1,198,420
<b>Committed</b>			
Budget Stabilization.....	132,264	-	132,264
Recreation and Parks Expenditure Savings.....	12,862	-	12,862
<b>Total Committed.....</b>	145,126	-	145,126
<b>Assigned</b>			
Public Protection.....	21,290	1,804	23,094
Public Works, Transportation & Commerce.....	16,572	30,662	47,234
Human Welfare & Neighborhood Development.....	21,507	2,853	24,360
Community Health.....	44,050	-	44,050
Culture & Recreation.....	4,898	6,302	11,200
General Administration & Finance.....	47,871	9,112	56,983
General City Responsibilities.....	44,496	-	44,496
Capital Projects.....	50,930	-	50,930
Litigation and Contingencies.....	79,223	-	79,223
Subsequent Year's Budget.....	178,066	-	178,066
<b>Total Assigned.....</b>	508,903	50,733	559,636
<b>Unassigned.....</b>	74,317	(64,983)	9,334
<b>Total.....</b>	<b>\$ 835,562</b>	<b>\$ 1,101,417</b>	<b>\$ 1,936,979</b>

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### **General Fund Stabilization and Other Reserves**

*Rainy Day Reserve* – The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5. In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues," in the Rainy Day Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total General Fund revenues. The City may spend money from the Rainy Day Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the Rainy Day Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The City may also spend up to 25 percent of the balance of the Rainy Day Reserve to help the San Francisco Unified School District in years when certain conditions are met. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2014-15 through 2018-19.

*Budget Stabilization Reserve* – The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2014-15 through 2018-19.

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

#### **Encumbrances**

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance. At June 30, 2014, encumbrances recorded in the General Fund and nonmajor governmental funds were \$92.3 million and \$310.5 million, respectively.

#### **Restricted Net Position**

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

- *Net Investment In Capital Assets* – This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of these assets reduce the balance in this category.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
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- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the government-wide statement of net position reported restricted net position of \$862.7 million in governmental activities and \$452.5 million in business-type activities, of which \$12.2 million and \$22.3 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.
- *Unrestricted Net Position* – This category represents net position of the City, not restricted for any project or other purpose.

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the MTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified \$339.2 million of unrestricted net position of governmental activities, of which \$283.1 million reduced net investment in capital assets and \$56.1 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

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

The Senior Citizens' Program Fund and the Human Welfare Fund had deficits of \$133 and \$440, respectively, as of June 30, 2014. The deficit relates to increases of unavailable revenue in various programs, which is expected to be collected beyond 90 days of the end of fiscal year 2014.

The San Francisco County Transportation Authority Fund had a deficit of \$44.4 million as of June 30, 2014. This condition exists because the Transportation Authority uses short-term debt financing to accelerate the delivery of sales tax funded projects that are owned and operated by other agencies. The negative fund balance will be covered as future sales tax revenues are realized or when the Transportation Authority refinances the outstanding short-term debt to long-term debt.

The Moscone Convention Center Fund had a \$7.6 million deficit as of June 30, 2014. The deficit will be covered as hotel tax revenues are realized.

The Central Shops Internal Service Fund had a deficit in total net position of \$3.6 million as of June 30, 2014 mainly due to the other postemployment benefits liability accrued as per GASB Statement No. 45. The deficits are expected to be reduced in future years through anticipated rate increases or reductions in the operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2014, the Successor Agency has a deficit of \$439.6 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, 2014

(Dollars in Thousands)

#### **(l) Interfund Transfers**

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

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

#### **(m) Refunding of Debt**

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

#### **(n) Pollution Remediation Obligations**

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

#### **(o) Cash Flows**

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

#### **(p) Extraordinary Item**

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

*Hetch Hetchy Water and Power Enterprise Fund* - The Rim Fire, the third largest in California history, began on August 17, 2013 and burned over 257,135 acres. This Rim Fire event was considered unusual, infrequent, material, and reported accordingly as an extraordinary item in the financial statements of the City in the Hetch Hetchy Water and Power Enterprise Fund.

As of June 30, 2014, approximately \$8,289 in damages to facilities and infrastructure, and \$7,554 in emergency response, clearing of roads, slopes and bridges, and debris removal, had been incurred, totaling \$15,843. Of these expenses, \$8,331 of costs were considered as an extraordinary loss. In addition to the \$15,843 of costs incurred, Hetch Hetchy recognized an impairment loss of \$939 to building structures and construction in progress, including Holm Powerhouse mechanical and electrical equipment, and the fiber optic line. Additionally, as a result of the fire damage to creosote treated power poles, Hetch Hetchy recorded \$186 in pollution remediation obligation as debris from the poles pose a potential threat if washed into nearby waterways. Capital asset impairment loss of \$939 and purchased and banked power of \$1,026 were netted with the \$3,453 of insurance recoveries received for damages sustained. For the year ended June 30, 2014, Hetch Hetchy recorded an extraordinary loss of \$6,843, net of impairment loss and insurance recovery.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

### **(q) Estimates**

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

### **(r) Reclassifications**

Certain amounts, presented as 2012-13 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2013-14 basic financial statements.

### **(s) Effects of New Pronouncements**

During fiscal year 2014, the City implemented the following accounting standards:

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As of July 1, 2013, the City restated its net position as follows to write off unamortized bond issuance costs previously reported as assets:

	Net Position, at Beginning of Year		
	Change in		
	As Previously Reported	Accounting Principle	As Restated
<b>Primary Government:</b>			
Governmental Activities.....	\$ 1,820,159	\$ (26,270)	\$ 1,793,889
<b>Business-Type Activities:</b>			
San Francisco International Airport.....	294,419	(22,125)	272,294
San Francisco Water Enterprise.....	732,958	(33,327)	699,631
Hetch Hetchy Water and Power.....	518,477	(300)	518,177
Municipal Transportation Agency.....	2,266,437	(2,011)	2,264,426
General Hospital Medical Center.....	(75,850)	-	(75,850)
San Francisco Wastewater Enterprise.....	1,154,912	(6,155)	1,148,757
Port of San Francisco.....	363,166	(557)	362,609
Laguna Honda Hospital.....	407,877	(1,407)	406,470
San Francisco Market Corporation.....	11,706	-	11,706
Total Business-Type Activities.....	<u>5,674,102</u>	<u>(65,882)</u>	<u>5,608,220</u>
Total Primary Government.....	<u>\$ 7,494,261</u>	<u>\$ (92,152)</u>	<u>\$ 7,402,109</u>
Successor Agency Private-Purpose Trust Fund.....	<u>\$ (456,991)</u>	<u>\$ (13,432)</u>	<u>\$ (470,423)</u>

In addition, in the government-wide statements, the City reclassified unamortized losses and gains on refunding of debt as deferred outflows of resources and deferred inflows of resources (see Note 8). The City also reclassified amounts related to the Municipal Transportation Agency's Breda leaseback transaction as a deferred inflow of resources. These were previously reported as liabilities.

In the governmental fund statements, the City reclassified \$331.4 million of unavailable revenue as of June 30, 2013 as deferred inflows of resources, which was previously reported as liabilities.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state and local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2014.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement establishes accounting and financial reporting standards for governments that offer or receive financial guarantees that are nonexchange transactions. The new standard is effective for periods beginning after June 15, 2013. Implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2014.

In addition, the City implemented the first of three related accounting standards:

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees. In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*, which clarifies reporting for contributions made after the measurement date of the pension liability.

Key changes include:

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

The statements relate to accounting and financial reporting and do not apply to how governments approach the funding of their pension plans. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Statement No. 67 was implemented for the City's fiscal year ended June 30, 2014. The total pension liability, determined in accordance with GASB

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

Statement No. 67, is presented in the notes and in the required supplementary information section in the Retirement System's separately issued financial report. Application of Statements Nos. 68 and 71 must be implemented simultaneously and are effective for the City's fiscal year ending June 30, 2015.

The City is also currently analyzing its accounting practices to determine the potential impact on the financial statements for GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*. The statement establishes accounting and financial reporting standards for governments that combine or dispose of their operations. The new standard is effective for periods beginning after December 15, 2013. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

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

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

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

The City records deferred outflows or inflows of resources in its governmental 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. The deferred inflows of resources balance consists as of June 30, 2014 of the following unavailable resources:

	General Fund	Other	Total
		Governmental Funds	Governmental Funds
Grant and subvention revenues.....	\$ 65,083	\$ 43,900	\$ 108,983
Property taxes.....	48,119	9,035	57,154
Teeter Plan.....	37,303	-	37,303
California Senate Bill 90.....	25,217	-	25,217
Advances to Successor Agency.....	21,670	-	21,670
Franchise tax and other.....	4,343	3,094	7,437
Loans.....	1,332	70,747	72,079
Total.....	\$ 203,067	\$ 126,776	\$ 329,843

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 inflow 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.

In government wide financial statements, deferred outflows and inflows of resources are recorded for unamortized losses and gains on refunding of debt, deferred outflows of resources on derivative instruments, and deferred inflows of resources related to the Municipal Transportation Agency's leaseback transaction.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

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

Total fund balances of the City's governmental funds, \$1,936,979, differs from net position of governmental activities, \$2,341,631, 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.....	\$ 2,385,663	\$ -	\$ 37,885	\$ -	\$ 2,423,548
Deposits and investments outside City Treasury.....	68,302	-	45,147	-	113,449
Receivables, net					
Property taxes and penalties.....	62,510	-	-	-	62,510
Other local taxes.....	236,255	-	-	-	236,255
Federal and state grants and subventions.....	299,361	-	-	-	299,361
Charges for services.....	58,067	-	34	-	58,101
Interest and other.....	8,078	-	599	-	8,677
Due from other funds.....	18,384	-	-	(18,384)	-
Due from component unit.....	1,423	-	-	-	1,423
Advance to component unit.....	32,276	-	-	-	32,276
Loans receivable, net.....	72,079	-	-	-	72,079
Capital assets, net.....	-	4,453,436	9,278	-	4,462,714
Other assets.....	17,096	-	2,736	-	19,832
Total assets.....	<u>3,259,494</u>	<u>4,453,436</u>	<u>95,679</u>	<u>(18,384)</u>	<u>7,790,225</u>
<b>Deferred outflows of resources</b>					
Unamortized loss on refunding of debt.....	-	10,451	1,250	-	11,701
Total assets and deferred outflows of resources.....	<u>\$ 3,259,494</u>	<u>\$ 4,463,887</u>	<u>\$ 96,929</u>	<u>\$ (18,384)</u>	<u>\$ 7,801,926</u>
<b>Liabilities</b>					
Accounts payable.....	\$ 329,049	\$ -	\$ 9,316	\$ -	\$ 338,365
Accrued payroll.....	143,193	-	2,735	-	145,928
Accrued vacation and sick leave pay.....	-	145,502	2,778	-	148,280
Accrued workers' compensation.....	-	220,980	1,767	-	222,747
Other postemployment benefits obligation.....	-	984,352	19,789	-	1,004,141
Estimated claims payable.....	-	155,851	-	-	155,851
Accrued interest payable.....	-	11,182	1,578	-	12,760
Unearned grant and subvention revenues.....	18,081	-	-	-	18,081
Due to other funds.....	21,611	-	2,507	(18,384)	5,734
Unearned revenue and other liabilities.....	304,978	2,545	119	-	307,642
Bonds, loans, capital leases, and other payables.....	175,760	2,681,228	243,503	-	3,100,491
Total liabilities.....	<u>992,672</u>	<u>4,201,640</u>	<u>284,092</u>	<u>(18,384)</u>	<u>5,460,020</u>
<b>Deferred inflows of resources</b>					
329,843	(329,568)	-	-	-	275
<b>Fund balances/ net position</b>					
Total fund balances/ net position.....	<u>1,936,979</u>	<u>591,815</u>	<u>(187,163)</u>	<u>-</u>	<u>2,341,631</u>
Total liabilities, deferred inflows of resources and fund balances/ net position.....	<u>\$ 3,259,494</u>	<u>\$ 4,463,887</u>	<u>\$ 96,929</u>	<u>\$ (18,384)</u>	<u>\$ 7,801,926</u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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

Cost of capital assets .....	\$ 5,785,121
Accumulated depreciation .....	<u>(1,331,685)</u>
	<u><u>\$ 4,453,436</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 .....	\$ (145,502)
Accrued workers' compensation.....	(220,980)
Other postemployment benefits obligation .....	(984,352)
Estimated claims payable.....	(155,851)
Bonds, loans, capital leases, and other payables .....	(2,681,228)
Unearned revenue and other liabilities.....	<u>(2,545)</u>
	<u><u>\$ (4,190,458)</u></u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (11,182)

Deferred outflow of resources in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.

Unamortized loss on refunding of debt.....	<u>\$ 10,451</u>
--	------------------

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

Revenue not collected within the City's availability period and other activities related to long-term loans.....	\$ 329,843
Unamortized gain on refunding of debt .....	<u>(275)</u>
	<u><u>\$ 329,568</u></u>

(2) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

Net position before adjustments .....	\$ 11,690
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds .....	(241,111)
Other assets .....	2,511
Unearned revenue and other liabilities .....	<u>39,747</u>
	<u><u>\$ (187,163)</u></u>

In addition, intrafund receivables and payables among various internal service funds of \$85 are eliminated.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(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, \$268,418, differs from the change in net position for governmental activities, \$547,742, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital- related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
<b>Revenues</b>						
Property taxes.....	\$ 1,517,261	\$ 4,210	\$ -	\$ -	\$ -	\$ 1,521,471
Business taxes.....	563,406	-	-	-	-	563,406
Sales and use tax.....	227,636	-	-	-	-	227,636
Hotel room tax.....	310,052	-	-	-	-	310,052
Utility users tax.....	86,810	-	-	-	-	86,810
Parking tax.....	83,476	-	-	-	-	83,476
Real property transfer tax.....	261,925	-	-	-	-	261,925
Other local taxes.....	46,237	-	-	-	-	46,237
Licenses, permits and franchises.....	42,371	124	-	-	-	42,495
Fines, forfeitures, and penalties.....	28,425	(115)	-	-	-	28,310
Interest and investment income.....	21,678	-	-	209	-	21,887
Rents and concessions.....	90,712	1,602	-	-	-	92,314
Intergovernmental:						
Federal.....	426,314	12,921	-	-	-	439,235
State.....	721,735	4,310	-	-	-	726,045
Other.....	9,408	(3,053)	-	-	-	6,355
Charges for services.....	333,904	1,408	-	-	-	335,312
Other.....	134,923	(1,700)	16,218	518	-	149,959
Total revenues.....	<u>4,906,273</u>	<u>19,707</u>	<u>16,218</u>	<u>727</u>	<u>-</u>	<u>4,942,925</u>
<b>Expenditures/ Expenses</b>						
Current:						
Public Protection.....	1,172,497	50,824	12,585	(6,315)	-	1,229,591
Public works, transportation and commerce.....	232,005	14,002	(43,374)	(1,921)	-	200,712
Human welfare and neighborhood development.....	995,192	13,741	480	(223)	-	1,009,190
Community health.....	761,439	24,257	1,065	-	-	786,761
Culture and recreation.....	331,914	10,204	38,392	(15,542)	(7,348)	357,620
General administration and finance.....	233,977	21,841	41,410	1,335	-	298,563
General City responsibilities.....	86,996	-	-	(1,757)	-	85,239
Debt service:						
Principal retirement.....	190,266	-	-	-	(190,266)	-
Interest and other fiscal charges.....	119,142	-	-	5,568	(11,015)	113,695
Bond issuance costs.....	2,185	-	-	-	-	2,185
Capital outlay.....	449,726	-	(449,726)	-	-	-
Total expenditures.....	<u>4,575,339</u>	<u>134,869</u>	<u>(399,168)</u>	<u>(18,855)</u>	<u>(208,629)</u>	<u>4,083,556</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>330,934</u>	<u>(115,162)</u>	<u>415,386</u>	<u>19,582</u>	<u>208,629</u>	<u>859,369</u>
<b>Other financing sources (uses) / changes in net position</b>						
Net transfers in (out).....	(312,013)	-	(678)	1,064	-	(311,627)
Issuance of bonds and loans:						
Face value of bonds issued.....	257,175	-	-	-	(257,175)	-
Face value of loans issued.....	8,735	-	-	-	(8,735)	-
Premium on issuance of bonds.....	19,773	-	-	-	(19,773)	-
Payment to refunded bond escrow agent.....	(49,055)	-	-	-	49,055	-
Other financing sources-capital leases.....	12,869	-	-	(12,869)	-	-
Total other financing sources (uses).....	<u>(62,516)</u>	<u>-</u>	<u>(678)</u>	<u>(11,805)</u>	<u>(236,628)</u>	<u>(311,627)</u>
Net change for the year.....	<u>\$ 268,418</u>	<u>\$ (115,162)</u>	<u>\$ 414,708</u>	<u>\$ 7,777</u>	<u>\$ (27,999)</u>	<u>\$ 547,742</u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014

(Dollars in Thousands)

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds.	\$ 4,210
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	
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.	
	\$ 15,497
	<u>\$ 19,707</u>
Some governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.	
	\$ (136,301)
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.	
	1,432
	<u>\$ (134,869)</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.....	\$ 509,729
Depreciation expense.....	(103,089)
Loss on disposal of capital assets.....	(208)
Transfer of asset to enterprise fund .....	(678)
Capital assets acquired by other revenues.....	16,218
Write off construction of progress.....	(7,264)
Difference.....	<u>\$ 414,708</u>
(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	\$ 7,777
(6) Lease payments on the Moscone Convention Center (note 8) are reported as a culture and recreation expenditure in the governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments reduce the liability in the statement of net position and do not result in an expense in the statement of activities. The City's capital lease obligation was reduced because principal payments were made to lessee.	
Total property rent payments.....	<u>\$ 7,348</u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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.....\$ (19,773)

Repayment of bond principal and payment to escrow for refunding of debt are 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 and payments were made to escrow for refunded debt.

Principal payments made .....	\$ 190,266
Payments to escrow for refunded debt.....	<u>49,055</u>
	<u><u>239,321</u></u>

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

General obligation bonds.....	\$ (209,955)
Refunding certificates of participation .....	(47,220)
Loans .....	<u>(8,735)</u>
	<u><u>(265,910)</u></u>
	<u><u>\$ (26,589)</u></u>

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

Increase in accrued interest .....	\$ (47)
Gain on refunding .....	(278)
Interest payment on capital lease obligations on the Moscone Convention Center .....	(1,056)
Amortization of bond premiums, discounts, refunding losses and gains .....	<u>12,396</u>
	<u><u>\$ 11,015</u></u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

#### ***Budgetary Results Reconciliation***

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

The major differences between the Budget basis "actual" and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 90-day availability period and other assets not available for budgetary appropriation.

The fund balance of the General Fund as of June 30, 2014 on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 941,702
Unrealized Gains/ (Losses) on Investments.....	935
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(37,303)
Cumulative Excess Health, Human Services, Franchise and Other Revenues	
Recognized on a Budget Basis.....	(66,415)
Deferred amounts on loan receivables.....	(21,670)
Pre-paid lease revenue.....	(5,709)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation)....	24,022
Fund Balance - GAAP basis.....	<u>\$ 835,562</u>

General Fund budget basis fund balance as of June 30, 2014 is composed of the following:

Not available for appropriations:

  Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve.....	\$ 60,289
Rainy Day - One Time Spending Account.....	22,905

  Committed Fund Balance:

Budget Stabilization Reserve.....	132,264
Recreation and Parks Expenditure Saving Reserve .....	12,862

  Assigned Fund Balance:

Assigned for Encumbrances.....	92,269
Assigned for Appropriation Carryforward.....	159,345

  Assigned for Subsequent Years' Budgets:

Budget Savings Incentive Program City-wide.....	32,088
Salaries and benefits costs (MOU).....	10,040

Subtotal.....	\$ 522,062
---------------	------------

Available for appropriations:

Assigned for Litigation and Contingences.....	79,223
Assigned balance subsequently appropriated as part of	
the General Fund budget for use in fiscal year 2014-15.....	135,938
Unassigned for General Reserve.....	45,748
Unassigned - Budget for use in fiscal year 2015-16.....	137,075
Unassigned - Available for future appropriations.....	21,656

Subtotal.....	\$ 419,640
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Fund Balance, June 30, 2014 - Budget basis.....	\$ 941,702
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# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(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 Unit	
	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	
Deposits and investments with					
City Treasury.....	\$ 2,423,548	\$ 1,944,883	\$ 1,177,974	\$ 5,546,405	\$ 8,868
Deposits and investments outside					
City Treasury.....	68,302	13,530	20,106,570	20,188,402	-
Restricted assets:					
Deposits and investments with					
City Treasury.....	-	1,185,510	-	1,185,510	-
Deposits and investments outside					
City Treasury.....	45,147	764,029	-	809,176	-
Invested securities lending collateral...	-	-	911,577	911,577	-
Total deposits & investments	<u>\$ 2,536,997</u>	<u>\$ 3,907,952</u>	<u>\$ 22,196,121</u>	<u>\$ 28,641,070</u>	<u>\$ 8,868</u>
Cash and deposits.....				\$ 876,524	\$ -
Investments.....				27,764,546	8,868
Total deposits and investments.....				<u>\$ 28,641,070</u>	<u>\$ 8,868</u>

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

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2014, \$2.2 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

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

##### ***Treasurer's Pool***

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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.

Although the California Government Code does not limit the amount of City funds that may be invested in federal agency instruments, the City's investment policy requires that investments in federal agencies should not exceed 85 percent of the total portfolio at the time of purchase. The investment policy also places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements.

The table below identifies the investment types that are authorized by the City's investment policy dated October 2013. 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	85% *	100%
State and Local Government Agency Obligations	5 years	20%	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25% *	10% *
Medium Term Notes	24 months *	15% *	10%
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market Funds	N/A	None	N/A
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

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

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

### ***Other Funds***

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

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

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

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

The Retirement Board approved the following asset allocation policy in November 2012:

Asset Class	Target Allocation
Global Equity	47.0%
Fixed Income	25.0%
Private Equity	16.0%
Real Assets	12.0%
	100.0%

The Retirement System is not directly involved in repurchase or reverse repurchase agreements. However, external investment managers retained by the Retirement System may employ repurchase arrangements if the securities purchased or sold comply with the manager's investment guidelines. The Retirement System monitors the investment activity of its investment managers to ensure compliance with guidelines. In addition, the Retirement System's securities lending cash collateral separately managed account is authorized to use repurchase arrangements. As of June 30, 2014, \$235 million (or 25.8% of cash collateral) consisted of such agreements.

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

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

	S & P Rating	Fair Value	Investment Maturities				
			Less than 1 year	1 to 5 years	5 years		
<b>Primary Government:</b>							
Investments in City Treasury:							
Pooled Investments:							
U.S. Treasury Notes	AA+	\$ 664,288	\$ 75,953	\$ 588,335			
U.S. Agencies - Coupon	NR - AA+	4,219,872	835,173	3,384,699			
Negotiable certificates of deposits	A+ - AA-	340,525	205,544	134,981			
Money market mutual funds	AAAm	75,087	75,087	-			
Public time deposits	NR	480	480	-			
State/Local Agencies	A - AA	78,855	29,196	49,659			
Corporate notes	A+ - AAA	658,695	501,050	157,645			
Less: Treasure Island Development Authority							
Investments with City Treasury	n/a	(8,868)	-	(8,868)			
Less: Employees' Retirement System							
Investments with City Treasury	n/a	(5,227)	-	(5,227)			
Subtotal pooled investments		6,023,707	1,722,483	4,301,224			
Separately managed account:							
SFRDA South Beach Harbor Revenue Bond	n/a	3,270	-	3,270			
Subtotal investments in City Treasury		6,026,977	\$ 1,722,483	\$ 4,304,494			
Investments Outside City Treasury:							
(Governmental and Business - Type)							
U.S. Treasury Notes	NR/AA+	\$ 241,423	\$ 5,454	\$ 235,969			
U.S. Agencies - Coupon	AA+	10,521	-	10,521			
U.S. Agencies - Discount	A-1+	234,742	106,173	128,569			
Money Market Mutual Funds	AAAm/Aaa-mf	352,894	352,894	-			
U.S. Treasury Money Market Funds	A-1/P-1	125,687	125,687	-			
Commercial Paper	A-1	36,314	36,314	-			
Certificate of Deposit	NR	349	349	-			
Subtotal investments outside City Treasury		1,001,930	\$ 626,871	\$ 375,059			
Employees' Retirement System investments		20,735,639					
<b>Total Primary Government</b>		<b>\$ 27,764,546</b>					
<b>Component Unit:</b>							
Treasure Island Development Authority:							
Investments with City Treasury	n/a	8,868	\$ -	\$ 8,868			
<b>Total Investments</b>		<b>\$ 27,773,414</b>					

As of June 30, 2014, the investments in the City Treasury had a weighted average maturity of 711 days.

### ***Credit Risk***

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### ***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, 2014, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

Federal Farm Credit Bank.....	19.5%
Federal Home Loan Bank .....	16.4%
Federal National Mortgage Association.....	13.7%
Federal Home Loan Mortgage Corporation .....	10.9%
Federal Agricultural Mortgage Corporation.....	9.5%

In addition, the following major funds hold investments with trustees that represent 5% or more of the funds' investments outside City Treasury as of June 30, 2014:

##### **Airport:**

Federal Home Loan Mortgage Corporation.....	27.1%
Federal National Mortgage Association .....	10.0%

##### **Water Enterprise:**

Federal Home Loan Mortgage Corporation.....	21.1%
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##### **Hetch Hetchy:**

Federal Home Loan Bank.....	75.1%
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##### **Wastewater Enterprise:**

Federal Home Loan Mortgage Corporation.....	27.8%
Federal National Mortgage Association .....	16.3%
Federal Home Loan Bank.....	7.6%

#### ***Airport's Forward Purchase and Sale Agreements***

*Objective and Terms* – During fiscal year 2014, the Airport's Senior Trustee invested a portion of the Airport's debt service fund in investments delivered in accordance with a ten-year Forward Purchase and Sale Agreement (FPSA) with Morgan Stanley Capital Services that expired on November 1, 2013, and was intended to produce guaranteed earnings at a rate of 4.349%. Under this FPSA, which has not been replaced, the Senior Trustee was required to purchase \$10.9 million of investment securities every month for the debt service fund for the first four months of the fiscal year.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

The Senior Trustee also invested a portion of the Airport's debt service reserve fund in investments delivered in accordance with a ten-year FPSA with Merrill Lynch Capital Services that expires in November 2014, and is intended to produce guaranteed earnings at rates of 4.329%. Under this FPSA, the Senior Trustee is required to purchase \$100.0 million of investment securities every six months, maturing on the following May 1 or November 1, as applicable, for the bond reserve fund. The final delivery of securities for purchase occurred on May 1, 2014.

The amount of unmatured investment securities purchased under the FPSA and held by the Senior Trustee as of June 30, 2014, is shown in the following table:

Provider	Purpose	Amount	Fixed Rate	Start Date	End Date
Merrill Lynch Capital Services	Reserve Fund <sup>1</sup>	\$ 100,000	4.329%	12/10/2004	11/1/2014

<sup>1</sup> *The final delivery of securities occurred on May 1, 2014.*

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

If necessary, the Airport may direct the Senior Trustee to sell the securities at any time prior to their maturity in the open market and use the proceeds of such sale for the permitted purposes of the applicable fund. The securities are recorded at their fair market value as of June 30, 2014, and not at the guaranteed rate of return of the respective FPSA under which the investments were delivered. As of June 30, 2014, the accrued interest was recorded in the interest receivable account.

The Airport accounted for and disclosed the FPSA as investment derivatives in accordance with GASB Statement No. 53 as of and for the year ended June 30, 2014.

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

As the Morgan Stanley Capital Services FPSA expired under its terms on November 1, 2013, and the final delivery of securities under the Airport's Merrill Lynch Capital Services FPSA occurred on May 1, 2014, the fair value of the FPSAs is zero on June 30, 2014.

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

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

As of June 30, 2014, all delivery obligations under the FPSAs had been fulfilled or the FPSA had expired and the FPSAs had no remaining economic value to the Airport.

*Termination Risk* – The downgrade of an FPSA provider increases the risk to the Airport that the provider will not perform under the FPSA. As of June 30, 2014, each of the Airport's FPSA providers fulfilled all of their required obligations under the terms of the FPSAs.

**(d) Treasurer's Pool**

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2014:

**Statement of Net Position**

Net position held in trust for all pool participants.....	<u>\$6,740,783</u>
Equity of internal pool participants.....	\$6,110,766
Equity of separately managed account participant.....	11,427
Equity of external pool participants.....	618,590
Total equity.....	<u>\$6,740,783</u>

**Statement of Changes in Net Position**

Net position at July 1, 2013.....	\$6,381,644
Net change in investments by pool participants.....	<u>359,139</u>
Net position at June 30, 2014.....	<u>\$6,740,783</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2014:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
<b>Pooled Investments:</b>				
US government securities.....	0.48% - 2.00%	07/31/14 - 12/31/17	\$ 660,000	\$ 664,288
US Agencies - Coupon.....	0.15% - 2.31%	08/20/14 - 06/03/19	4,202,689	4,219,872
State and local agencies.....	0.39% - 1.66%	08/01/14 - 11/01/17	77,545	78,855
Negotiable certificates of deposit....	0.12% - 0.46%	07/01/14 - 05/09/16	340,500	340,525
Public time deposits.....	0.45% - 0.46%	02/07/15 - 04/09/15	480	480
Corporate notes.....	0.14% - 0.81%	07/30/14 - 05/11/16	654,159	658,695
Money market mutual funds.....	0.01% - 0.04%	07/01/14 - 07/01/14	75,087	75,087
			<u>\$ 6,010,460</u>	6,037,802
<b>Segregated account:</b>				
Local agencies.....	3.50%	12/1/2016	<u>\$ 3,270</u>	3,270
Carrying amount of deposits with Treasurer.....				699,711
Total cash and investments with Treasurer.....				<u>\$ 6,740,783</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

The Retirement System's investments as of June 30, 2014 are summarized as follows:

Fixed Income Investments:	
Short-term bills and notes	\$ 838,466
Investments with City Treasury	5,227
Debt securities:	
U.S. Government and agencies	882,574
Other debt securities	<u>3,648,458</u>
Subtotal debt securities	<u>4,531,032</u>
Total fixed income investments	<u>5,374,725</u>
Equity securities:	
Domestic	5,225,847
International	<u>5,215,814</u>
Total equity securities	<u>10,441,661</u>
Real estate holdings	1,582,169
Alternative investments	2,424,678
Foreign currency contracts, net	829
Investment in lending agent's short-term investment pool	<u>911,577</u>
<b>Total Retirement System Investments</b>	<u><u>\$ 20,735,639</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, 2014:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset Backed Securities	\$ 130,486	\$ -	\$ 89,708	\$ 8,216	\$ 32,562
Bank Loans	110,626	1,208	54,992	52,541	1,885
City Investment Pool	5,227	-	5,227	-	-
Collateralized Bonds	8,657	-	-	-	8,657
Commercial Mortgage-Backed	630,324	-	12,273	18,027	600,024
Commingled and Other					
Fixed Income Funds	392,560	408,339	292	-	(16,071)
Corporate Bonds	1,793,247	632,941	353,908	511,932	294,466
Corporate Convertible Bonds	309,418	23,305	145,495	52,655	87,963
Foreign Currencies and Cash Equivalents	348,374	348,374	-	-	-
Government Agencies	215,757	211,029	4,728	-	-
Government Bonds	423,874	3,285	254,355	123,323	42,911
Government Mortgage					
Backed Securities	310,260	63,379	4,389	12,897	229,595
Index Linked Government Bonds	10,215	-	3,240	4,167	2,808
Mortgages	28	6	22	-	-
Municipal/Provincial Bonds	44,886	851	1,008	1,990	41,037
Non-Government Backed					
Collateralized Mortgage Obligations	154,813	953	3,878	4,084	145,898
Options	(16)	(16)	-	-	-
Short Term Investment Funds	490,092	490,092	-	-	-
Swaps	(4,103)	8	(3,996)	5	(120)
<b>Total</b>	<b>\$ 5,374,725</b>	<b>\$ 2,183,754</b>	<b>\$ 929,519</b>	<b>\$ 789,837</b>	<b>\$ 1,471,615</b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Notes to Basic Financial Statements (Continued)**  
June 30, 2014  
(Dollars in Thousands)

***Credit Risk***

Fixed income investment managers typically are limited within their portfolios to no more than 5% exposure in any single security, with the exception of United States Treasury and government agency securities. The Retirement System's credit risk policy is embedded in the individual investment manager agreements as prescribed and approved by the Retirement Board.

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

The following table illustrates the Retirement System's exposure to credit risk as of June 30, 2014. Investments issued or explicitly guaranteed by the U.S. government of \$836.8 million as of June 30, 2014 are not considered to have credit risk and are excluded from the table below.

<b>Credit Rating</b>	<b>Fair Value</b>	<b>Fair Value as a Percentage of Total</b>
AAA	\$ 241,871	5.3%
AA	172,653	3.8%
A	343,162	7.6%
BBB	656,696	14.5%
BB	271,044	6.0%
B	375,705	8.3%
CCC	147,817	3.3%
CC	2,117	0.0%
C	5,106	0.1%
D	1,517	0.0%
Not Rated	2,320,237	51.1%
<b>Total</b>	<b>\$ 4,537,925</b>	<b>100.0%</b>

The securities listed as "Not Rated" include short-term investment funds, government mortgage backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these securities, the "Not Rated" component of credit would be approximately 12.7% for 2014.

***Concentration of Credit Risk***

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

As of June 30, 2014, the Retirement System had no investments of a single issuer that equaled or exceeded 5% of total Retirement System's investments or net position.

***Custodial Credit Risk***

The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System's name. As of June 30, 2014, \$221.7 million of the Retirement System's investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty's trust department or agent but not in the Retirement System's name.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

For fiscal year 2014, cash received as securities lending collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement System and held by the Retirement System's custodial bank. Securities in this separately managed account are not exposed to custodial credit risk.

### **Foreign Currency Risk**

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

The Retirement System's net exposures to foreign currency risk as of June 30, 2014 are as follows:

<b>Currency</b>	<b>Cash</b>	<b>Equities</b>	<b>Fixed Income</b>	<b>Alternative Investment</b>	<b>Real Estate</b>	<b>Foreign Currency Contracts</b>	<b>Total</b>
Australian dollar	\$ 1,256	\$ 126,880	\$ 6,375	\$ 12,873	\$ -	\$ 44,103	\$ 191,487
Brazilian real	-	29,865	24,013	-	-	(15,799)	38,079
British pound sterling	7,830	702,809	22,194	-	-	(112,025)	620,808
Canadian dollar	502	89,041	6,679	-	-	(8,106)	88,116
Chilean peso	-	567	-	-	-	6,043	6,610
Colombian peso	80	-	2,792	-	-	570	3,442
Czech koruna	-	887	-	-	-	-	887
Danish krone	(4,858)	38,393	-	-	-	1,207	34,742
Euro	34,892	939,249	78,793	269,820	-	(26,178)	1,296,576
Hong Kong dollar	1,212	256,213	-	-	-	1,886	259,311
Hungarian forint	-	-	781	-	-	165	946
Indian rupee	-	-	-	-	-	540	540
Indonesian rupiah	25	15,521	4,278	-	-	270	20,094
Japanese yen	1,680	600,103	-	-	304	1,636	603,723
Malaysian ringgit	(697)	19,745	5,695	-	-	1,731	26,474
Mexican peso	550	22,857	18,257	-	-	1,392	43,056
New Israeli shekel	21	7,277	-	-	-	3,592	10,890
New Romanian leu	16	-	1,171	-	-	(158)	1,029
New Russian ruble	-	-	5,491	-	-	583	6,074
New Taiwan dollar	787	56,608	-	-	-	-	57,395
New Zealand dollar	-	621	9,497	-	-	124,375	134,493
Nigerian naira	86	-	1,251	-	-	(73)	1,264
Norwegian krone	350	25,342	-	-	-	34,681	60,373
Peruvian nuevo sol	-	-	638	-	-	(250)	388
Philippine peso	-	2,007	351	-	-	(220)	2,138
Polish zloty	-	449	7,200	-	-	783	8,432
Singapore dollar	453	40,843	-	-	-	850	42,146
South African rand	425	23,614	10,031	-	-	(3,180)	30,890
South Korean won	516	115,922	-	-	-	244	116,682
Swedish krona	758	66,256	-	-	-	(67,215)	(201)
Swiss franc	(8,295)	277,329	-	-	-	(25,203)	243,831
Thai baht	2	14,635	2,191	-	-	1,875	18,703
Turkish lira	-	15,813	3,829	-	-	2,853	22,495
<b>Total</b>	<b>\$ 37,591</b>	<b>\$ 3,488,846</b>	<b>\$ 211,507</b>	<b>\$ 282,693</b>	<b>\$ 304</b>	<b>\$ (29,028)</b>	<b>\$ 3,991,913</b>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

### ***Derivative Instruments***

As of June 30, 2014, 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, 2014:

<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	(a)	\$ 829	\$ 829
Other Contracts	(a)	(2,123)	(2,123)
Options			
Foreign Exchange Contracts	(1,733)	(16)	2
Swaps			
Credit Contracts	105,435	(4,109)	750
Interest Rate Contracts	385	5	5
Rights/Warrants			
Equity Contracts	1,975 shares	4,746	72
<b>Total</b>		<b>\$ (668)</b>	<b>\$ (465)</b>

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

The Retirement System is exposed to credit risk on derivative instruments that are in asset positions. As of June 30, 2014, the fair value of forward currency contracts (including foreign exchange contract options) to purchase and sell international currencies were \$2.2 million. The Retirement System's counterparties to these contracts held credit ratings of A or better on 99.5% of the positions as assigned by one or more of the major credit rating organizations (S&P, Moody's and/or Fitch) while 0.5% were not rated.

### ***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, 2014, 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, 2014.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Forwards					
Other Contracts	\$ (2,123)	\$ (2,123)	\$ -	\$ -	\$ -
Swaps					
Credit Contracts	(4,109)	8	(3,997)	-	(120)
Interest Rate Contracts	5	-	-	5	-
<b>Total</b>	<b>\$ (6,227)</b>	<b>\$ (2,115)</b>	<b>\$ (3,997)</b>	<b>\$ 5</b>	<b>\$ (120)</b>

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, 2014:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swaps	Receiving fixed (6.3%), paying floating Mexican Interbank TIIE 28 Day rate	\$ 2,100	\$ 4
Interest Rate Swaps	Receiving fixed (6.2%), paying floating Colombian Interbank rate	\$ 420,000	\$ 1

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

#### **Foreign Currency Risk**

At June 30, 2014, the Retirement System is exposed to foreign currency risk on its investments in forwards, rights, warrants, and swaps denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2014:

Currency	Forwards	Rights/ Warrants	Swaps	Total
Australian dollar	\$ 593	\$ -	\$ -	\$ 593
Brazilian real	(397)	-	-	(397)
British pound sterling	(2,778)	-	-	(2,778)
Canadian dollar	(21)	-	-	(21)
Chilean peso	16	-	-	16
Colombian peso	(8)	-	2	(6)
Danish krone	9	-	-	9
Euro	(28)	-	-	(28)
Hong Kong dollar	(1)	165	-	164
Hungarian forint	(1)	-	-	(1)
Indian rupee	10	-	-	10
Indonesian rupiah	41	-	-	41
Japanese yen	(62)	-	-	(62)
Malaysian ringgit	28	-	-	28
Mexican peso	58	-	4	62
New Israeli shekel	36	-	-	36
New Romanian leu	(1)	-	-	(1)
New Russian ruble	23	-	-	23
New Zealand dollar	4,333	-	-	4,333
Nigerian naira	(1)	-	-	(1)
Norwegian krone	(887)	-	-	(887)
Philippine peso	(7)	-	-	(7)
Singapore dollar	10	-	-	10
South Korean won	5	-	-	5
Swedish krona	100	-	-	100
Swiss franc	(267)	-	-	(267)
Thai baht	2	-	-	2
Turkish lira	25	-	-	25
<b>Total</b>	<b>\$ 830</b>	<b>\$ 165</b>	<b>\$ 6</b>	<b>\$ 1,001</b>

#### **Contingent Features**

At June 30, 2014, 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, 2014

(Dollars in Thousands)

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

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

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

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

As of June 30, 2014, the Retirement System's allocation to international equities (including cash and other assets) was primarily denominated in foreign currencies and totaled \$5.4 billion, which represented 27.3% of the fiduciary net position. For the year ended June 30, 2014, the currency management program lost \$19.4 million in value or 0.36% of the international equity portfolio (including cash and other assets) and 0.10% of the Retirement System's average total portfolio value.

#### ***Securities Lending***

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

The Retirement System does not have the ability to pledge or sell collateral securities unless a borrower defaults. The securities collateral is not reported on the statement of fiduciary net position. As of June 30, 2014, the Retirement System has no credit risk exposure to borrowers because the amounts the Retirement System owes them exceed the amounts they owe the Retirement System. As with other extensions of credit, the Retirement System may bear the risk of delay in recovery or of rights in the collateral should the borrower of securities fail financially. However, the lending agent indemnifies the Retirement System against all borrower defaults.

As of June 30, 2014, the Retirement System lent \$1.3 billion in securities and received collateral of \$0.9 billion and \$0.5 billion in cash and securities, respectively, from borrowers. The cash collateral is invested in a separately managed account by the lending agent using investment guidelines approved by the Retirement Board. Due to the decline in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$0.9 billion. The net unrealized loss of \$1.3 million is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in the fiduciary net position in the year in which the unrealized gains or losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed securities lending account due to the fluctuation in the fair value of assets held in the account.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

The Retirement System's securities lending transactions as of June 30, 2014, are summarized in the following table:

Security Type	Fair Value of Loaned Securities	Cash Collateral	Fair Value of Securities Collateral
<b>Securities Loaned for Cash Collateral</b>			
International Corporate Fixed Income	\$ 14,810	\$ 15,502	\$ -
International Equities	49,545	52,944	-
International Government Fixed Income	5,720	6,015	-
U.S. Corporate Fixed Income	212,491	216,958	-
U.S. Equities	436,568	445,944	-
U.S. Government Fixed Income	172,104	175,523	-
<b>Securities Loaned with Non-Cash Collateral</b>			
International Corporate Fixed Income	4,424	-	4,591
International Equities	409,483	-	439,560
International Government Fixed Income	6,232	-	6,682
U.S. Corporate Fixed Income	1,480	-	1,511
U.S. Equities	2,569	-	2,621
U.S. Government Fixed Income	11,582	-	11,812
<b>Total</b>	<b>\$ 1,327,008</b>	<b>\$ 912,886</b>	<b>\$ 466,777</b>

The following table presents the segmented time distribution for the reinvested cash collateral account based upon the expected maturity (in years) as of June 30, 2014.

Investment Type	Fair Value	Maturities less than 1 year
Commercial Paper	\$ 105,023	\$ 105,023
Negotiable Certificates of Deposits	224,993	224,993
Repurchase Agreements	220,000	220,000
Short Term Investment Funds	361,561	361,561
<b>Total</b>	<b>\$ 911,577</b>	<b>\$ 911,577</b>

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2014 is as follows:

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AA	\$ 491,535	53.9%
A	199,979	21.9%
Not Rated *	220,063	24.2%
<b>Total</b>	<b>\$ 911,577</b>	<b>100.0%</b>

\* Repurchase agreements of \$220.0 million are not rated, but are held by counterparties with a S&P rating of A.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

Real estate investments represent the Retirement System's interests in real estate limited partnerships. The changes in these investments during the year ended June 30, 2014 are summarized as follows:

Investments:	
Beginning of the year	\$ 1,430,711
Capital investments	290,767
Equity in net earnings	58,123
Net appreciation in fair value	152,836
Capital distributions	(350,268)
End of the year	<u>\$ 1,582,169</u>

### **(6) PROPERTY TAXES**

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

Since the passage of California's Proposition 13, beginning with fiscal year 1978-1979, general property taxes are based either on a flat 1% rate applied to the adjusted 1975-1976 value of the property and new construction value added after the 1975-1976 valuation or on a flat 1% rate of the sales price of the property for changes in ownership. Taxable values on properties (exclusive of increases related to sales and construction) can rise or be adjusted at the lesser of 2% per year or the inflation rate as determined by the Board of Equalization's California Consumer Price Index.

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$208.4 million for the year ended June 30, 2014.

Taxable valuation for the year ended June 30, 2014 (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$159 billion, an increase of 3.9%. The secured tax rate was \$1.1880 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of: about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco Community College District, the Bay Area Air Quality Management District and the Bay Area Rapid Transit District, and also \$0.1880 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.94% and 4.94%, respectively, of the current year tax levy, for an average delinquency rate of 1.17% of the current year tax levy.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100% of the secured property taxes billed but not yet collected by the City; in return, as the delinquent property taxes and associated penalties and interest are collected, the City retains such tax amounts in the Agency Fund. To the extent the Agency Fund balances are higher than required; transfers may be made to benefit the City's General Fund on a budgetary basis. The balance of the tax loss reserve as of June 30, 2014 was \$19.7 million, which is included in the Agency Fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

### **(7) CAPITAL ASSETS**

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

Capital asset activity of the primary government for the year ended June 30, 2014 was as follows:

#### **Governmental Activities:**

	<b>Balance July 1, 2013</b>	<b>Increases *</b>	<b>Decreases *</b>	<b>Balance June 30, 2014</b>
Capital assets, not being depreciated:				
Land.....	\$ 257,089	\$ 26,231	\$ (9,157)	\$ 274,163
Intangible assets.....	7,532	4,080	(5,676)	5,936
Construction in progress.....	863,080	484,218	(168,906)	1,178,392
Total capital assets, not being depreciated.....	<u>1,127,701</u>	<u>514,529</u>	<u>(183,739)</u>	<u>1,458,491</u>
Capital assets, being depreciated:				
Facilities and improvements.....	3,212,534	36,050	-	3,248,584
Machinery and equipment.....	380,230	25,581	(4,981)	400,830
Infrastructure.....	561,547	125,310	-	686,857
Intangible assets.....	38,622	5,677	-	44,299
Total capital assets, being depreciated.....	<u>4,192,933</u>	<u>192,618</u>	<u>(4,981)</u>	<u>4,380,570</u>
Less accumulated depreciation for:				
Facilities and improvements.....	857,688	64,582	-	922,270
Machinery and equipment.....	325,698	17,425	(4,685)	338,438
Infrastructure.....	90,116	20,995	-	111,111
Intangible assets.....	2,484	2,044	-	4,528
Total accumulated depreciation.....	<u>1,275,986</u>	<u>105,046</u>	<u>(4,685)</u>	<u>1,376,347</u>
Total capital assets, being depreciated, net.....	<u>2,916,947</u>	<u>87,572</u>	<u>(296)</u>	<u>3,004,223</u>
Governmental activities capital assets, net.....	<u><u>\$ 4,044,648</u></u>	<u><u>\$ 602,101</u></u>	<u><u>\$ (184,035)</u></u>	<u><u>\$ 4,462,714</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, 2014  
(Dollars in Thousands)

**Business-type Activities:**

Capital asset activity of the business enterprises for the year ended June 30, 2014, was as follows:

**San Francisco International Airport**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 3,074	\$ -	\$ -	\$ 3,074
Intangible assets.....	-	6,881	-	6,881
Construction in progress.....	227,278	289,951	(132,807)	384,422
<b>Total capital assets, not being depreciated.....</b>	<b>230,352</b>	<b>296,832</b>	<b>(132,807)</b>	<b>394,377</b>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	5,430,018	168,878	(133,371)	5,465,525
Machinery and equipment.....	187,100	72,142	(1,156)	258,086
Intangible assets.....	148,229	198	(6,881)	141,546
<b>Total capital assets, being depreciated.....</b>	<b>5,765,347</b>	<b>241,218</b>	<b>(141,408)</b>	<b>5,865,157</b>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	2,080,859	193,605	(106,753)	2,167,711
Machinery and equipment.....	84,496	22,030	(1,154)	105,372
Intangible assets.....	109,553	7,180	-	116,733
<b>Total accumulated depreciation.....</b>	<b>2,274,908</b>	<b>222,815</b>	<b>(107,907)</b>	<b>2,389,816</b>
<b>Total capital assets, being depreciated, net.....</b>	<b>3,490,439</b>	<b>18,403</b>	<b>(33,501)</b>	<b>3,475,341</b>
<b>Capital assets, net.....</b>	<b>\$ 3,720,791</b>	<b>\$ 315,235</b>	<b>\$ (166,308)</b>	<b>\$ 3,869,718</b>

**San Francisco Water Enterprise**

	Balance July 1, 2013	Increases	Decreases	Balance June 30, 2014
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 24,307	\$ 2,504	\$ -	\$ 26,811
Intangible assets.....	679	-	-	679
Construction in progress.....	1,525,689	557,730	(421,125)	1,662,294
<b>Total capital assets, not being depreciated.....</b>	<b>1,550,675</b>	<b>560,234</b>	<b>(421,125)*</b>	<b>1,689,784</b>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	2,915,004	411,437	-	3,326,441
Machinery and equipment.....	262,870	5,814	(713)	267,971
Intangible assets.....	12,358	1,288	-	13,646
<b>Total capital assets, being depreciated.....</b>	<b>3,190,232</b>	<b>418,539</b>	<b>*</b>	<b>(713)</b>
			(713)	3,608,058
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	741,800	72,329	-	814,129
Machinery and equipment.....	135,172	14,275	(713)	148,734
Intangible assets.....	5,007	2,422	-	7,429
<b>Total accumulated depreciation.....</b>	<b>881,979</b>	<b>89,026</b>	<b>(713)</b>	<b>970,292</b>
<b>Total capital assets, being depreciated, net.....</b>	<b>2,308,253</b>	<b>329,513</b>	<b>-</b>	<b>2,637,766</b>
<b>Capital assets, net.....</b>	<b>\$ 3,858,928</b>	<b>\$ 889,747</b>	<b>\$ (421,125)</b>	<b>\$ 4,327,550</b>

\* Decrease in construction in progress is greater than increase in capital assets being depreciated is explained by \$6.6 million in capital write-offs.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**Hetch Hetchy Water and Power**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 4,720	\$ 22	\$ -	\$ 4,742
Intangible assets.....	1,437	-	-	1,437
Construction in progress.....	87,580	31,456	(31,162)	87,874
Total capital assets, not being depreciated.....	<u>93,737</u>	<u>31,478</u>	<u>(31,162)</u> *	<u>94,053</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	498,091	15,435	(797)	512,729
Machinery and equipment.....	80,842	14,033	(238)	94,637
Intangible assets.....	45,715	-	-	45,715
Total capital assets, being depreciated.....	<u>624,648</u>	<u>29,468</u>	<u>*</u> <u>(1,035)</u>	<u>653,081</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	305,000	10,417	(91)	315,326
Machinery and equipment.....	46,009	4,414	(61)	50,362
Intangible assets.....	18,466	483	-	18,949
Total accumulated depreciation.....	<u>369,475</u>	<u>15,314</u>	<u>(152)</u>	<u>384,637</u>
Total capital assets, being depreciated, net.....	<u>255,173</u>	<u>14,154</u>	<u>(883)</u>	<u>268,444</u>
Capital assets, net.....	<u><u>\$ 348,910</u></u>	<u><u>\$ 45,632</u></u>	<u><u>\$ (32,045)</u></u>	<u><u>\$ 362,497</u></u>

\* Decrease in construction in progress is greater than increase in capital assets being depreciated is explained by \$2.6 million in capital write-offs.

**Municipal Transportation Agency**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 41,030	\$ -	\$ -	\$ 41,030
Construction in progress.....	544,592	466,846	(161,991)	849,447
Total capital assets, not being depreciated.....	<u>585,622</u>	<u>466,846</u>	<u>(161,991)</u>	<u>890,477</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	667,795	12,052	-	679,847
Machinery and equipment.....	1,229,299	119,288	(21,920)	1,326,667
Infrastructure.....	1,189,998	35,361	-	1,225,359
Total capital assets, being depreciated.....	<u>3,087,092</u>	<u>166,701</u>	<u>(21,920)</u>	<u>3,231,873</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	243,523	15,404	-	258,927
Machinery and equipment.....	764,580	71,384	(20,684)	815,280
Infrastructure.....	471,929	34,166	-	506,095
Total accumulated depreciation.....	<u>1,480,032</u>	<u>120,954</u>	<u>(20,684)</u>	<u>1,580,302</u>
Total capital assets, being depreciated, net.....	<u>1,607,060</u>	<u>45,747</u>	<u>(1,236)</u>	<u>1,651,571</u>
Capital assets, net.....	<u><u>\$ 2,192,682</u></u>	<u><u>\$ 512,593</u></u>	<u><u>\$ (163,227)</u></u>	<u><u>\$ 2,542,048</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**San Francisco General Hospital Medical Center**

	Balance			Balance
	July 1, 2013	Increases	Decreases	June 30, 2014
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 542	\$ -	\$ -	\$ 542
Construction in progress.....	42,628	23,682	(703)	65,607
Total capital assets, not being depreciated.....	<u>43,170</u>	<u>23,682</u>	<u>(703)</u>	<u>66,149</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	144,113	900	-	145,013
Machinery and equipment.....	69,310	1,847	-	71,157
Total capital assets, being depreciated.....	<u>213,423</u>	<u>2,747</u>	<u>-</u>	<u>216,170</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	117,574	3,103	-	120,677
Machinery and equipment.....	58,674	2,658	-	61,332
Total accumulated depreciation.....	<u>176,248</u>	<u>5,761</u>	<u>-</u>	<u>182,009</u>
Total capital assets, being depreciated, net.....	37,175	(3,014)	-	34,161
Capital assets, net.....	<u>\$ 80,345</u>	<u>\$ 20,668</u>	<u>\$ (703)</u>	<u>\$ 100,310</u>

**San Francisco Wastewater Enterprise**

	Balance			Balance
	July 1, 2013	Increases	Decreases	June 30, 2014
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 35,737	\$ -	\$ -	\$ 35,737
Intangible assets.....	3,046	-	-	3,046
Construction in progress.....	176,711	194,531	(108,600)	262,642
Total capital assets, not being depreciated.....	<u>215,494</u>	<u>194,531</u>	<u>(108,600)*</u>	<u>301,425</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	2,405,198	94,977	-	2,500,175
Machinery and equipment.....	76,697	12,210	(507)	88,400
Intangible assets.....	3,931	-	-	3,931
Total capital assets, being depreciated.....	<u>2,485,826</u>	<u>107,187</u>	<u>* (507)</u>	<u>2,592,506</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	998,861	42,595	-	1,041,456
Machinery and equipment.....	39,448	5,021	(507)	43,962
Intangible assets.....	2,168	786	-	2,954
Total accumulated depreciation.....	<u>1,040,477</u>	<u>48,402</u>	<u>(507)</u>	<u>1,088,372</u>
Total capital assets, being depreciated, net.....	1,445,349	58,785	-	1,504,134
Capital assets, net.....	<u>\$ 1,660,843</u>	<u>\$ 253,316</u>	<u>\$ (108,600)</u>	<u>\$ 1,805,559</u>

\* Decrease in construction in progress is greater than increase in capital assets being depreciated is explained by \$2.3 million in capital write-offs.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**Port of San Francisco**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
	2013	2014	2014	
<b>Capital assets, not being depreciated:</b>				
Land.....	\$ 105,582	\$ -	\$ -	\$ 105,582
Construction in progress.....	9,772	50,405	(10,253)	49,924
Total capital assets, not being depreciated.....	<u>115,354</u>	<u>50,405</u>	<u>(10,253)</u>	<u>155,506</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	515,472	10,225	(3,550)	522,147
Machinery and equipment.....	18,075	551	(65)	18,561
Infrastructure.....	29,056	58	-	29,114
Intangible assets.....	4,854	189	-	5,043
Total capital assets, being depreciated.....	<u>567,457</u>	<u>11,023</u>	<u>(3,615)</u>	<u>574,865</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	251,394	17,562	(3,550)	265,406
Machinery and equipment.....	11,838	1,089	(65)	12,862
Infrastructure.....	7,260	1,390	-	8,650
Intangible assets.....	3,287	393	-	3,680
Total accumulated depreciation.....	<u>273,779</u>	<u>20,434</u>	<u>(3,615)</u>	<u>290,598</u>
Total capital assets, being depreciated, net.....	<u>293,678</u>	<u>(9,411)</u>	<u>-</u>	<u>284,267</u>
Capital assets, net.....	<u><u>\$ 409,032</u></u>	<u><u>\$ 40,994</u></u>	<u><u>\$ (10,253)</u></u>	<u><u>\$ 439,773</u></u>

**Laguna Honda Hospital**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
	2013	2014	2014	
<b>Capital assets, not being depreciated:</b>				
Construction in progress.....	\$ -	\$ 2,372	\$ (2,144)	\$ 228
Total capital assets, not being depreciated.....	<u>-</u>	<u>2,372</u>	<u>(2,144)</u>	<u>228</u>
<b>Capital assets, being depreciated:</b>				
Facilities and improvements.....	597,771	2,144	-	599,915
Machinery and equipment.....	26,760	984	(257)	27,487
Property held under lease.....	697	-	-	697
Intangible assets.....	431	-	-	431
Total capital assets, being depreciated.....	<u>625,659</u>	<u>3,128</u>	<u>(257)</u>	<u>628,530</u>
<b>Less accumulated depreciation for:</b>				
Facilities and improvements.....	47,408	11,829	-	59,237
Machinery and equipment.....	14,415	4,396	(257)	18,554
Property held under lease.....	697	-	-	697
Intangible assets.....	150	86	-	236
Total accumulated depreciation.....	<u>62,670</u>	<u>16,311</u>	<u>(257)</u>	<u>78,724</u>
Total capital assets, being depreciated, net.....	<u>562,989</u>	<u>(13,183)</u>	<u>-</u>	<u>549,806</u>
Capital assets, net.....	<u><u>\$ 562,989</u></u>	<u><u>\$ (10,811)</u></u>	<u><u>\$ (2,144)</u></u>	<u><u>\$ 550,034</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**Other Fund - San Francisco Market Corporation**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
	2013	-	-	
Capital assets, not being depreciated:				
Construction in progress.....	\$ 3,289	\$ -	\$ (3,289)	\$ -
Total capital assets, not being depreciated.....	<u>3,289</u>	<u>-</u>	<u>(3,289)</u>	<u>-</u>
Capital assets, being depreciated:				
Facilities and improvements.....	9,730	-	(9,730)	-
Machinery and equipment.....	70	-	(70)	-
Total capital assets, being depreciated.....	<u>9,800</u>	<u>-</u>	<u>(9,800)</u>	<u>-</u>
Less accumulated depreciation for:				
Facilities and improvements.....	6,668	120	(6,788)	-
Machinery and equipment.....	50	-	(50)	-
Total accumulated depreciation.....	<u>6,718</u>	<u>120</u>	<u>(6,838)</u>	<u>-</u>
Total capital assets, being depreciated, net.....	<u>3,082</u>	<u>(120)</u>	<u>(2,962)</u>	<u>-</u>
Capital assets, net.....	<u><u>\$ 6,371</u></u>	<u><u>\$ (120)</u></u>	<u><u>\$ (6,251)</u></u>	<u><u>\$ -</u></u>

\* During the year, the San Francisco Market Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing stakeholders separate from the City.

**Total Business-type Activities**

	Balance			Balance June 30, 2014
	July 1, 2013	Increases	Decreases	
	2013	-	-	
Capital assets, not being depreciated:				
Land.....	\$ 214,992	\$ 2,526	\$ -	\$ 217,518
Intangible assets.....	5,162	6,881	-	12,043
Construction in progress.....	2,617,539	1,616,973	(872,074)	3,362,438
Total capital assets, not being depreciated.....	<u>2,837,693</u>	<u>1,626,380</u>	<u>(872,074)</u>	<u>3,591,999</u>
Capital assets, being depreciated:				
Facilities and improvements.....	13,183,192	716,048	(147,448)	13,751,792
Machinery and equipment.....	1,951,023	226,869	(24,926)	2,152,966
Infrastructure.....	1,219,054	35,419	-	1,254,473
Property held under lease.....	697	-	-	697
Intangible assets.....	215,518	1,675	(6,881)	210,312
Total capital assets, being depreciated.....	<u>16,569,484</u>	<u>980,011</u>	<u>(179,255)</u>	<u>17,370,240</u>
Less accumulated depreciation for:				
Facilities and improvements.....	4,793,087	366,964	(117,182)	5,042,869
Machinery and equipment.....	1,154,682	125,267	(23,491)	1,256,458
Infrastructure.....	479,189	35,556	-	514,745
Property held under lease.....	697	-	-	697
Intangible assets.....	138,631	11,350	-	149,981
Total accumulated depreciation.....	<u>6,566,286</u>	<u>539,137</u>	<u>(140,673)</u>	<u>6,964,750</u>
Total capital assets, being depreciated, net.....	<u>10,003,198</u>	<u>440,874</u>	<u>(38,582)</u>	<u>10,405,490</u>
Capital assets, net.....	<u><u>\$ 12,840,891</u></u>	<u><u>\$ 2,067,254</u></u>	<u><u>\$ (910,656)</u></u>	<u><u>\$ 13,997,489</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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

Governmental Activities:

Public protection.....	\$ 15,329
Public works transportation and commerce.....	20,770
Human welfare and neighborhood development.....	530
Community Health.....	1,167
Culture and recreation.....	44,696
General administration and finance.....	20,597
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	1,957
<b>Total depreciation expense - governmental activities.....</b>	<b>\$ 105,046</b>

Business-type activities:

Airport.....	\$ 222,815
Water.....	89,026
Power.....	15,314
Transportation.....	120,954
Hospitals.....	22,072
Wastewater.....	48,402
Port.....	20,434
Market.....	120
<b>Total depreciation expense - business-type activities.....</b>	<b>\$ 539,137</b>

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 \$2.68 billion as of June 30, 2014. 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, 2014. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2014.

In fiscal year 2013-14, the Airport had write-offs and loss on disposal in the amount of \$42.5 million primarily due to disposal and write-off of immaterial items that should have been expensed in prior years. During fiscal year ended June 30, 2014, the Water Enterprise, Hetch Hetchy, and the Wastewater Enterprise expensed \$6.6 million, \$2.6 million, and \$2.3 million, respectively, related to capitalized design and planning costs on certain projects that were discontinued.

During the fiscal year ended June 30, 2014, the City's enterprise funds incurred total interest expense and interest income of approximately \$490.0 million and \$29.8 million, respectively. Of these amounts, interest expense of approximately \$105.3 million was capitalized.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

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

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2014, are as follows:

Type of Obligation	July 1, 2013	Additional Obligation	Current Maturities	June 30, 2014
Governmental activities:				
Commercial paper				
San Francisco County Transportation Authority	\$ 150,006	\$ -	\$ (15,006)	\$ 135,000
Multiple Capital Projects	51,540	247,492	(258,272)	40,760
Governmental activities short-term obligations	<u>\$ 201,546</u>	<u>\$ 247,492</u>	<u>\$ (273,278)</u>	<u>\$ 175,760</u>
Business-type activities:				
Commercial paper				
San Francisco International Airport	\$ 180,525	\$ 249,350	\$ (180,875)	\$ 249,000
San Francisco Water Enterprise	174,000	186,000	(174,000)	186,000
Business-type activities short-term obligations	<u>\$ 354,525</u>	<u>\$ 435,350</u>	<u>\$ (354,875)</u>	<u>\$ 435,000</u>

#### San Francisco County Transportation Authority

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

As of June 30, 2014, \$135.0 million in CP was outstanding with weighted average maturity of 104 to 139 days after year-end with interest rates at 0.08% and 0.09%, respectively. For the year ended June 30, 2014, the Transportation Authority paid \$1.0 million to Wells Fargo Bank in line of credit (LOC) fees.

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

The City issued CP totaling \$247.5 million and retired commercial paper notes totaling \$258.3 million in fiscal year 2014 to provide interim financing for capital projects and capital equipment acquisitions, with each project receiving prior approval from the Board of Supervisors: the Department of Public Works equipment purchase, the War Memorial Veterans Building project, the Port Facilities Improvement project and HOPE SF, a project of rebuilding severely distressed housing sites to increase affordable housing and improve the quality of life for existing residents and the surrounding communities.

As of June 30, 2014, the outstanding principal amount of tax exempt and taxable CP was \$28.2 million and \$12.6 million, respectively. The tax exempt CP with LOC issued by JP Morgan and U.S. Bank N.A. bear interest rate of 0.08% and 0.07%, respectively and the taxable CP bear interest rates of 0.15%. The taxable and non-taxable CP matured on July 2, 2014.

#### San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, (the Note Resolution) as amended and supplemented, authorizing the issuance of subordinate commercial paper notes (CP) in an aggregate principal amount not to exceed the lesser of \$400.0 million or the stated amount of the letter(s) of credit securing the CP. The Airport issues CP in three series that are subdivided into nine subseries according to tax status and that are secured by three direct-pay letters of credit (LOC). Two \$100.0 million direct-pay LOC are issued by State Street Bank and Trust Company and Wells Fargo Bank, National Association, with expiration dates of May 2, 2019, and June 17, 2016, respectively. The third LOC issued by Royal Bank of Canada was amended and restated June 18, 2014, to increase the principal component thereof from \$100.0 million to \$200.0 million and extend the expiration date to May 19, 2017. Each of these LOC supports separate subseries of CP and permits the Airport to issue CP up to a combined maximum principal amount of \$400.0 million as of June 30, 2014.

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 Senior Bond Resolution).

Net Revenues are generally defined in the Note Resolution as all revenues earned by the Airport from or with respect to its possession, management, supervision, operation and control of the Airport (not including certain specified amounts), 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 provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution. As of June 30, 2014, there were no obligations other than the CP notes outstanding under the Note Resolution.

During fiscal year 2014, the Airport issued \$248.0 million of new money CP (AMT and Non-AMT) to fund capital improvement projects and \$1.4 million of taxable CP to fund costs of issuance. A portion of the taxable CP was retired with Airport operating funds during the fiscal year. As of June 30, 2014, the interest rates on taxable CP, AMT CP and Non-AMT CP were 0.10%, 0.08% to 0.15% and 0.07% respectively.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. (Prior to June 2014, the \$500.0 million CP authorization was comprised of \$250.0 million pursuant to the voter-approved 2002 Proposition A, and \$250.0 million pursuant to the voter-approved Proposition E). As of June 30, 2014, no CP was outstanding under Proposition A and \$186.0 million in CP was outstanding under Proposition E. The CP interest rates ranged from 0.1% to 0.2%.

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.

#### San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$300.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Wastewater Enterprise had no CP outstanding as of June 30, 2014.

#### San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the Board of Supervisor authorized the issuance of CP notes in an aggregate principal amount not to exceed \$100.0 million. The CP is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The letter of credit 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 San Francisco Municipal Transportation Agency (SFMTA). OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules.

SFMTA currently plans to repay the CP through grants, which have been previously approved but proceeds have not yet been received. SFMTA may also refinance the debt with the subsequent issuance of CP notes once the original issuance reaches maturity of up to five years. If other sources of revenue are not sufficient to repay the CP, SFMTA could also repay through issuance of revenue bonds. The CP notes 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. No CP notes have drawn or outstanding as of June 30, 2014.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

### Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2014:

#### GOVERNMENTAL ACTIVITIES

Type of Obligation and Purpose	Final Maturity Date	Remaining Interest Rates	Amount
<b>GENERAL OBLIGATION BONDS <sup>(a)</sup>:</b>			
Earthquake safety and emergency response.....	2035	3.00% - 5.00%	\$ 280,140
Branch libraries.....	2028	4.00% - 4.50%	24,190
Parks and playgrounds .....	2033	2.00% - 6.26%	202,240
Road repaving and street safety .....	2033	2.00% - 5.00%	173,115
San Francisco General Hospital.....	2033	3.25% - 6.26%	714,350
Seismic safety loan program .....	2031	3.36% - 5.83%	25,194
Refunding .....	2030	3.50% - 5.00%	518,856
General obligation bonds.....			<u>1,938,085</u>
<b>LEASE REVENUE BONDS:</b>			
San Francisco Finance Corporation <sup>(b), (e) &amp; (f)</sup> .....	2034	0.06% - 5.75% *	241,290
<b>CERTIFICATES OF PARTICIPATION:</b>			
Certificates of participation <sup>(c) &amp; (d)</sup> .....	2041	2.50% - 5.00%	521,485
<b>ISSUANCE PREMIUMS/DISCOUNTS:</b>			
Add: unamortized premiums.....			195,004
Less: unamortized discounts.....			(1,659)
Subtotal.....			<u>2,894,205</u>
<b>OTHER LONG-TERM OBLIGATIONS:</b>			
Loans <sup>(c), (d) &amp; (f)</sup> .....	2043	2.00% - 5.74%	27,441
Capital leases payable <sup>(c) &amp; (f)</sup> .....	2018	5.00%	3,085
Accrued vacation and sick leave <sup>(d) &amp; (f)</sup> .....			148,280
Accrued workers' compensation <sup>(d) &amp; (f)</sup> .....			222,747
Estimated claims payable <sup>(d) &amp; (f)</sup> .....			155,851
Other postemployment benefits obligation.....			1,004,141
Other long-term obligations.....			<u>1,561,545</u>
Governmental activities total long-term obligations.....			<u>\$ 4,455,750</u>

Debt service payments are made from the following sources:

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

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

\* Includes the Moscone Center West Expansion Project Refunding Bonds Series 2008-1 & 2, both of which were financed with variable rate bonds that reset weekly. The rate at June 30, 2014 for Series 2008-1 & 2 was 0.06% and 0.06%, respectively.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**BUSINESS-TYPE ACTIVITIES**

<b>Entity and Type of Obligation</b>	<b>Final Maturity Date</b>	<b>Remaining Interest Rates</b>	<b>Amount</b>
San Francisco International Airport:			
Revenue bonds * .....	2043	1.46% - 6.00%*	\$ 4,204,425
San Francisco Water Enterprise:			
Revenue bonds .....	2051	1.80% - 6.90%	4,172,725
Certificates of participation .....	2042	2.00% - 6.49%	115,711
Accreted interest.....	2019	-	5,107
Hetch Hetchy Water and Power:			
Energy revenue bonds .....	2028	4.74%	17,211
Certificates of participation.....	2042	2.00% - 6.49%	15,753
Municipal Transportation Agency:			
Revenue bonds.....	2042	1.5% - 5.00%	130,265
San Francisco General Hospital Medical Center:			
Certificates of participation.....	2026	5.55%	19,678
Capital leases.....	2017	2.41% - 3.61%	2,449
San Francisco Wastewater Enterprise:			
Revenue bonds .....	2043	1.00% - 5.82%	731,745
Certificates of participation .....	2042	2.00% - 6.49%	30,596
Port of San Francisco:			
Revenue bonds .....	2044	0.55% - 7.41%	56,750
Certificates of participation.....	2038	4.00% - 5.25%	35,435
Loans payable .....	2029	4.50%	2,489
Laguna Honda Hospital:			
Certificates of participation .....	2031	4.00 - 5.25%	143,185
Capital leases.....	2017	3.00% - 4.00%	63
Issuance Premiums/discounts:			
Add: unamortized premiums.....			361,438
Less: unamortized discounts.....			(632)
Accrued vacation and sick leave .....			101,692
Accrued workers' compensation .....			161,129
Estimated claims payable .....			91,208
Other postemployment benefits obligation.....			734,434
Business-type activities total long-term obligations .....			<u><u>\$ 11,132,856</u></u>

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

\* Includes Second Series Revenue Bonds Issue 36 A, B & C, 37C and 2010A, which were issued as variable rate bonds in a weekly mode. For the fiscal year ended June 30, 2014, the average interest rates on Issue 36A, 36B, 36C and 37C were 0.06%, 0.05%, 0.06% and 0.05%, respectively; for Issue 2010A-1, 2010A-2 and 2010A-3 rates were 0.06%, 0.06% and 0.06%, respectively.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### Debt Compliance

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

#### Legal Debt Limit and Legal Debt Margin

As of June 30, 2014, the City's debt limit (3% of valuation subject to taxation) was \$5.28 billion. The total amount of debt applicable to the debt limit was \$2.11 billion. The resulting legal debt margin was \$3.17 billion.

#### Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each general obligation bond and certificates of participation issuance and no arbitrage liability was recognized as of June 30, 2014. The Finance Corporation has evaluated their lease revenue bonds and no liability was reported in the Internal Service Fund as of June 30, 2014. Each enterprise fund has performed a similar analysis of its debt, which is subject to arbitrage rebate requirements. Any material arbitrage liability related to the debt of the enterprise funds has been recorded as a liability in the respective fund.

#### San Francisco Sustainable Financing

The Improvement Area No.1 of the City and County of San Francisco Special Tax District No. 2009-1 (San Francisco Sustainable Financing) Special Tax Bonds was formed in accordance with Ordinance 16-10 to implement the "GreenFinanceSF" program to provide financing for renewable energy, energy efficiency and water efficiency improvements on private or public property in the City. Under the program, the Special District issued bonded indebtedness for the improvement area in an aggregate principal amount of \$1.4 million and an appropriation limit for the Improvement Area of \$1.4 million. The bonded indebtedness shall be paid out of the special tax levied and collected on the leasehold interest on the property located in Pier 1, San Francisco, California. The Improvement Area is owned by the City and leased to AMB Pier One LLC through the Port of San Francisco. The bonds mature from September 2013 through September 2032. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the leasehold interest on the parcels within the Special Tax District No. 2009-1. As of June 30, 2014 the amount outstanding was \$1.4 million.

#### Assessment District

In June 1996, the City issued \$1.0 million of Limited Obligation Improvement Bonds for the Bayshore Hester Assessment District No. 95-1. These bonds were issued pursuant to the Improvement Bond Act of 1915 to finance the construction of a new public right-of-way. The bonds began to mature from September 1998 through September 2026 bearing interest rate ranging from 6.0% to 6.85%. Assessments collected for repayment of this debt are received in the Tax Collection Agency Fund. Unpaid assessments constitute fixed liens on the lots and parcels assessed within the Bayshore-Hester Assessment District and do not constitute a personal indebtedness of the respective owners of such lots and parcels. As of June 30, 2014, the principal amount of bonds outstanding was \$0.7 million.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

### Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency have issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage financing for first time homebuyer in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been 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 and are not considered obligations of the City. As of June 30, 2014, the total obligation outstanding was \$672.1 million.

### **Changes in Long-Term Obligations**

The changes in long-term obligations for governmental activities for the year ended June 30, 2014, are as follows:

	July 1, 2013 (Restated)	Additional Obligations,		Current Maturities,		Amounts Due Within One Year
		Interest and Net Accretion Increases	Retirements, and Net Decreases	June 30, 2014		
		and Net Increases	Decreases	June 30, 2014		
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds .....	\$ 1,889,683	\$ 209,955	\$ (161,553)	\$ 1,938,085	\$ 167,979	
Lease revenue bonds.....	262,070	-	(20,780)	241,290	20,440	
Certificates of participation .....	551,555	47,220	(77,290)	521,485	34,270	
Issuance premiums / discounts:						
Add: unamortized premiums .....	190,084	19,773	(14,853)	195,004	-	
Less: unamortized discounts .....	(1,726)	-	67	(1,659)	-	
Total bonds payable .....	<u>2,891,666</u>	<u>276,948</u>	<u>(274,409)</u>	<u>2,894,205</u>	<u>222,689</u>	
Loans.....	19,184	8,735	(478)	27,441	367	
Capital leases .....	9,741	1,282	(7,938)	3,085	870	
Accrued vacation and sick leave pay.....	152,167	85,490	(89,377)	148,280	79,559	
Accrued workers' compensation.....	229,332	30,669	(37,254)	222,747	37,467	
Estimated claims payable.....	111,001	62,743	(17,893)	155,851	48,932	
Other postemployment benefits obligation.....	899,970	195,978	(91,807)	1,004,141	-	
Governmental activity long-term obligations.....	<u>\$ 4,313,061</u>	<u>\$ 661,845</u>	<u>\$ (519,156)</u>	<u>\$ 4,455,750</u>	<u>\$ 389,884</u>	

\* The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of \$16,235 was reclassified to deferred outflows of resources.

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

The changes in long-term obligations for each enterprise fund for the year ended June 30, 2014 are as follows:

	July 1, 2013 (Restated)	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2014	Amounts Due Within One Year
<b>San Francisco International Airport</b>					
Bonds payable:					
Revenue bonds .....	\$ 3,906,395	\$ 461,125	\$ (163,095)	\$ 4,204,425	\$ 174,880
Issuance premiums / discounts:					
Add: unamortized premiums .....	139,332	16,539	(15,374)	140,497	-
Less: unamortized discounts .....	(294)	-	7	(287)	-
Total bonds payable .....	4,045,433	477,664	(178,462)	4,344,635	174,880
Accrued vacation and sick leave pay.....	15,599	12,759	(12,406)	15,952	8,728
Accrued workers' compensation .....	5,233	2,661	(2,224)	5,670	1,243
Estimated claims payable .....	1,562	386	(561)	1,387	1,319
Other postemployment benefits obligation.....	90,713	21,804	(8,734)	103,783	-
Long-term obligations.....	<u>\$ 4,158,540</u>	<u>\$ 515,274</u>	<u>\$ (202,387)</u>	<u>\$ 4,471,427</u>	<u>\$ 186,170</u>
<b>San Francisco Water Enterprise</b>					
Bonds payable:					
Revenue bonds .....	\$ 4,193,550	\$ -	\$ (20,825)	\$ 4,172,725	\$ 25,850
Certificates of participation.....	117,746	-	(2,035)	115,711	2,106
Issuance premiums / discounts:					
Add: unamortized premiums .....	159,709	-	(8,383)	151,326	-
Total bonds payable .....	4,471,005	-	(31,243)	4,439,762	27,956
Accrued interest payable.....	4,767	340	-	5,107	-
Accrued vacation and sick leave pay.....	11,717	8,913	(9,160)	11,470	5,932
Accrued workers' compensation.....	8,499	3,049	(2,813)	8,735	1,419
Estimated claims payable.....	10,885	17,690	(9,711)	18,864	6,263
Other postemployment benefits obligation.....	85,829	17,046	(8,113)	94,762	-
Long-term obligations.....	<u>\$ 4,592,702</u>	<u>\$ 47,038</u>	<u>\$ (61,040)</u>	<u>\$ 4,578,700</u>	<u>\$ 41,570</u>
<b>Hetch Hetchy Water and Power</b>					
Bonds payable:					
Revenue (Energy) bonds .....	\$ 18,519	\$ -	\$ (1,308)	\$ 17,211	\$ 1,321
Certificates of participation.....	16,030	-	(277)	15,753	287
Issuance premiums / discounts:					
Add: unamortized premiums .....	224	-	(42)	182	-
Less: unamortized discounts .....	(130)	-	14	(116)	-
Total bonds payable .....	34,643	-	(1,613)	33,030	1,608
Accrued vacation and sick leave pay.....	3,298	1,886	(1,735)	3,449	1,948
Accrued workers' compensation.....	2,423	808	(764)	2,467	439
Estimated claims payable.....	3,437	2,775	(3,318)	2,894	788
Other postemployment benefits obligation.....	17,559	4,212	(1,648)	20,123	-
Long-term obligations.....	<u>\$ 61,360</u>	<u>\$ 9,681</u>	<u>\$ (9,078)</u>	<u>\$ 61,963</u>	<u>\$ 4,783</u>

\* The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of \$108,581 and \$22,746 for the Airport and San Francisco Water Enterprise, respectively, was reclassified to deferred outflows of resources.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

The changes in long- term obligations for each enterprise fund for the year ended June 30, 2014 are as follows (continued):

	<b>July 1, 2013 (Restated)</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Municipal Transportation Agency</b>					
Bonds payable:					
Revenue bonds .....	\$ 60,720	\$ 75,440	\$ (5,895)	\$ 130,265	\$ 5,945
Issuance premiums / discounts:					
Add: unamortized premiums .....	6,687	6,803	(815)	12,675	-
Total bonds payable .....	<u>67,407</u>	<u>82,243</u>	<u>(6,710)</u>	<u>142,940</u>	<u>5,945</u>
Accrued vacation and sick leave pay.....	29,154	1,623	(46)	30,731	18,475
Accrued workers' compensation.....	89,202	24,245	(18,296)	95,151	15,423
Estimated claims payable.....	37,637	37,715	(15,651)	59,701	27,345
Other postemployment benefits obligation.....	180,657	45,614	(27,066)	199,205	-
Long-term obligations.....	<u>\$ 404,057</u>	<u>\$ 191,440</u>	<u>\$ (67,769)</u>	<u>\$ 527,728</u>	<u>\$ 67,188</u>
<b>San Francisco General Hospital Medical Center</b>					
Bonds payable:					
Certificates of participation.....	\$ 20,874	\$ -	\$ (1,196)	\$ 19,678	\$ 1,263
Capital leases.....	3,482	221	(1,254)	2,449	1,288
Accrued vacation and sick leave pay.....	21,660	15,148	(14,444)	22,364	12,565
Accrued workers' compensation.....	22,427	9,449	(5,318)	26,558	3,677
Other postemployment benefits obligation.....	171,476	37,322	(17,188)	191,610	-
Long-term obligations.....	<u>\$ 239,919</u>	<u>\$ 62,140</u>	<u>\$ (39,400)</u>	<u>\$ 262,659</u>	<u>\$ 18,793</u>
<b>San Francisco Wastewater Enterprise</b>					
Bonds payable:					
Revenue bonds .....	\$ 764,550	\$ -	\$ (32,805)	\$ 731,745	\$ 30,895
Certificates of participation.....	31,134	-	(538)	30,596	557
Issuance premiums / discounts:					
Add: unamortized premiums .....	60,707	-	(8,297)	52,410	-
Total bonds payable .....	<u>856,391</u>	<u>-</u>	<u>(41,640)</u>	<u>814,751</u>	<u>31,452</u>
Accrued vacation and sick leave pay.....	6,013	3,072	(3,046)	6,039	3,380
Accrued workers' compensation.....	4,331	2,364	(1,597)	5,098	873
Estimated claims payable.....	8,378	-	(1,846)	6,532	2,296
Other postemployment benefits obligation.....	32,565	7,265	(2,678)	37,152	-
Long-term obligations.....	<u>\$ 907,678</u>	<u>\$ 12,701</u>	<u>\$ (50,807)</u>	<u>\$ 869,572</u>	<u>\$ 38,001</u>

\* The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of \$735 and \$4,097 for SFMTA and San Francisco Wastewater Enterprise, respectively, was reclassified to deferred outflows of resources.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

The changes in long- term obligations for each enterprise fund for the year ended June 30, 2014 are as follows (continued):

	<b>July 1, 2013</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Port of San Francisco</b>					
Bonds payable:					
Revenue bonds .....	\$ 34,800	\$ 22,675	\$ (725)	\$ 56,750	\$ 1,400
Certificates of participation .....	-	37,700	(2,265)	35,435	1,080
Issuance premiums / discounts:					
Add: unamortized premiums .....	-	2,145	(32)	2,113	-
Less: unamortized discounts .....	(238)	-	9	(229)	-
Total bonds payable .....	34,562	62,520	(3,013)	94,069	2,480
Notes, loans, and other payables.....	2,603	-	(114)	2,489	120
Accrued vacation and sick leave pay.....	2,330	1,684	(1,722)	2,292	1,252
Accrued workers' compensation.....	2,715	565	(506)	2,774	406
Estimated claims payable.....	1,682	277	(129)	1,830	1,480
Other postemployment benefits obligation.....	16,056	3,333	(1,298)	18,091	-
Long-term obligations.....	<u>\$ 59,948</u>	<u>\$ 68,379</u>	<u>\$ (6,782)</u>	<u>\$ 121,545</u>	<u>\$ 5,738</u>
<b>Laguna Honda Hospital</b>					
Bonds payable:					
Certificates of participation .....	\$ 148,545	\$ -	\$ (5,360)	\$ 143,185	\$ 5,600
Issuance premiums / discounts:					
Add: unamortized premiums .....	2,369	-	(134)	2,235	-
Total bonds payable .....	150,914	-	(5,494)	145,420	5,600
Capital leases .....	124	-	(61)	63	50
Accrued vacation and sick leave pay.....	9,663	6,604	(6,872)	9,395	5,373
Accrued workers' compensation.....	13,614	4,853	(3,791)	14,676	2,294
Other postemployment benefits obligation.....	63,153	6,555	-	69,708	-
Long-term obligations.....	<u>\$ 237,468</u>	<u>\$ 18,012</u>	<u>\$ (16,218)</u>	<u>\$ 239,262</u>	<u>\$ 13,317</u>

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

	<b>July 1, 2013 (restated)*</b>	<b>Additional Obligations, Interest Accretion and Net Increases</b>	<b>Current Maturities, Retirements, and Net Decreases</b>	<b>June 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Total Business-type Activities:</b>					
Bonds payable:					
Revenue bonds .....	\$ 8,960,015	\$ 559,240	\$ (223,345)	\$ 9,295,910	\$ 238,970
Clean renewable energy bonds.....	18,519	-	(1,308)	17,211	1,321
Certificates of Participation.....	334,329	37,700	(11,671)	360,358	10,893
Insurance premiums / discount:					
Add: unamortized premiums .....	369,028	25,487	(33,077)	361,438	-
Less: unamortized discounts .....	(662)	-	30	(632)	-
Total bonds payable .....	<u>9,681,229</u>	<u>622,427</u>	<u>(269,371)</u>	<u>10,034,285</u>	<u>251,184</u>
Accrued interest payable.....	4,767	340	-	5,107	-
Notes, loans, and other payables.....	2,603	-	(114)	2,489	120
Capital leases .....	3,606	221	(1,315)	2,512	1,338
Accrued vacation and sick leave pay.....	99,434	51,689	(49,431)	101,692	57,653
Accrued workers' compensation .....	148,444	47,994	(35,309)	161,129	25,774
Estimated claims payable .....	63,581	58,843	(31,216)	91,208	39,491
Other postemployment benefits obligation.....	658,008	143,151	(66,725)	734,434	-
Long-term obligations.....	<u>\$ 10,661,672</u>	<u>\$ 924,665</u>	<u>\$ (453,481)</u>	<u>\$ 11,132,856</u>	<u>\$ 375,560</u>

\* The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of \$136,159 was reclassified to deferred outflows of resources.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2014 for governmental activities are as follows:

Fiscal Year Ending	Governmental Activities <sup>(1)</sup>								
	General Obligation Bonds			Lease Revenue Bonds		Other Long-Term Obligations			Total
	June 30	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(3)</sup>	Principal <sup>(4)</sup>	Interest	Principal	Interest
2015.....	\$ 167,980	\$ 90,368	\$ 20,440	\$ 6,096	\$ 35,507	\$ 23,853	\$ 223,927	\$ 120,317	
2016.....	112,398	82,406	18,795	5,533	38,219	22,827	169,412	110,766	
2017.....	104,759	77,130	14,025	5,018	37,586	21,146	156,370	103,294	
2018.....	105,918	72,078	10,880	4,623	38,379	19,325	155,177	96,026	
2019.....	104,856	67,178	12,595	4,333	27,724	17,724	145,175	89,235	
2020-2024.....	523,172	262,768	67,115	16,873	96,771	73,940	687,058	353,581	
2025-2029.....	541,969	135,299	73,435	8,285	96,571	52,735	711,975	196,319	
2030-2034.....	271,702	25,515	24,005	1,992	111,220	29,728	406,927	57,235	
2035-2039.....	5,331	267	-	-	48,526	10,563	53,857	10,830	
2040-2044.....	-	-	-	-	21,508	1,596	21,508	1,596	
Total.....	<u>\$ 1,938,085</u>	<u>\$ 813,009</u>	<u>\$ 241,290</u>	<u>\$ 52,753</u>	<u>\$ 552,011</u>	<u>\$ 273,437</u>	<u>\$ 2,731,386</u>	<u>\$ 1,139,199</u>	

- (1) The specific year for payment of estimated claims payable, accrued vacation and sick leave pay, accrued workers' compensation and other postemployment benefits obligation is not practicable to determine.
- (2) The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately \$38.9 million and \$8.0 million, respectively, through the year ending 2030. The payment of subsidy by the IRS from October 1 2013 to September 30, 2014 was reduced by 7.2% due to federal sequestration. Future interest subsidy may be reduced as well.
- (3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.06%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.
- (4) Includes approximately \$3.1 million in lease payments to the Successor Agency for the Moscone Convention Center through fiscal year 2018.

The annual debt service requirement to maturity for all bonds and loans outstanding as of June 30, 2014 for each enterprise fund as follows:

San Francisco International Airport <sup>(1)</sup>		
Fiscal Year Ending	Revenue	
	Bonds	
June 30	Principal	Interest
2015.....	\$ 174,880	\$ 206,461
2016.....	184,165	199,157
2017.....	194,125	190,868
2018.....	203,190	182,017
2019.....	226,025	172,612
2020-2024....	1,269,935	683,018
2025-2029....	1,095,640	380,686
2030-2034....	476,245	177,667
2035-2039....	277,625	76,213
2040-2043....	102,595	18,309
Total.....	<u>\$ 4,204,425</u>	<u>\$ 2,287,008</u>

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

<b>San Francisco International Airport <sup>(1)</sup></b>		
Fiscal Year Ending	Revenue Bonds	
June 30	Principal	Interest
2015.....	\$ 173,685	\$ 206,461
2016.....	272,410	195,058
2017.....	492,230	180,839
2018.....	256,100	165,519
2019.....	198,840	153,457
2020-2024....	1,098,280	606,550
2025-2029....	888,560	346,779
2030-2034....	444,100	176,408
2035-2039....	277,625	76,213
2040-2043....	102,595	18,309
Total.....	<u><u>\$ 4,204,425</u></u>	<u><u>\$ 2,125,593</u></u>

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

Fiscal Year Ending	Revenue		Other Long-Term Obligations		Total	
	Bonds	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(2)</sup>	Principal
June 30	Principal	Interest <sup>(2)</sup>	Principal	Interest <sup>(2)</sup>	Principal	Interest
2015.....	\$ 25,850	\$ 214,508	\$ 2,106	\$ 7,060	\$ 27,956	\$ 221,568
2016.....	33,700	213,068	2,199	6,968	35,899	220,036
2017.....	53,625	210,954	2,313	6,856	55,938	217,810
2018.....	59,715	208,346	2,431	6,737	62,146	215,083
2019.....	76,790	205,340	2,556	6,612	79,346	211,952
2020-2024....	536,725	957,550	14,874	30,933	551,599	988,483
2025-2029....	679,850	806,874	18,507	25,954	698,357	832,828
2030-2034....	856,540	610,574	22,762	19,369	879,302	629,943
2035-2039....	1,019,370	361,616	28,071	11,157	1,047,441	372,773
2040-2044....	670,375	124,637	19,892	1,972	690,267	126,609
2045-2049....	109,140	37,386	-	-	109,140	37,386
2050-2051...	51,045	3,588	-	-	51,045	3,588
Total.....	<u><u>\$ 4,172,725</u></u>	<u><u>\$ 3,954,441</u></u>	<u><u>\$ 115,711</u></u>	<u><u>\$ 123,618</u></u>	<u><u>\$ 4,288,436</u></u>	<u><u>\$ 4,078,059</u></u>

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

(2) The interest is before federal subsidy for the Revenue Bonds 2010 Series B, E, and G (Bonds) and Certificates of Participation Series 2009 D (Certificates), approximately \$480.4 million and \$38.3 million through the year ending 2051 and 2042 respectively. The SFPUC received IRS notice dated February 24, 2014 that the federal interest subsidies on the Bonds and Certificates are reduced by 7.2% or a total reduction of \$37.3 million and \$3.0 million, respectively, due to sequestration over the remaining life of the obligations.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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

Fiscal Year Ending June 30	Revenue						Other Long-Term			
	Bonds		Obligations		Total					
	Principal	Interest <sup>(2) (3)</sup>	Principal	Interest <sup>(3)</sup>	Principal	Interest				
2015.....	\$ 1,321	\$ 625	\$ 287	\$ 961	\$ 1,608	\$ 1,586				
2016.....	1,332	582	299	948	1,631	1,530				
2017.....	1,344	539	315	933	1,659	1,472				
2018.....	1,356	496	331	917	1,687	1,413				
2019.....	1,368	451	348	900	1,716	1,351				
2020-2024....	6,607	1,568	2,025	4,211	8,632	5,779				
2025-2029....	3,883	394	2,520	3,533	6,403	3,927				
2030-2034....	-	-	3,099	2,637	3,099	2,637				
2035-2039....	-	-	3,822	1,519	3,822	1,519				
2040-2042....	-	-	2,707	271	2,707	271				
Total.....	<u>\$ 17,211</u>	<u>\$ 4,655</u>	<u>\$ 15,753</u>	<u>\$ 16,830</u>	<u>\$ 32,964</u>	<u>\$ 21,485</u>				

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

Fiscal Year Ending June 30	Revenue					
	Bonds		Obligations			
	Principal	Interest	June 30	Principal	Interest	
2015.....	\$ 5,945	\$ 6,192				
2016.....	6,160	5,980				
2017.....	6,425	5,698				
2018.....	6,350	5,377				
2019.....	5,700	5,151				
2020-2024....	24,285	22,042				
2025-2029....	27,890	15,985				
2030-2034....	29,430	8,466				
2035-2039....	10,465	3,524				
2040-2042....	7,615	774				
Total.....	<u>\$ 130,265</u>	<u>\$ 79,189</u>				

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

Fiscal Year Ending June 30	Revenue					
	Bonds		Obligations			
June 30	Principal	Interest	June 30	Principal	Interest	
2015.....	\$ 2,551	\$ 1,326				
2016.....	2,237	1,171				
2017.....	1,667	972				
2018.....	1,488	849				
2019.....	1,572	766				
2020-2024....	9,291	2,398				
2025-2029....	3,321	186				
Total.....	<u>\$ 22,127</u>	<u>\$ 7,668</u>				

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

(2) Interest payments are not required on Clean Renewable Energy Bonds (CREBS) since the effective equivalent of interest on the bonds is paid in the form of Federal tax credits in lieu of interest paid by the issuer. The interest is before federal subsidy for the Qualified Energy Conservation Bonds and New Clean Renewable Energy Bonds, approximately \$1.7 million and \$1.4 million, respectively, through the year ending 2028.

(3) The interest is before federal subsidy for the Certificates of Participation 2009 Series D, approximately \$5.2 million through the year ending 2042. The SFPUC received IRS notice dated February 24, 2014 that the federal interest subsidies on the Qualified Energy Conservation Bonds, New Clean Renewable Energy Bonds and Certificates of Participation Series 2009 D are reduced by 7.2% or a total reduction of \$134, \$107 and \$405, respectively, due to sequestration.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

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

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest <sup>(2)(3)</sup>	Principal	Interest <sup>(3)</sup>	Principal	Interest
2015.....	\$ 30,895	\$ 33,473	\$ 557	\$ 1,867	\$ 31,452	\$ 35,340
2016.....	31,115	32,383	581	1,843	31,696	34,226
2017.....	20,870	31,384	612	1,813	21,482	33,197
2018.....	20,015	30,481	643	1,781	20,658	32,262
2019.....	21,010	29,544	676	1,748	21,686	31,292
2020-2024.....	105,490	132,209	3,932	8,179	109,422	140,388
2025-2029.....	96,170	108,642	4,894	6,863	101,064	115,505
2030-2034.....	119,640	80,840	6,019	5,121	125,659	85,961
2035-2039.....	146,660	48,354	7,422	2,950	154,082	51,304
2040-2043.....	139,880	11,968	5,260	522	145,140	12,490
Total.....	<u>\$ 731,745</u>	<u>\$ 539,278</u>	<u>\$ 30,596</u>	<u>\$ 32,687</u>	<u>\$ 762,341</u>	<u>\$ 571,965</u>

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

Fiscal Year Ending June 30	Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015.....	\$ 1,400	\$ 2,771	\$ 1,200	\$ 1,867	\$ 2,600	\$ 4,638
2016.....	1,225	2,951	1,145	1,819	2,370	4,770
2017.....	1,265	2,904	1,191	1,772	2,456	4,676
2018.....	1,325	2,849	1,242	1,724	2,567	4,573
2019.....	1,390	2,786	1,303	1,663	2,693	4,449
2020-2024.....	8,165	12,705	6,801	7,280	14,966	19,985
2025-2029.....	11,125	9,744	5,317	5,808	16,442	15,552
2030-2034.....	10,770	6,131	5,545	4,420	16,315	10,551
2035-2039.....	12,425	3,487	7,110	2,849	19,535	6,336
2040-2044.....	7,660	840	7,070	906	14,730	1,746
Total.....	<u>\$ 56,750</u>	<u>\$ 47,168</u>	<u>\$ 37,924</u>	<u>\$ 30,108</u>	<u>\$ 94,674</u>	<u>\$ 77,276</u>

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

(2) The interest is before federal subsidy, approximately \$65.6 million through the year ending 2043.

(3) The interest is before federal subsidy on the Certificates of Participation 2009 Series D, approximately \$10.1 million through the year ending 2042. The SFPUC received IRS notice dated February 24, 2014 that the federal interest subsidy on the 2010 Series B bonds and Certificates of Participation Series 2009 D are reduced by 7.2% or a total reduction of \$5.1 million and \$786, respectively, due to sequestration over the remaining life of the bonds.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

<b>Laguna Honda Hospital<sup>(1)</sup></b>		
Fiscal Year Ending	Other Long-Term Obligations	
June 30	Principal	Interest
2015.....	\$ 5,650	\$ 7,163
2016.....	5,883	6,876
2017.....	6,144	6,612
2018.....	6,440	6,309
2019.....	6,735	6,017
2020-2024....	38,980	24,769
2025-2029....	49,790	13,957
2030-2031....	23,626	1,876
Total.....	<u>\$ 143,248</u>	<u>\$ 73,579</u>

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

**Total Business-type Activities**

Fiscal Year Ending	Revenue/Lease Revenue		Other Long-Term		Total	
	Bonds	Obligations	Principal	Interest	Principal	Interest
June 30	Principal	Interest	Principal	Interest	Principal	Interest
2015.....	\$ 240,291	\$ 464,030	\$ 12,351	\$ 20,244	\$ 252,642	\$ 484,274
2016.....	257,697	454,121	12,344	19,625	270,041	473,746
2017.....	277,654	442,347	12,242	18,958	289,896	461,305
2018.....	291,951	429,566	12,575	18,317	304,526	447,883
2019.....	332,283	415,884	13,190	17,706	345,473	433,590
2020-2024....	1,951,207	1,809,092	75,903	77,770	2,027,110	1,886,862
2025-2029...	1,914,558	1,322,325	84,349	56,301	1,998,907	1,378,626
2030-2034....	1,492,625	883,678	61,051	33,423	1,553,676	917,101
2035-2039...	1,466,545	493,194	46,425	18,475	1,512,970	511,669
2040-2044...	928,125	156,528	34,929	3,671	963,054	160,199
2045-2049...	109,140	37,386	-	-	109,140	37,386
2050-2054...	51,045	3,588	-	-	51,045	3,588
Total.....	<u>\$ 9,313,121</u>	<u>\$ 6,911,739</u>	<u>\$ 365,359</u>	<u>\$ 284,490</u>	<u>\$ 9,678,480</u>	<u>\$ 7,196,229</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

#### General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the fiscal year ended June 30, 2014, are as follows:

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

Authorized and unissued as of June 30, 2013.....	\$ 750,675
Increases in authorization this fiscal year:	
Earthquake Safety and Emergency Response .....	400,000
Bonds issued:	
General Obligation Bonds Series 2014A.....	<u>(209,955)</u>
Net authorized and unissued as of June 30, 2014.....	<u>\$ 940,720</u>

The increase in authorized amount of \$400.0 million of 2014 Earthquake Safety and Emergency Response General Obligation Bonds was approved by at least two-third votes of the City electorate voting on Proposition A at an election held on June 3, 2014. The bonds will be issued to fund improvements to fire, earthquake and emergency response.

In January 2014, the City issued General Obligation Bonds Series 2014A in the amount of \$210.0 million to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center and to pay certain costs related to the issuance of the Series 2014A bonds. The Series 2014A bonds bear interest rates ranging from 1.0% to 5.0% and mature from June 2014 through June 2033.

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

#### Certificates of Participation

In May 2014, the City issued Refunding Certificates of Participation Series 2014-R1 (San Francisco Courthouse Project) for \$13.6 million and Series 2014-R2 (Juvenile Hall Project) for \$33.6 million. The proceeds of the certificates were used to refund certain outstanding certificates of participation which financed the construction of the City's Courthouse and the City's Juvenile Hall in San Francisco and to pay costs of execution and delivery of the certificates. The Series 2014-R1 certificates mature from April 2015 through April 2021 with interest rate of 5.0% and the Series 2014-R2 certificates mature from April 2015 through April 2034 with interest rates ranging from 2.5% to 5.0%. The refunding resulted in the recognition of deferred accounting gain of \$278 and reduced the City's aggregate debt service payment by \$5.6 million over the next 20 years and obtained present value savings of \$4.8 million or 9.8% of refunded bond.

At June 30, 2014, the City has a total of \$521.5 million of certificates of participation payable by pledged revenues from the base rental payments payable by the City. Total debt service payments remaining on the certificates of participation are \$773.3 million payable through September 1, 2040. For the fiscal year ended June 30, 2014, principal and interest paid by the City totaled \$28.2 million and \$24.4 million, respectively.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

#### Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds related to the equipment program for the year ended June 30, 2014 were as follows:

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

Authorized and unissued as of June 30, 2013.....	\$ 137,425
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program.	2,925
Current year maturities in Finance Corporation's equipment program.....	10,865
Net authorized and unissued as of June 30, 2014.....	<u>\$ 151,215</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 issue costs, fund withheld pursuant to reserve fund requirement, and amount designated for capitalized interest is recorded as deferred credit in the internal service fund until such time as it is used for its intended purpose. The deferred credits are eliminated in the governmental activities statement of net position.

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the San Francisco Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bond is \$294.0 million payable through June 2034. For the fiscal year ended June 30, 2014, principal and interest paid by the Corporation and the total lease payments made by the City totaled \$20.8 million and \$5.6 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, 2014, the cumulative amount authorized, repaid and outstanding was \$61.4 million, \$10.9 million and \$24.4 million, respectively.

#### San Francisco Marina West Harbor Loan

In March 2009, the City through the Recreation and Parks Department entered into a loan agreement with the Department of Boating and Waterways of the State of California (State). Under the Small Craft Harbor Construction Loan agreement, the State will advance the City a total amount of \$16.5 million in four phases of its construction project. Repayment of principal and interest begins on August 1, immediately after the final loan draw and annually thereafter until August 2045. Interest shall be compounded continuously at the rate of 4.5% on the unpaid balance. The loan repayment shall be made from project area gross revenues. Primary collateral for the loan consists of a lease/leaseback of the marina between the City and the State with an assignment of rents and leases on marina

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

revenues. In addition, the State will receive a first lien position on the City's marina account surplus revenues to cover any payment shortfall after construction completion. In January 2011, the State authorized to fund Phase V of the project for \$7 million by an amendment to the loan agreement. Under the amended agreement, the City will provide and maintain a reserve fund that will act as security of the loan. At a minimum, a reserve of two annual payments (\$2.9 million) will be accumulated during the first ten years of the loan repayment terms and thereafter be maintained at that level. During the year ended June 30, 2014, the City drew down \$8.7 million. The amount of loan outstanding as of June 30, 2014 is \$21.4 million.

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

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

##### San Francisco International Airport

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

Pursuant to resolutions approved in fiscal years 2008, 2012 and 2014, the Airport Commission has authorized the issuance of up to \$4.8 billion of San Francisco International Airport Second Series Revenue 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, 2014, \$3.7 billion of the authorized capital plan bonds remained unissued.

In July 2013, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2013A (AMT), Series 2013B (Non-AMT/Governmental Purpose) and Series 2013C (Taxable) in the total amount of \$461.1 million. The Series 2013A-C Bonds are uninsured, long-term, fixed rate bonds. The Series 2013A (AMT) Bonds mature between May 1, 2020 and May 1, 2038 with interest rates from 5.00% to 5.50%. The Series 2013B (Non-AMT/Governmental Purpose) Bonds mature on May 1, 2043, with an interest rate of 5.00%. The Series 2013C (Taxable) Bonds mature between May 1, 2017 and May 1, 2019, with interest rates from 2.12% to 2.86%.

The net proceeds of \$405.8 million (comprised of a \$461.1 million bond principal amount, less \$71.8 million in underwriting fees, deposits to the capitalized interest accounts and the reserve account, and payment of costs of issuance, together with \$16.5 million in net original issue premium) were used to retire the outstanding balance of subordinate CP (\$180.5 million), and make a deposit into the Airport's construction accounts to fund capital projects at the Airport (\$225.3 million).

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

Pursuant to sale resolutions approved between fiscal years 2005 through 2011, the Airport Commission has authorized the issuance of up to \$8.4 billion of Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Resolution Bonds and outstanding subordinate commercial paper notes, funding debt service reserves, and paying cost of issuance, including an related bond redemption premiums. As of June 30, 2014, net of the expired sale authorizations, \$1.4 billion of such refunding bonds remained unissued. During fiscal year 2014, no new refunding bonds were issued, and the following refunding bonds were remarketed with new letters of credit.

In April 2014, the Airport remarketed its outstanding Second Series Variable Rate Revenue Refunding Bonds, Issue 36B (Non-AMT/Private Activity) with a new irrevocable letter of credit (LOC) from The Bank of Tokyo-Mitsubishi UFJ, Ltd. that expires on April 25, 2018. The bonds were originally secured by a LOC from U.S. Bank National Association that expired on May 4, 2014. The Issue 36B Bonds were remarketed with the original maturity date of May 1, 2026, and no changes to principal amortization.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

In April 2014, the Airport remarketed its outstanding Second Series Variable Rate Revenue Refunding Bonds, Issue 36C (Non-AMT/Private Activity) with a new irrevocable LOC from The Bank of Tokyo – Mitsubishi UFJ, Ltd. that expires on April 25, 2018. The bonds were originally secured by a LOC provided by U.S. Bank National Association with an expiration date of July 11, 2014. The Issue 36C Bonds were remarketed with the original maturity date of May 1, 2026, and no changes to principal amortization.

#### Variable Rate Demand Bonds

As of June 30, 2014, the Airport had outstanding aggregate principal amount of \$481.5 million of Second Series Variable Rate Revenue Refunding Bonds, consisting of Issue 36A/B/C and Issue 37C, and Series 2010A, (collectively, the “Variable Rate Bonds”) with final maturity dates of May 1, 2026 (Issue 36A/B/C), May 1, 2029 (Issue 37C), and May 1, 2030 (Series 2010A). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days’ notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

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

Amounts drawn under a LOC that are not reimbursed by the Airport constitute “Repayment Obligations” under the 1991 Master Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the LOC range between 0.52% and 0.78% per annum. As of June 30, 2014, there were no unreimbursed draws under these facilities.

In December 2013, the Airport obtained an extension of the LOC issued by J.P. Morgan Chase Bank, N.A. securing the Series 2010A Bonds and in April 2014, the Airport obtained a replacement LOC from The Bank of Tokyo-Mitsubishi UFJ, Ltd. for the Issue 36B Bonds in advance of the expiration dates of the LOC securing both series of bonds.

In April 2014, the Airport obtained an additional LOC from The Bank of Tokyo-Mitsubishi UFJ, Ltd. to support the Issue 36C Bonds in advance of the July 11, 2014 stated expiration date of the prior LOC securing those bonds.

The primary terms of the LOC securing the Variable Rate Bonds included in long-term debt as of June 30, 2014, are as follows:

	Issue 36A	Issue 36B	Issue 36C	Issue 37C	Series 2010A
Principal Amount	\$100,000	\$40,620	\$36,145	\$89,895	\$215,970
Expiration Date	October 26, 2016	April 25, 2018	April 25, 2018	July 13, 2015	December 14, 2016
Credit Provider	U.S. Bank National Association	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Union Bank, N.A.	JP Morgan Chase Bank, N.A.

#### Interest Rate Swaps

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

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

In December 2010, the Airport terminated the swap associated with the Series 2010A-3 Bonds, with a notional amount of \$72.0 million. The Airport paid a termination amount of \$6.7 million to the counterparty, Depfa Bank plc. The payment was funded with taxable commercial paper, which was subsequently retired with Airport operating funds in March 2011.

Following the termination of the Depfa swap, the Series 2010A-3 Bonds, which are variable rate, were no longer hedged with an interest rate swap. The swap associated with the Issue 37B Bonds, however, is now associated with the Series 2010A-3 Bonds and the unhedged portions of Issue 36A/B/C.

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

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

As of June 30, 2014, the Airport's derivative instruments comprised six interest rate swaps that the Airport entered into to hedge the interest payments on several series of its variable rate Second Series Revenue Bonds. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swaps to be effective as of June 30, 2014.

#	Current Bonds	Initial Notional Amount	Notional Amount		Effective Date
			June 30, 2014		
1	36AB	\$ 70,000	\$ 70,000		2/10/2005
2	36AB	69,930	69,930		2/10/2005
3	36C	30,000	30,000		2/10/2005
4	2010A*	79,684	79,331		5/15/2008
5	37C	89,856	89,459		5/15/2008
6	2010A	143,947	143,447		2/1/2010
Total		\$ 483,417	\$ 482,167		

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

### **Fair Value**

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

As of June 30, 2014, the fair value of the Airport's six outstanding swaps, counterparty credit ratings and fixed rate payable by the Airport are as follows:

#	Current Bonds	Counterparty/guarantor *	Counterparty	Fixed rate	Fair
			credit ratings (S&P/Moody's/Fitch)	payable by Airport	value to Airport
1	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	\$ (8,554)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.445%	(8,554)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	(3,666)
4	2010A	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	A+/Aa3/NR	3.773%	(13,918)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.898%	(16,777)
6	2010A	Goldman Sachs Group, Inc.	A-/Baa1/A	3.925%	(28,481)
Total					\$ (79,950)

\* The ratings for the 2010A swaps are the ratings of the guarantor.

The impact of the interest rate swaps on the financial statements for the fiscal year ended June 30, 2014 is as follows:

	Deferred outflows	
	on derivative instruments	Derivative instruments
Balance as of June 30, 2013	\$ 64,743	\$ 81,338
Change in fair value	221	(1,103)
Balance as of June 30, 2014	\$ 64,964	\$ 80,235

The fair value of the interest rate swap portfolio is recorded as a liability (since the swaps are out of the money from the perspective of the Airport) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if out of the money) or inflow liability (if in the money). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflows/outflows values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows of resources and derivative instruments above is the unamortized off-market portions of the swaps as of June 30, 2014.

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

June 30, 2014, the Airport paid a total of \$1.8 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, 2014, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport. Should long-term interest rates rise and the fair value of the swaps become positive, the Airport would be exposed to credit risk in the amount of the swaps' fair value. Under the terms of the swaps, counterparties are required to post collateral consisting of specified U.S. Treasury and Agency securities in an amount equal to the market value of a swap that exceeds specified thresholds linked to the counterparty's credit ratings. Any such collateral will be held by a custodial bank.

**Counterparty Risk** - The Airport is exposed to counterparty risk, which is related to credit and termination risk. While the insolvency or bankruptcy of a counterparty, or its failure to perform would be a default under the applicable swap documents, none of the Airport's swaps would automatically terminate. Rather, the Airport would have the option to terminate the affected swap at its fair value, which may result in a payment to the counterparty. The Airport may also be exposed to counterparty risk in a high interest rate environment in the event a counterparty is unable to perform its obligations on a swap transaction leaving the Airport exposed to the variable rates on the associated debt. In order to diversify the Airport's swap counterparty credit risk and to limit the Airport's credit exposure to any one counterparty, the Airport's swap policy imposes limits on the maximum net termination exposure to any one counterparty. Maximum net termination exposure is calculated as of the date of execution of each swap and is monitored regularly during the term of the swap. The exposure limits vary for collateralized and non-collateralized swaps based upon the credit rating of the counterparty. If any exposure limit is exceeded by a counterparty during the term of a swap, the Airport Director is required to consult with the Airport's swap advisor and bond counsel regarding appropriate actions to take, if any, to mitigate such increased exposure, including, without limitation, transfer or substitution of a swap. As of June 30 2014, the fair value of the Airport's swaps was negative to the Airport (representing an amount payable by the Airport to each counterparty in the event the relevant swap was terminated). Although the Airport was not exposed to the credit of any counterparty with respect to termination amounts, the maximum net termination exposure limits in the Airport's swap policy were exceeded with respect to several counterparties. Following the consultation required by the Airport's swap policy, the Airport Director determined not to terminate, transfer or substitute such swaps.

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

#	Swap	Swap Insurer	Insurer credit ratings June 30, 2014 (S&P/Moody's/Fitch)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	Issue 36C	Assured Guaranty Municipal Corp.	AAA2/NR
4	Series 2010A	None	N/A
5	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
6	Series 2010A	None	N/A

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

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

The Airport's swap guarantors Goldman Sachs Group, Inc. and Merrill Lynch Derivative Products AG were each downgraded by one of the rating agencies during the year ended June 30, 2014.

The downgrades to Goldman Sachs and Merrill Lynch did not constitute Additional Termination Events under the swap agreement with either counterparty. The downgrade of any swap counterparty increases the risk to the Airport that such counterparty may become bankrupt or insolvent and not perform under the applicable swap. If a counterparty does not perform under its swap, the Airport may be required to continue making its fixed rate payments to the counterparty even though it does not receive a variable rate payment in return. The Airport may elect to terminate a swap with a non-performing counterparty and may be required to pay a substantial termination payment approximately equal to the fair value of such swap, depending on market conditions at the time. As of June 30, 2014, the fair value of each swap was negative to the Airport as shown above.

#### Municipal Transportation Agency

In December 2013, the SFMTA issues its Revenue Bonds, Series 2013 in the total amount of \$75.4 million. The net proceed of \$82.2 million (consisting of \$75.4 million of the Series 2013 bonds plus original issue premium of \$6.8 million) were used to pay \$0.2 million underwriter discount and \$1 million in costs of issuance, deposit \$6.0 million into the Reserve Account, and fund \$75.0 million for various transit and parking capital projects for the SFMTA. The Series 2013 bonds bear interest at fixed rates from 1.5% to 5.0% and have a final maturity on March 1, 2033.

#### Port of San Francisco

In May 2014, the Port issued \$22.7 million in revenue bonds in two series; an AMT tax-exempt series (Series 2014A) and a taxable series (Series 2014B). Series 2014A included serial and term bonds totaling \$19.9 million with coupon rates ranging from 3.00% to 5.00% and maturities from March 2020 to March 2044. Series 2014B included serial bonds totaling \$2.8 million with coupon rates ranging from 0.55% to 3.00% and maturities from March 2015 through March 2020. Series 2014A bonds with scheduled maturities on or after March 2025 are subject to redemption as a whole or in part at the sole option of the Port at any time on or after March 2025 at redemption prices specified in the Master Trust Indenture dated February 1, 2010. Bonds with scheduled maturities on or before March 2024 are not subject to optional redemption prior to their maturity. Under terms of the indenture the Port is required to deposit in a debt service reserve fund with a bond trustee, amounts equal to the Series 2014A reserve requirement and to the Series 2014B reserve requirement.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

The Series 2014A reserve requirement is an amount equal to the lesser of: a) the maximum annual debt service with respect to the Series 2014A bonds, b) 125% of the average annual debt service on the Series 2014A bonds, c) 10% of the outstanding principal of the amount of the Series 2014A bonds, or d) the sum of \$651, which is the initial deposit into the reserve fund, plus any amounts available to be transferred from the Series 2014B reserve account pursuant to the Indenture. Funds on deposit in the Series 2014A reserve fund are only for the benefit of the Series 2014A bondholders. The Series 2014B reserve requirement is an amount equal to the maximum annual debt service on the Series 2014B bonds. Funds on deposit in the Series 2014B reserve fund are only for the benefit of the Series 2014B bondholders. At June 30, 2014, the Port was in compliance with these reserve requirements.

In May 2012, the Board of Supervisors authorized the City to issue \$45.0 million in certificates of participation (COPs) to finance various facilities and improvements under the jurisdiction of the Port, including the construction of a primary cruise terminal at Pier 27. The plan of finance for the Port projects also contemplated utilization of the City's commercial paper (CP) program as interim or bridge financing. Under that program, CP notes are issued by the City and short-term debt is incurred only when funds are drawn to pay project costs. The public sale of \$37.7 million in COPs was completed in October 2013 and \$27.2 million from the proceeds was used to repay the City CP program in November 2013. Interest rates on commercial paper for the subsequent period through October 2013 ranged from 0.07% to 0.16%.

A memorandum of understanding between the City and the Port govern the terms of repayment for the City COPs. The Port is required to make payments to the City equal to annual debt service on the Certificates. These payment obligations are subordinate to any Port revenue bond obligations. The Port has agreed, during the term of the COPs, to annually budget amounts necessary for direct payment of obligations or for reimbursement by the Port to the City for costs incurred on behalf of the Port in connection with the COPs. At the outset, the property ("Leased Property") securing the City COPs will be a specified portion of the City's Laguna Honda Hospital and Rehabilitation Center. Upon completion of Phase 2 construction of the James R. Herman Cruise Terminal at Pier 27 in 2014, the Laguna Honda Hospital and Rehabilitation Center will be released from the Project Lease and replaced with the completed cruise terminal. While the Leased Property will serve as the leased asset for the COPs to secure the City's covenants and obligations under the lease, there is no remedy under the COPs for the purchasers thereof to take possession of the Leased Property.

The COPs were issued in two series, consisting of Series 2013B (Non-AMT) in the amount of \$4.8 million and Series 2013C (AMT) in the amount of \$32.9 million. Series 2013B certificates will mature March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C certificates will mature March 2014 through March 2043 and carry coupon rates between 4.00% and 5.25%. The COPs with scheduled maturities on or after March 2023 are subject to redemption at specified prices at the option of the City. Those COPs with scheduled maturities before March 2023 are not subject to optional redemption prior to their maturity.

## (9) EMPLOYEE BENEFIT PROGRAMS

### (a) Retirement Plan

The City administers a cost-sharing multiple-employer defined benefit pension plan (the Plan), which covers substantially all of its employees, 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. Due to the relatively minor share of costs borne by the other employers in the Plan, the City presents disclosure information for the Plan as if it were a single-employer plan. The Plan is administered by the San Francisco City and County Employees' Retirement System (the Retirement System). Some City employees participate in the California Public Employees' Retirement System (PERS), agent or cost-sharing multiple-employer, public employee pension plans, which cover certain employees in public safety functions, the Port, the Airport, the Transportation Authority and the Successor Agency.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

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

**Plan Description** – Substantially all full-time employees of the City participate in the Plan. The Plan provides basic service retirement, disability and death benefits based on specified percentages of defined final average monthly salary and provides annual cost-of-living adjustments after retirement. The Plan also provides pension continuation benefits to qualified survivors. The San Francisco City and County Charter and the Administrative Code are the authority which establishes and amends the benefit provisions and employer obligations of the Plan. The retirement related payroll for employees covered by the Retirement System for the year ended June 30, 2014 was approximately \$2.5 billion. The Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the San Francisco City and County Employees' Retirement System, 1145 Market Street, 5<sup>th</sup> Floor, San Francisco, CA 94103 or by calling (415) 487-7000.

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

**Funding Policy** – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2013-14 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2014, 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, 2012 actuarial report, the required employer contribution rate for fiscal year 2013-14 was 20.32% to 24.32%.

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

**Annual Pension Cost** – The annual required contribution for the current year was determined as part of an actuarial valuation performed as of July 1, 2012. The actuarial method used was the entry age normal cost method. The significant actuarial assumptions include: (1) annual rate of return on investments of 7.58%; (2) cost of living adjustments of 2% to 5%; and (3) projected wage increases of 3.83% with additional for merit and promotion of 0.00% to 15.00% based on a participant's years of service and membership group. The actuarial value of Retirement System assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 5-year period. Unfunded liabilities are amortized using the level percentage of payroll method. Changes in actuarial gains and losses, assumptions, and supplemental COLAs are amortized as a level percentage of payroll over an open 15-year period. Plan amendments and changes in interest crediting rate are amortized over a closed 20-year period.

Three-year trend information is as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2012	\$ 410,797	100%	\$ -
6/30/2013	442,870	100%	-
6/30/2014	532,882	100%	-

**Funded Status and Funding Progress** – As of July 1, 2013, the most recent actuarial valuation date, the actuarial value of assets was \$16.30 billion; the actuarial accrued liability was \$20.22 billion; the total unfunded actuarial accrued liability was \$3.92 billion; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 80.6%; the annual covered payroll was \$2.54 billion; and the ratio of the unfunded actuarial liability to annual covered payroll was 154.6%. The actuarial

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

assumptions used were the same as described in the Annual Pension Cost section above. The Retirement System's unfunded actuarial accrued liability from its July 1, 2013 actuarial valuation increased \$555.2 million from a deficit of \$3.36 billion to a deficit of \$3.92 billion primarily due to investment experience during the year ended June 30, 2009. The actuarial value of assets is "smoothed" in order to mitigate the impact of investment performance volatility on employer contribution rates. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

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

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

### ***Miscellaneous Plan***

**Funding Policy – Miscellaneous plan** – Participants are required to contribute 7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. For the miscellaneous plan, the fiscal year 2013-14 contribution rate is 0% of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**Annual Pension Cost – Miscellaneous plan** – Cost for PERS for fiscal year 2013-14 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method.

Three-year payment trend information is as follows:

<b>Fiscal Year Ended</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
6/30/2012	\$ -	N/A	\$ -
6/30/2013	-	N/A	-
6/30/2014	-	N/A	-

### ***Safety Plan***

**Funding Policy – Safety plan** – Participants are required to contribute 9% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate. For the safety plan, the fiscal year contribution rate is 21.59%. The contribution requirements of plan members and the City are established and may be amended by PERS.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

Annual Pension Cost – Safety Plan – The cost for PERS for fiscal year 2013-14 was equal to the City's required and actual contributions, which was determined as part of the June 30, 2011 actuarial valuation using the entry age actuarial cost method. The assumptions included in the June 30, 2011 actuarial valuation were: (a) 7.50% investment rate of return (net of administrative expenses), (b) 3.30% to 14.20% projected annual salary increases that vary by age, service and type of employment, and (c) 3.00% payroll growth. The inflation rate is 2.75%. For the June 30, 2011 actuarial valuation, the average remaining period is 32 years. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over 15 years. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period.

Three-year trend information is as follows:

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/2012	\$ 23,888	100%	\$ -
6/30/2013	23,811	100%	-
6/30/2014	24,020	100%	-

Funded Status and Funding Progress – As of June 30, 2013, the most recent actuarial valuation date, the actuarial value of assets was \$785.2 million; the actuarial accrued liability was \$962.2 million; the total unfunded actuarial accrued liability was \$177.1 million; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 81.6%; the annual covered payroll was \$108.1 million; and the ratio of the unfunded actuarial liability to annual covered payroll was 163.8%. The assumptions included in the June 30, 2012 actuarial valuation were: (a) 7.50% investment rate of return (net of administrative expenses), (b) 3.30% to 14.20% projected annual salary increases that vary by age, service and type of employment, (c) 3.00% payroll growth and (d) 2.75% inflation rate. For the June 30, 2013 actuarial valuation, the actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over 15 years. Changes in unfunded liability/(excess assets) due to changes in actuarial methods or assumptions or changes in plan benefits are amortized over as a level percentage of pay over a closed 20 year period.

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

#### **(b) Deferred Compensation Plan**

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

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

#### **(c) Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$644.1 million in fiscal year 2013-14. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is \$198.9 million to provide postemployment health care benefits for 25,940 retired participants, of which \$160.7 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 by calling (800) 541-2266.

### (d) Postemployment Health Care Benefits

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

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

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

Funding Policy – The contribution requirements of plan members and the City are based on a pay-as-you-go basis. For fiscal year ended June 30, 2014, the City paid approximately \$160.7 million on behalf of its retirees and contributed \$5.9 million to the Retiree Health Care Trust Fund.

Annual OPEB Cost and Net OPEB Obligation – The City's annual other postemployment benefits (OPEB) expense is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excess) amortized over thirty years. The ARC was determined based on the July 1, 2012 actuarial valuation.

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

Annual required contribution	\$ 341,377
Interest on Net OPEB obligation	71,444
Adjustment to annual required contribution	<u>(59,570)</u>
Annual OPEB cost	353,251
Contribution made	<u>(166,628)</u>
Increase in net OPEB obligation	186,623
Net OPEB obligation - beginning of year	<u>1,607,130</u>
Net OPEB obligation - end of year	<u>\$ 1,793,753</u>

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

The table below shows how the total net OPEB obligation as of June 30, 2014, is distributed.

Governmental activities	\$ 1,004,141
Business-type activities	734,434
Fiduciary funds	<u>55,178</u>
<b>Net OPEB obligation - end of year</b>	<b><u>\$ 1,793,753</u></b>

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

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 405,850	38.5%	\$ 1,348,883
6/30/2013	418,539	38.3%	1,607,130
6/30/2014	353,251	47.2%	1,793,753

**Funded Status and Funding Progress** – The unfunded actuarial accrued liability is being amortized as a level percentage of expected payroll over an open thirty year period. As of July 1, 2012, the most recent actuarial valuation date, the funded status of the Retiree Health Care Benefits was 0.4%. The actuarial accrued liability for benefits was \$4.00 billion, and the value of assets was \$17.9 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3.98 billion. As of July 1, 2012, the estimated covered payroll (annual payroll of active employees covered by the plan) was \$2.46 billion and the ratio of the UAAL to the covered payroll was 161.9%.

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

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

In the actuarial valuation as of July 1, 2012, the entry age normal cost method was used. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percent of expected salary for each year of employment between entry age (age at hire) and assumed exit (maximum retirement age). Unfunded liabilities are amortized using the level percentage of payroll over a rolling 30-year period. The actuarial assumptions included a 4.45% investment rate of return on investment; 3.33% inflation rate; 3.83% payroll growth; and actual medical premiums from 2013 through 2014 and an ultimate medical inflation rate of 8.0% to 4.50% from 2016 through 2030.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

The Charter amendment passed by voters as Proposition A on November 5, 2013 prohibits withdrawals from the RHCTF until sufficient funds are set-aside to pay for all future retiree health care costs as determined by an actuarial study. Limited withdrawals prior to accumulating sufficient funds will be permitted only if annually budgeted retiree health care costs rise above 10% of payroll expenses, and will be limited to no more than 10% of the RHCTF balance. Proposition A allows for revisions to these funding limitations and requirements only upon the recommendation of the Controller and an external actuary and if approved by the RHCTF Board, two-thirds of the Board of Supervisors, and the Mayor.

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

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and reported a net OPEB obligation of \$0 as of June 30, 2014. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2013, covering the fiscal year ended June 30, 2014. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 67.6% funded and the unfunded actuarial accrued liability was \$0.4 million. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2014. 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.

As of June 30, 2014, the Transportation Authority's annual OPEB expense of \$138.4 was equal to the ARC. Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2012	\$ 158.0	100%	\$ -
6/30/2013	163.0	100%	-
6/30/2014	138.4	100%	-

#### ***Successor Agency***

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

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

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

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

The annual required contribution is an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. During the year ended June 30, 2014, the Successor Agency contributed \$1.3 million to this Plan.

Annual Other Postemployment Benefit Cost and Net Obligation – The Successor Agency's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. Annual OPEB Cost (AOC) equals the plan's ARC, adjusted for historical differences between the ARC and amounts actually contributed. The Successor Agency's annual required contribution for the year ended June 30, 2014 is the sum of (a) normal cost of \$110 and (b) level dollar amortization of the June 30, 2013 unfunded actuarial accrued liability of \$822.

The following table shows the components of the Successor Agency's annual OPEB cost for the year ended June 30, 2014, and the changes in the net OPEB obligation:

Annual required contribution	\$ 932
Interest on Net OPEB obligation	89
Adjustment to annual required contribution	<u>(109)</u>
Annual OPEB cost	912
Contribution made	<u>(1,266)</u>
Decrease in net OPEB obligation	(354)
Net OPEB obligation - beginning of year	<u>1,221</u>
Net OPEB obligation - end of year	<u><u>\$ 867</u></u>

Three-year trend information is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
1/31/2012 *	\$ 747	65%	\$ 733
6/30/2012 **	533	65%	921
6/30/2013	1,306	77%	1,221
6/30/2014	912	139%	867

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

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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

Funded Status and Funding Progress – The funded status of the plan of the former Agency as of June 30, 2013, the plan's most recent actuarial valuation date, was as follows (in thousands):

Actuarial accrued liability (AAL)	\$ 11,378
Actuarial value of plan assets	2,154
Unfunded actuarial accrued liability (UAAL)	<u>\$ 9,224</u>
Funded ratio (actuarial value of plan assets/AAL)	18.9%
Covered payroll (active plan members)	\$ 4,048
UAAL as a percentage of covered payroll	227.9%

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

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

The annual required contribution for the year ended June 30, 2014 and the funding status of the plan was determined based on the June 30, 2013 actuarial valuation using the entry age normal actuarial cost method. Actuarial assumptions include (a) investment return and discount rate of 7.25% with a 5 year smoothing with 20% corridor for the actuarial value of plan assets; (b) medical costs trend increases of 4%; (c) inflation rate of 3.0%; (d) payroll growth of 3.0%; and (e) 2009 CALPERS mortality for miscellaneous employees. The Successor Agency's initial and residual UAAL is being amortized as a level dollar amount over closed 30 years and open 24 years, respectively.

#### **(10) 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 are set forth in the San Francisco County Transportation Expenditure Plan (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. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MTA Metro Network; B) construction of the 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). After 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the Transportation Authority may modify the Expenditure Plan with voter approval. Pursuant to

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to \$485.2 million per year and may issue up to \$1.88 billion in bonds secured by the Sales Tax. In addition to the sales tax program, the Transportation Authority also administers the following programs:

**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 (MTC) 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 (BAAQMD) come from a \$4 vehicle registration fee on automobiles registered in the Bay Area. Through this program, the Transportation Authority recommends projects that benefit air quality by reducing motor vehicle emissions.

**Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee Program.** On November 2, 2010, San Francisco voters approved Prop 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. Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the Transportation Authority Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). The Prop AA program is a pay-as-you-go program. The Transportation Authority could use up to 5% of the funds for administrative costs.

#### (11) DETAILED INFORMATION FOR ENTERPRISE FUNDS

##### (a) San Francisco International Airport

San Francisco International Airport (the Airport), which is owned and operated by the City, is the principal commercial service airport for the San Francisco Bay Area. A five-member Commission is responsible for the operation and management of the Airport. The Airport is located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County, between the Bayshore Freeway (U.S. Highway 101) and the San Francisco Bay. According to the 2013 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 eighteenth in terms of cargo. The Airport is also a major origin and destination point and one of the nation's principal gateways for Pacific traffic.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

**Revenue Pledge** – The Airport has pledged all of the Net Revenues (as defined in the bond resolutions) to repay the following obligations, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (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 2014, 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 are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge .....	\$ 461,125
Bond principal and interest remaining due at end of the fiscal year .....	6,491,433
Commercial paper issued with subordinate revenue pledge .....	249,350
Commercial paper principal and interest remaining due at end of the fiscal year...	249,047
Net revenues .....	403,036
Bond principal and interest paid in the fiscal year .....	354,387
Commercial paper principal and interest paid in the fiscal year .....	5,858

**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 debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

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

- (a) Net revenues 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
- (b) Net revenues, together with any transfer from the Contingency Account to the Revenue Account (both held by the City Treasurer), in each fiscal year will be at least equal to 125% of aggregate annual debt service with respect to the bonds for such fiscal year.

The methods required by the 1991 Master Bond Resolution for calculating debt service coverage differs from 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 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of \$610.5 million was approved by the FAA in October 2013. The current authority to impose PFCs is estimated to end June 1, 2023. For the year ended June 30, 2014, the Airport reported approximately \$87.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

**Commitments and Contingencies** – In addition to the long-term obligations discussed in Note 8, there were \$82.6 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2014, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements. 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, 2014 are as follows:

Construction .....	\$ 68,336
Operating.....	<u>8,907</u>
Total.....	<u>\$ 77,243</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, 2014 was \$38.0 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent, and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2014 was \$131.3 million.

**Business Concentrations** - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the fiscal year ended June 30, 2014, revenues realized from the following Airport tenant exceeded five percent of the Airport's total operating revenues:

United Airlines ..... 23.6%

#### (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 17% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

bonds is \$103.9 million. The principal and interest payments made in 2014 were \$2.8 million and pledged revenues (total net revenues calculated in accordance with the bond indenture) for the year ended June 30, 2014 were \$25.3 million.

The Port has entered into a loan agreement with the California Department of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$3.5 million. Annual principal and interest payments were \$0.23 million in 2014 and pledged harbor revenues were \$0.15 million for the year ended June 30, 2014.

**Pier 29 Fire** – On June 20, 2012, a fire caused damage to the Pier 29 bulkhead and shed building. Required repair, replacement and certain improvement work, including code upgrades, is covered by insurance, after a deductible of \$0.5 million. Insurance proceeds totaling \$12.4 million have been received pursuant to preliminary claims filed by the Port through June 30, 2014. The Port is involved in discussions with its insurer as to additional insurance proceeds which the Port believes it should be entitled.

**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, 2014, the Port had purchase commitments for construction-related services, materials and supplies, and other services were \$17.0 million for capital projects and \$3.1 million for general operations.

The San Francisco Clean and Safe Neighborhood Parks Bond general obligation bond issued in 2012 included \$34.5 million and in 2008 \$33.5 million for funding allocated for parks and open space projects currently in progress on Port property. Under an agreement with the San Francisco Bay Conservation and Development Commission (BCDC), the Port is committed to fund and expend up to \$30 million over a 20-year period for pier removal, parks and plazas, and other public access improvements. As of June 30, 2014, \$48.5 million of Port funds have been appropriated and \$40.8 million has been expended for projects under the agreement. In addition to work directly funded by the Port, the deck and pilings that form the valley between Piers 15 and 17 and a portion on non-historic sheds were removed as part of the construction work completed by The Exploratorium project.

**Related Party Transactions** – The Port receives from, and provides services to, various City departments. In 2014, the \$15.6 million in services provided by other City departments included \$2.2 million of insurance premiums and \$0.6 million in workers' compensation expense.

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

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service, but additional berthing rate increases are likely required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. 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.

**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

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

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contamination. As future development planning is undertaken, the Port evaluates its overall provisions for environmental liabilities in conjunction with the nature of future activities contemplated for each site and accrues a liability, if necessary. It is, therefore, reasonably possible that in future reporting periods current estimates of environmental liabilities could materially change.

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

A 65-acre area commonly known as "Pier 70" has been used for over 150 years for iron and steel works, ship building and repair, and other heavy industrial operations. Much of the site was owned and/or occupied by the U.S. Navy or its contractors for at least 60 years. A long history of heavy industrial use has turned this area into a "brownfield" – an underutilized property area where reuse is hindered by actual or suspected contamination. Fifteen acres remain occupied by an on-going ship repair facility. Environmental conditions exist that require investigation and remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. In 2012, the Port completed a feasibility study to evaluate potential remedial actions, and developed a Remedial Action Plan (RAP), for implementing the recommended alternative. The RAP consists of capping site soils and establishing institutional controls to reduce or eliminate human health risks related to contamination to be managed on-site. The Port subsequently developed a Risk Management Plan, which establishes 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. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014.

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 PCBs at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at \$10.6 million at June 30, 2014.

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.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

A summary of environmental liabilities, included in noncurrent liabilities, at June 30 2014, is as follows:

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2013	\$ 10,670	\$ 163	\$ 10,833
Current year claims and changes in estimates	(45)	37	(8)
Vendor payments	-	(71)	(71)
Environmental liabilities at June 30, 2014	<u><u>\$ 10,625</u></u>	<u><u>\$ 129</u></u>	<u><u>\$ 10,754</u></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 2014, the Water Enterprise sold water, approximately 79,205 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

The San Francisco Public Utilities Commission (Commission), established in 1932, provides the operational oversight for the Water Enterprise, Hetch Hetchy Water and Power (Hetch Hetchy), and the San Francisco Wastewater Enterprise. Under Proposition E, the City's Charter Amendment approved by the voters in June 2008, the Mayor nominates candidates subject to qualification requirements to the Commission and the Board of Supervisors votes to approve the nominees by a majority (at least six members).

**Pledged Revenues** – The Water Enterprise has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2051.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2014 and applicable revenues for 2014 are as follows:

Bonds issued with revenue pledge	\$ 4,457,970
Principal and interest remaining due at the end of the year	8,127,166
Principal and interest paid during the year	236,419
Net revenue for the year ended June 30	196,239
Funds available for revenue bond debt service	483,761

During fiscal year 2014, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$177.6 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, 2014, the City owed the Wholesale Customers \$29.4 million under the Water Supply Agreement.

**Commitments and Contingencies** – As of June 30, 2014, the Water Enterprise had outstanding commitments with third parties of \$433.6 million for various capital projects and for materials and supplies.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

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**Environmental Issue** – As of June 30, 2014, the total pollution remediation liability was \$20.1 million, consisting of \$19.4 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area and \$1.2 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 \$33.3 million and \$8.7 million, respectively, for the year ended June 30, 2014, 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 \$12.9 million for the year ended June 30, 2014 and have been included in services provided by other departments.

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

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

Approximately 90% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 10 percent balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or deposited into an energy bank account under the City's agreement with Pacific Gas and Electric Company (PG&E). Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

Hetch Hetchy also purchases wholesale electric power from various energy providers that are used in conjunction with owned hydro resources to meet the power requirements of its customers. Operations and business decisions can be greatly influenced by market conditions, State and Federal power matters before the California Public Utilities Commission (CPUC), the California Independent System Operator (CAISO), and the Federal Energy Regulatory Commission (FERC). Therefore, Hetch Hetchy serves as the City's representative at CPUC, CAISO, and FERC forums and continues to monitor regulatory proceedings.

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

<b>Condensed Statements of Net Position</b>	<b>Hetch Hatchy</b>		
	<b>Water</b>	<b>Power</b>	<b>Total</b>
<b>Assets:</b>			
Current assets.....	\$ 50,899	\$ 151,786	\$ 202,685
Receivables from other funds and component units.....	-	14,844	14,844
Noncurrent restricted cash and investments.....	5,888	5,174	11,062
Other noncurrent assets.....	8	2,349	2,357
Capital assets.....	95,178	267,319	362,497
<b>Total assets.....</b>	<b>151,973</b>	<b>441,472</b>	<b>593,445</b>
<b>Liabilities:</b>			
Current liabilities.....	5,633	16,896	22,529
Noncurrent liabilities.....	8,936	48,430	57,366
<b>Total liabilities.....</b>	<b>14,569</b>	<b>65,326</b>	<b>79,895</b>
<b>Net position:</b>			
Net investment in capital assets.....	95,186	241,016	336,202
Restricted for capital projects.....	5,507	-	5,507
Unrestricted.....	36,711	135,130	171,841
<b>Total net position.....</b>	<b>\$ 137,404</b>	<b>\$ 376,146</b>	<b>\$ 513,550</b>

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<b>Condensed Statements of Revenues, Expenses, and Changes in Net Position</b>	Hetch	Hetch	Hetch	Hetch	
	Water	Power	Water	Power	Total
Operating revenues.....	\$ 35,622	\$ 98,816	\$ 134,438		
Depreciation expense.....	(4,186)	(11,128)			(15,314)
Other operating expenses.....	(30,839)	(89,912)			(120,751)
Net operating income .....	597	(2,224)			(1,627)
Nonoperating revenues (expenses):					
Federal grants.....	20	136			156
Interest and investment income (loss).....	487	1,289			1,776
Interest expense.....	-	(1,574)			(1,574)
Other nonoperating revenues (expenses) .....	(50)	3,205			3,155
Transfers in (out), net.....	166	164			330
Extraordinary item - Rim Fire (Loss).....	(2,709)	(4,134)			(6,843)
Change in net position.....	(1,489)	(3,138)			(4,627)
Net position at beginning of year, as restated.....	138,893	379,284			518,177
Net position at end of year.....	<u>\$ 137,404</u>	<u>\$ 376,146</u>			<u>\$ 513,550</u>

<b>Condensed Statements of Cash Flows</b>	Hetch	Hetch	Hetch	Hetch	
	Water	Power	Water	Power	Total
Net cash provided by (used in):					
Operating activities.....	\$ 5,227	\$ 12,285	\$ 17,512		
Noncapital financing activities.....	20	240			260
Capital and related financing activities.....	(8,222)	(24,516)			(32,738)
Investing activities.....	295	973			1,268
Change in net position.....	(2,680)	(11,018)			(13,698)
Cash and cash equivalents at beginning of year.....	58,493	154,493			212,986
Cash and cash equivalents at end of year.....	<u>\$ 55,813</u>	<u>\$ 143,475</u>			<u>\$ 199,288</u>

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

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, during 2014, and applicable revenues for 2014 are as follows:

Bonds issued with revenue pledge	\$ 21,216
Principal and interest remaining due at the end of the year	21,866
Principal and interest paid during the year	1,975
Funds available for revenue bond debt service	16,453

**Commitments and Contingencies** – As of June 30, 2014, Hetch Hetchy Water and Power had outstanding commitments with third parties of \$23.2 million for various capital projects and other purchase agreements for materials and services.

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### Notes to Basic Financial Statements (Continued)

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#### **Hetch Hetchy Water**

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District (MID) and Turlock Irrigation District (TID) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were \$4.5 million in fiscal year 2014. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

#### **Hetch Hetchy Power**

In April 1988, Hetchy Power entered into two separate long-term power sales agreements (the Agreement) with MID and TID. Both Agreements expire on June 30, 2015. The Agreement with MID has been amended, effective January 1, 2008, removing Hetchy Power's obligation to provide firm power and eliminated MID's rights to excess energy from the project. In April 2005, Hetchy Power amended the terms of the Agreement with TID, terminating Hetchy Power's obligation to provide TID firm power, and retaining TID's rights to excess energy from the project through the term of the Agreement.

The SFPUC will continue to comply with the Raker Act by making Hetch Hetchy generated hydropower available at cost to MID and TID for their agricultural pumping and municipal loads as energy from the Hetch Hetchy project is available after meeting the SFPUC's municipal load obligations. For fiscal years 2014, energy sales to the Districts totaled 103,489 Megawatt hours (MWh) or \$3,463. The decrease was a result of drought condition in California.

In 1987 the City entered into an interconnection agreement with PG&E to provide transmission, supplemental energy services and distribution services on PG&E's system to deliver power to the City's customers. The agreement was renegotiated in 2007 and will expire on July 1, 2015. During fiscal year 2014, Hetchy Power purchased \$13,834 of transmission, distribution services, and other support services from PG&E under the terms of the agreement.

The Interconnection Agreement with PG&E also contains a contractual provision allowing Hetch Hetchy to bank Hetchy Power produced in excess of its load obligations, with a maximum of 110,000 MWh. During fiscal year 2014, Hetchy Power generated 1,021,667 MWh of power, banked (deposited) in the Deferred Delivery Account (DDA) 105,184 MWh and used (withdrew) 122,280 MWh. At June 30, 2014, the balance in the bank was 78,502 MWh or \$2,821.

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

**Transactions with Other Funds** –The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling \$33.3 million and purchased electricity for \$8.7 million for the year ended June 30, 2014. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.2 million for the year ended June 30, 2014.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy Water and Power and charge amounts designed to recover those departments' costs. These charges total approximately \$6.8 million for the year ended June 30, 2014 and have been included in services provided by other departments.

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#### (e) San Francisco Municipal Transportation Agency

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

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 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 an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility related to labor contracts. Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

The SFMTA's Sustainable Streets initiates and coordinates improvements to City's streets, transit, bicycles, pedestrians and parking infrastructure. It manages 19 City-owned garages and 19 metered parking lots. Of the five nonprofit parking garages, three corporations provide operational oversight of four garages. Two garage corporations, Ellis O'Farrell Parking Corporation and Downtown Parking Corporation were dissolved in January 2013, and all operations and financial reporting of these two garages have been transferred to Sustainable Streets.

In March 2009, the former Taxi Commission was merged with the SFMTA, which then has assumed responsibility for taxi regulation to advance industry reforms.

**Pledged Revenue** – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable from all SFMTA revenues except for City General Fund allocations and restricted sources and are payable through the fiscal year 2042.

Annual principal and interest payments for fiscal year 2014 was 7.2% 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 2014 and applicable revenues for 2014 are as follows:

Bonds issued with revenue pledge	\$ 139,235
Principal and interest remaining due at the end of the year	209,454
Principal and interest paid during the year	9,582
Net revenue for the year	123,271
Fund available for revenue bond debt service	132,853

**Operating and Capital Grants and Subsidies** – The City's Annual Appropriation Ordinance provides funds to subsidize the operating deficits of SFMTA and Sustainable Streets as determined by the City's budgetary accounting procedures and subject to the appropriation process. The amount of General Fund subsidy to the SFMTA was \$310.9 million in fiscal year 2014. The General Fund subsidy includes

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

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a total revenue baseline transfer of \$243.9 million, as required by the City Charter, \$66.8 million from an allocation of the City's parking tax, and \$0.2 million from district allocation projects.

The SFMTA receives capital grants from various federal, state, and local agencies to finance transit-related property and equipment purchases. As of June 30, 2014, SFMTA had approved capital grants with unused balances amounting to \$750.2 million. Capital grants receivable as of June 30, 2014 totaled \$152.1 million.

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, 2014, the SFMTA had various operating grants receivable of \$28.2 million. In fiscal year 2014, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of \$1.2 million and other federal, state and local grants of \$7.5 million to fund project expenses that are operating in nature.

Proposition 1B is a ten-year \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The SFMTA received cash totaling \$7.1 million in fiscal year 2014 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2014, \$74.9 million in drawdowns were made from the funds for various eligible projects costs.

**Commitments and Contingencies** – The SFMTA has outstanding contract commitments of approximately \$283.6 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 \$66.0 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

#### **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 the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. 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

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payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the SFMTA as of June 30, 2014.

On March 17, 2014, Muni executed, with one of the equity investors, termination agreements (the "Termination Agreements") that (a) constituted the exercise of Muni's purchase option with respect to 30 items of Tranche 1 Equipment having an initial transaction value of \$99.3 million, (b) amended the purchase option dates to the date of the Termination Agreements, and (c) amended the purchase option price to an amount that was funded in full from the sale proceeds of the U.S. Agency securities held in the applicable escrow accounts.

The terms of the SILO documents require Muni to replace AGM, as successor to FSA, if its ratings are downgraded below BBB+ by S&P or "Baa1" by Moody's. AGM's current ratings of "AA" from S&P and "A2" from Moody's satisfy this requirement. In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. On January 17, 2013, Moody's downgraded AGM's rating to A2. Failure of Muni to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2014 after giving effect to the market value of the securities in the escrow accounts, would approximate \$62.4 million. The scheduled termination costs increase over the next several years. As of June 30, 2014, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded \$35.5 million and \$4.4 million in fiscal year 2002 and 2003 respectively, for the difference between the amounts received of \$388.2 million and \$72.6 million, and the amounts paid to the escrows and the debt payment undertaker of \$352.7 million and \$67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. As mentioned above SFMTA exercised the purchase option with respect to 30 items of Tranche 1 Equipment on March 17, 2014. Revenue of \$5.4 million was recognized for the remaining unamortized deferred inflows of resources for these items in fiscal year 2014. The deferred inflows of resources amortized amounts were \$1.0 million and \$0.2 million for remaining 88 items of Tranche 1 Equipment and 21 items of Tranche 2 Equipment in fiscal year 2014, respectively.

As of June 30, 2014, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be \$441.4 million for the remaining Tranche 1 Equipment and \$154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

#### (f) Laguna Honda Hospital

**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

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## Notes to Basic Financial Statements (Continued)

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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, 2014, the subsidy for LHH was \$36.9 million.

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

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

During the year ended June 30, 2014, LHH's patient receivables and charges for services were as follows:

<b>Patient Receivables, net</b>					
	Medi-Cal	Medicare	Other	Total	
Gross Accounts Receivable	\$ 54,247	\$ 3,644	\$ 1,929	\$ 59,820	
Less:					
Provision for Contractual Allowances	(33,523)	(2,252)	(1,192)	(36,967)	
<b>Total, net</b>	<b>\$ 20,724</b>	<b>\$ 1,392</b>	<b>\$ 737</b>	<b>\$ 22,853</b>	

<b>Net Patient Service Revenue</b>					
	Medi-Cal	Medicare	Other	Total	
Gross Revenue	\$ 314,576	\$ 18,884	\$ 9,996	\$ 343,456	
Less:					
Provision for Contractual Allowances	(163,576)	(12,889)	(8,482)	(184,947)	
<b>Total, net</b>	<b>\$ 151,000</b>	<b>\$ 5,995</b>	<b>\$ 1,514</b>	<b>\$ 158,509</b>	

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, 2014, LHH accrued and recognized \$41 million of revenue as a result of matching federal funds to local funds.

**Unearned Credits and Other Liabilities** - As of June 30, 2014, LHH recorded approximately \$51.1 million in other liabilities for third-party payor settlements payable.

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## Notes to Basic Financial Statements (Continued)

June 30, 2014

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**Commitments and Contingencies** – As of June 30, 2014, LHH has entered into various purchase contracts totaling approximately \$4.9 million that are related to the old building remodel phase of the Replacement Project.

### (g) San Francisco General Hospital Medical Center

**General Fund Subsidy** - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2014, the subsidy for SFGH was \$121.4 million.

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

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

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

During the year ended June 30, 2014, SFGH's patient receivables and charges for services were as follows:

	Patient Receivables, net				Total
	Medi-Cal	Medicare	Other		
Gross Accounts Receivable	\$ 200,093	\$ 115,961	\$ 120,186	\$ 436,240	
Less:					
Provision for Contractual Allowances	(178,807)	(102,622)	(58,646)	(340,075)	
Provision for Bad Debts	-	-	(32,492)	(32,492)	
Total, net	<u>\$ 21,286</u>	<u>\$ 13,339</u>	<u>\$ 29,048</u>	<u>\$ 63,673</u>	

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

June 30, 2014

(Dollars in Thousands)

	<b>Net Patient Service Revenue</b>				<b>Total</b>
	Medi-Cal	Medicare	Other		
Gross Revenue	\$ 781,296	\$ 513,455	\$ 1,575,919	\$ 2,870,670	
Less:					
Provision for Contractual Allowances	(672,468)	(416,444)	(917,173)	(2,006,085)	
Provision for Bad Debt	-	-	(79,333)	(79,333)	
<b>Total, net</b>	<b>\$ 108,828</b>	<b>\$ 97,011</b>	<b>\$ 579,413</b>	<b>\$ 785,252</b>	

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform.

Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program. The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated \$278.0 million for the year ended June 30, 2014.

The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes.

The Low income Health Program (LIHP) is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program builds off and expands the previous Health Care Coverage Initiative (HCCI). Revenues recognized under the LIHP approximated \$18.0 million for the year ended June 30, 2014. The LIHP covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco Program section below. The LIHP program ended on December 31, 2013 when the participants transitioned automatically to the Medi-Cal Program or purchased health insurance through California's health benefit exchange (Covered California).

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2014, reimbursement under the Short-Doyle Program amounted to approximately \$5.4 million and is included in net patient service revenue.

**Unearned Credits and Other Liabilities** - As of June 30, 2014, SFGH recorded approximately \$112.9 million in unearned credits and other liabilities, which was comprised of \$78.1 million in unearned credits related to receipts under Safety Net Care Pool and AB915 programs, and \$34.8 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 \$401.0 million and estimated costs and expenses to provide charity care were \$115.3 million in fiscal year 2014.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

**Other Revenues** - The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized \$44.3 million as other operating revenue for the year ended June 30, 2014, for realignment funding.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% (70% for fiscal year 2013-2014) of the savings realized by the county. The State predetermined an amount of health realignment to be redirected in fiscal year 2013-2014 of \$16.7 million for the City and County of San Francisco. SFGH recognized \$9.7 million of this amount. A reconciliation using actual experience for fiscal year 2013-2014 will be concluded within two years after June 30, 2014.

**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, 2014, was approximately \$149.8 million.

**SFGH Rebuild** – In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients.

In October 2005, The San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at \$887.4 million.

The majority of the funding would be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2014, General Obligation Bonds in the amount of \$887.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

**Healthy San Francisco Program** – In July 2007, the City and County of San Francisco Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Uninsured San Francisco residents between the ages of 18-64 with incomes at or below 500% of the federal poverty level (FPL) are eligible for the HSF. Participants with household income above 100% FPL pay a quarterly fee based on their income. As of June 30, 2014, 31,965 uninsured adult residents were enrolled in HSF. Enrollment in HSF dropped in the past year due to participants moving to new health insurance options due to the federal Patient Protection and Affordable Care Act (ACA). These options included expanded Medi-Cal and California's health insurance exchange, Covered California.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH was a federally-supported health access program that provided affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. On January 1, 2014, enrolled participants transitioned automatically to Medi-Cal or had the opportunity to purchase health insurance through Covered California. The Department was informed by the State Department of Health Care Services that 13,680 individuals had transitioned to Medi-Cal effective January 1, 2014. Another 756 enrollees appeared to be eligible to purchase health insurance through Covered California. Healthy San Francisco will still be needed for those San Francisco residents who do not qualify for new health insurance options under the ACA and will continue to enroll participants.

**Commitments and Contingencies** – As of June 30, 2014, SFGH had outstanding commitments with third parties for capital projects totaling \$4.7 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 147,373 residential accounts, which discharge about 18.2 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,164 non-residential accounts, which discharge about 8.6 million units of sanitary flow per year.

**Pledged Revenues** – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2014, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 731,745
Principal and interest remaining due at the end of the year	1,271,023
Principal and interest paid during the year	64,852
Net revenues for the year	109,181
Funds available for bond debt service	218,988

**Commitments and Contingencies** – As of June 30, 2014, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$116.3 million.

**Pollution Remediation Obligations** – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

net position is based on estimated contractual costs. The liability balance remained at \$571 as of June 30, 2014.

**Transactions with Other Funds** –The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$9.2 million for the year ended June 30, 2014. 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 \$26.1 million for the year ended June 30, 2014 and have been included in services provided by other departments.

#### (i) San Francisco Market Corporation

The City of San Francisco Market Corporation (Corporation) was a non-profit corporation organized to acquired, construct, finance, and operate a produce market. The information about this non-profit corporation was presented in the financial statements of the proprietary funds as a nonmajor fund.

During the year, the City of San Francisco Market Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing SFWPM stakeholders separate from the City. As such, the Corporation transferred all of its assets to the San Francisco Market Corporation, its successor corporation.

#### (12) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component 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 activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six months of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and submitted it to DOF. The DOF is in the process of reviewing the submission.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**(a) Capital Assets Held by the Successor Agency**

For the year ended June 30, 2014, a summary of changes in capital assets was as follows:

	<b>Balance July 1, 2013</b>	<b>Additions</b>	<b>Balance June 30, 2014</b>
Capital assets not being depreciated:			
Land held for lease	\$ 59,381	\$ -	\$ 59,381
Construction in progress	1,292	1,530	2,822
Total capital assets not being depreciated	<u>60,673</u>	<u>1,530</u>	<u>62,203</u>
Capital assets being depreciated:			
Furniture and equipment	8,144	-	8,144
Building and improvements	225,022	-	225,022
Total capital assets being depreciated	<u>233,166</u>	<u>-</u>	<u>233,166</u>
Less accumulated depreciation for:			
Furniture and equipment	(8,056)	(20)	(8,076)
Building and improvements	(84,100)	(5,479)	(89,579)
Total accumulated depreciation	<u>(92,156)</u>	<u>(5,499)</u>	<u>(97,655)</u>
Total capital assets being depreciated, net	<u>141,010</u>	<u>(5,499)</u>	<u>135,511</u>
Total capital assets, net	<u><u>\$ 201,683</u></u>	<u><u>\$ (3,969)</u></u>	<u><u>\$ 197,714</u></u>

**(b) Summary of the Successor Agency's Long-Term Obligations**

<b>Entity and Type of Obligation</b>	<b>Final Maturity Date</b>	<b>Remaining Interest Rate</b>	<b>Amount</b>
Lease Revenue Bonds:			
Moscone Convention Center <sup>(a)</sup> .....	2015	7.05%	\$ 1,426
Hotel tax revenue bonds <sup>(b)</sup> .....	2025	2.00% - 5.00%	40,635
Tax allocation revenue bonds <sup>(c)</sup> .....	2044	2.92% - 9.00%	902,603
South Beach Harbor Variable Rate			
Refunding bonds <sup>(d)</sup> .....	2017	3.50%	3,270
California Department of Boating and Waterways Loan <sup>(e)</sup> .....	2037	4.50%	<u>7,283</u>
Total long-term bonds and loans .....			<u><u>\$ 955,217</u></u>

Debt service payments are made from the following sources:

- (a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
- (b) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
- (c) Redevelopment property tax revenues and existing debt service/escrow trust funds.
- (d) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
- (e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

**Issuance of Successor Agency Bonds** – On December 24, 2013, the DOF released its letter approving the issuance of Successor Agency bonds. On March 11, 2014, the Successor Agency issued \$56.2 million of Tax Allocation Revenue Bonds, Mission Bay South Series 2014 A to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. These bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of August 1, 2043.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

**Pledged Revenues for Bonds** – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.68 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2014 was \$131.7 million as against the total debt service payment of \$95.2 million.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately \$6.7 million. The Successor Agency received \$12.8 million in advance during the year ended June 30, 2013, which equaled the total debt service payment of \$12.8 million. The lease payments received during the year ended June 30, 2014 were \$6.7 million which equaled fiscal year 2015's total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$53.2 million. The hotel tax revenue recognized during the year ended June 30, 2014 was \$3.1 million which equaled the total debt service payment.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2014, are as follows:

	July 1, 2013 (as restated)	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2014
<b>Bonds payable:</b>				
Tax revenue bonds .....	\$ 936,229	\$ 56,245	\$ (45,966)	\$ 946,508
Lease revenue bonds .....	4,347	-	(2,921)	1,426
<b>Less unamortized amounts:</b>				
For issuance premiums .....	6,323	1,868	(858)	7,333
For issuance discounts .....	(5,206)	-	255	(4,951)
Total bonds payable .....	<u>941,693</u>	<u>58,113</u>	<u>(49,490)</u>	<u>950,316</u>
Accrued interest payable.....	46,282	5,286	(12,183)	39,385 <sup>(1)</sup>
Notes, loans, and other payables.....	7,482	-	(199)	7,283
Accrued vacation and sick leave pay.....	1,242	666	(583)	1,325
Other postemployment benefits obligation.....	1,221	912	(1,266)	867
Successor Agency - long term obligations...	<u>\$ 997,920</u>	<u>\$ 64,977</u>	<u>\$ (63,721)</u>	<u>\$ 999,176</u>

<sup>(1)</sup> Amounts represents interest accretion Capital Appreciation Bonds.

<sup>(2)</sup> The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of \$3,388 was reclassified to deferred outflows of resources.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

As of June 30, 2014, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows (in thousands):

Fiscal Year Ending June 30	Tax Revenue Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015.....	\$ 51,875	\$ 52,977	\$ 1,426	\$ 5,279	\$ 208	\$ 328	\$ 53,509	\$ 58,584
2016.....	54,070	49,374	-	-	218	318	54,288	49,692
2017.....	55,100	46,639	-	-	227	309	55,327	46,948
2018.....	57,505	43,816	-	-	238	298	57,743	44,114
2019.....	67,850	40,622	-	-	248	288	68,098	40,910
2020-2024.....	175,498	209,895	-	-	1,419	1,260	176,917	211,155
2025-2029.....	127,306	162,389	-	-	1,769	911	129,075	163,300
2030-2034.....	137,767	114,162	-	-	2,205	475	139,972	114,637
2035-2039.....	135,782	62,507	-	-	751	46	136,533	62,553
2040-2044.....	83,755	10,457	-	-	-	-	83,755	10,457
Total.....	\$ 946,508	\$ 792,838	\$ 1,426	\$ 5,279	\$ 7,283	\$ 4,233	\$ 955,217	\$ 802,350

**Due to/Advances from the Primary Government** – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. As of June 30, 2014, the long-term balance due to the City's General Fund was \$21.7 million. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. During the year ended June 30, 2014, the City advanced \$3.7 million in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of \$0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of \$2.1 million to the City.

The short-term balance of \$1.1 million consists of \$0.9 million in Jessie Square reimbursement payments due to the City's General Fund and \$0.2 million due to nonmajor governmental funds for services provided.

### **(c) Commitments and Contingencies Related to the Successor Agency**

**Encumbrances** - At June 30, 2014, the Successor Agency had outstanding encumbrances totaling approximately \$78.9 million.

**Risk Management** - For the period July 1, 2013 through July 18, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million for employment practices liability) and a \$0.03 million deductible per occurrence.

**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, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

Fiscal Years		Fiscal Years	
2015.....	\$ 1,311	2025-2029.....	\$ 4,351
2016.....	870	2030-2034.....	4,351
2017.....	870	2035-2039.....	4,351
2018.....	870	2040-2044.....	4,351
2019.....	870	2045-2049.....	4,351
2020-2024.....	4,351	2050.....	1,088
		Total.....	\$ 31,985

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### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

Rent payments totaling \$1.3 million are included in the Successor Agency's financial statements for the year ended June 30, 2014.

The Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows (in thousands):

<b>Fiscal Years</b>	<b>Fiscal Years</b>
2015.....	\$ 4,644
2016.....	4,660
2017.....	4,362
2018.....	4,287
2019.....	4,178
2020-2024.....	20,408
	<hr/>
	Total.....
	<hr/>
	\$ 139,935

For the year ended June 30, 2014, operating lease rental income for noncancelable operating leases was \$10.9 million. Within the operating lease rental income, \$6.5 million represents contingent rental income received. At June 30, 2014, the leased assets had a net book value of \$40.8 million.

**Conduit Debt** - Various community facility district bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. As of June 30, 2014, the Successor Agency had outstanding community facility district bonds totaling \$198.4 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, 2014, the Successor Agency completed the Rene Cazenave Apartments project, the first residential project on the State-owned parcels for the construction of 120 units of affordable housing for formerly homeless individuals. The Successor Agency also received impact fees in the amount of \$21.6 million from developers for the future development of 564 residential units including 155 affordable units at Transbay Blocks 6 and 7 and is recorded as additions – developer payments on the financial statements.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### **(13) TREASURE ISLAND DEVELOPMENT AUTHORITY**

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

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's history. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the Treasure Island Homeless Development Initiative (TIHDI). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones in the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a major milestone in moving the project closer towards implementation.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, jobs and equal opportunity programs, community facilities and project financing, and provide a holistic picture of the future development. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report as well as approved project entitlements. These project approvals were a key milestone in realizing a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring. Pending property transfer from the Navy, the first phase of infrastructure construction should begin in the fourth quarter of 2014 with vertical construction beginning in 2015. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

In July 2008, amended in November 2011 and later in July 2013, the Transportation Authority entered into a loan agreement with TIDA in the amount of \$11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed \$18.8 million. The repayment to the Transportation Authority may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2014. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy.

As of June 30, 2014, TIDA has drawn down \$10.1 million on the loan with the Transportation Authority and accrued \$0.5 million in interest. At June 30, 2014, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	\$ -	\$ 10,606	\$ 10,606
SFCTA	YBI expenses	348	-	348
Hetch Hetchy	Utility operations under MOU	200	628	828
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		<u>\$ 548</u>	<u>\$ 13,833</u>	<u>\$ 14,381</u>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
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### (14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 5,538
	San Francisco Water Enterprise	9
	Hetch Hetchy Water and Power Enterprise	4
	San Francisco Wastewater Enterprise	5
	Port of San Francisco	42
	Laguna Honda Hospital	6,913
		<u>12,511</u>
Nonmajor Governmental Funds	General Fund	249
	Nonmajor Governmental Funds	586
	Hetch Hetchy Water and Power Enterprise	4
	Internal Service Funds	2,502
	Municipal Transportation Agency	2,500
	Laguna Honda Hospital	32
		<u>5,873</u>
General Hospital Medical Center	Nonmajor Governmental Funds	155
Laguna Honda Hospital	Internal Service Funds	5
San Francisco Water Enterprise	General Fund	124
	Nonmajor Governmental Funds	136
		<u>260</u>
Hetch Hetchy Water and Power Enterprise	General Fund	328
	Nonmajor Governmental Funds	8,099
	Port of San Francisco	276
	General Hospital Medical Center	946
	San Francisco Wastewater Enterprise	1,768
		<u>11,417</u>
Municipal Transportation Agency	Nonmajor Governmental Funds	6,286
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	110
Total		<u>\$ 36,617</u>

In addition to routine short-term loans, Hetch Hetchy serves as the City’s agency for energy efficiency projects and maintains the Sustainable Energy Account 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, 2014, Hetch Hetchy loaned \$9.9 million to other City funds. Hetch Hetchy is also due \$1.5 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, 2014  
(Dollars in Thousands)

The SFMTA has a receivable from nonmajor governmental fund of \$6.3 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	\$ 200 (1)
Primary government – Nonmajor Fund	Component unit – TIDA	348 (1)
Primary government – General Fund	Successor Agency	878 (2)
Primary government – Nonmajor Fund	Successor Agency	197 (2)

### Advance to component units:

<b>Receivable Entity</b>	<b>Payable Entity</b>	<b>Amount</b>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 3,227 (1)
Primary government – Nonmajor Fund	Component unit – TIDA	10,606 (1)
Primary government – General Fund	Successor Agency	21,670 (2)

(1) See discussion at Note 13.

(2) See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In:										
	Funds										
	San Francisco General Hospital Medical Center										
Funds	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transportation Agency	Hospital Medical Center	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General Fund.....	\$ -	\$ 247,075	\$ 1,242	\$ 4	\$ -	\$ 311,255	\$ 121,407	\$ -	\$ 720	\$ 39,103	\$ 720,806
Nonmajor governmental funds....	11,676	66,949	-	1,700	-	47,092	-	51	27,022	-	154,490
Internal Service Funds.....	178	-	-	-	-	-	-	-	-	-	178
San Francisco											
International Airport....	37,994	-	-	-	-	-	-	-	-	-	37,994
Water Enterprise.....	-	1,299	-	-	-	-	-	-	-	-	1,299
Hetch Hetchy											
Water and Power Enterprise.....	-	32	-	-	-	6	-	-	-	-	38
Municipal											
Transportation Agency.....	335	4,248	-	-	-	-	-	-	-	-	4,583
San Francisco											
General Hospital											
Medical Center.....	166,147	-	-	-	-	-	-	-	-	103	166,250
Wastewater Enterprise....	-	32	-	-	-	-	-	-	-	-	32
Port of San Francisco.....	-	27,199	-	-	-	-	-	-	-	-	27,199
Laguna Honda Hospital...	119	-	-	-	-	-	-	-	-	-	119
Governmental Activities....	-	-	310	368	\$ 358,353	\$ 121,407	\$ 51	\$ 27,742	\$ 39,206	\$ 678	
Total transfers out	<u>\$ 216,449</u>	<u>\$ 346,834</u>	<u>\$ 1,242</u>	<u>\$ 2,014</u>	<u>\$ 368</u>	<u>\$ 358,353</u>	<u>\$ 121,407</u>	<u>\$ 51</u>	<u>\$ 27,742</u>	<u>\$ 39,206</u>	<u>\$ 1,113,666</u>

The \$720.8 million General Fund transfer out includes a total of \$471.8 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). The transfer of \$247.1 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 Funds, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

In connection with a memorandum of understanding, the General Fund reimbursed the Port \$0.7 million for certain lost revenues (payment in lieu of rents) during the America's Cup events. Also, Port received \$27.0 million, which represents the amount of commercial paper draws used to fund the expenditures incurred to date on authorized Port projects and related costs. COP proceeds of \$27.2 million were used by the Port to repay the City commercial paper program and related fees.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

San Francisco International Airport transferred \$38.0 million to the General Fund, representing a portion of concession revenues (note 11(a)). The General Fund received transfers in of \$139.0 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program intergovernmental transfers matching program reimbursement, \$5.1 million for Low Income Health Program reimbursement for Primary Care clinics, \$19.9 million for Healthy San Francisco reimbursement, \$0.7 million for Child Health Initiative reimbursement, and \$1.4 million for interest earned by the San Francisco General Fund but credited to the General Fund (note 11(g)).

SFMTA received \$47.1 million transfers, of which \$31.2 million was for capital activities and \$12.4 million was for operating activities from nonmajor governmental funds. Nonmajor governmental funds also transferred \$3.5 million to SFMTA to fund various street improvement projects and in turn the SFMTA transferred \$4.2 million to pay for various street improvement projects.

The Water Enterprise received \$1.7 million from transfers in, of which \$1.3 million for partial payment of the 17<sup>th</sup> and Folsom property with the remaining balance of \$1.0 million will be paid over a period of four years and \$0.4 million from the San Francisco Recreation and Parks Department for the Lake Merced boat house renovation. On the other hand, the Water Enterprise transferred \$1.3 million to the San Francisco Recreation and Parks Department and Public Health Department for landscape and irrigation project and Hetch Hetchy Water and Power Enterprise transferred \$32 to a nonmajor special revenue fund for the City Surety Bond Program.

Internal Service Funds received \$1.2 million from General Fund for the Systems Recovery Project. Governmental Activities transferred equipment with a book value of \$310 and \$368 to the Water Enterprise and the Hetch Hetchy Water and Power Enterprise, respectively.

#### **(15) COMMITMENTS AND CONTINGENT LIABILITIES**

##### **(a) Grants and Subventions**

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that the Airport subsequent to an initial audit by the U.S. Department of Transportation Office of Inspector General Office of Investigations began and is continuing a review of the American Recovery and Reinvestment Act and other Airport and Improvement grants received by the Airport and has to date identified approximately \$1.0 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

##### **(b) Operating Leases**

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

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

##### **Governmental Activities**

<b>Fiscal Years</b>		
2015.....	\$	28,592
2016.....		24,730
2017.....		23,249
2018.....		19,224
2019.....		12,205
2020-2014.....		29,321
	<hr/>	<hr/>
	\$	137,321

Operating leases expense incurred for fiscal year 2013-14 was approximately \$28.3 million.

**CITY AND COUNTY OF SAN FRANCISCO**

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

June 30, 2014  
(Dollars in Thousands)

Business-type Activities

<b>Fiscal Years</b>	<b>San Francisco International Airport</b>	<b>Port of San Francisco</b>	<b>Municipal Transportation Agency</b>	<b>Total Business-type Activities</b>
2015.....	\$ 146	\$ 2,879	\$ 12,981	\$ 16,006
2016.....	-	2,813	12,081	14,894
2017.....	-	2,720	11,976	14,696
2018.....	-	2,720	12,241	14,961
2019.....	-	2,720	12,668	15,388
2020-2024.....	-	13,601	66,263	79,864
2025-2029.....	-	13,601	75,296	88,897
2030-2034.....	-	13,601	83,638	97,239
2035-2039.....	-	13,601	79,748	93,349
2040-2044.....	-	13,601	-	13,601
2045-2049.....	-	13,601	-	13,601
2050.....	-	227	-	227
<b>Total.....</b>	<b>\$ 146</b>	<b>\$ 95,685</b>	<b>\$ 366,892</b>	<b>\$ 462,723</b>

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2013-14 was \$0.2 million, \$2.9 million, and \$13.9 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

***Primary Government***

Governmental Activities

<b>Fiscal Years</b>
2015..... \$ 2,564
2016..... 2,462
2017..... 2,366
2018..... 1,715
2019..... 684
2020-2024.. 1,665
2025-2029.. 600
2030-2034.. 150
<b>Total..... \$ 12,206</b>

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

### Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-type Activities
2015.....	\$ 90,789	\$ 40,485	\$ 1,321	\$ 3,257	\$ 135,852
2016.....	87,717	34,847	1,361	2,187	126,112
2017.....	84,480	27,414	1,402	1,669	114,965
2018.....	67,978	24,493	1,444	1,512	95,427
2019.....	47,722	22,355	1,487	1,329	72,893
2020-2024....	-	96,528	8,133	7,244	111,905
2025-2029....	-	74,615	-	6,288	80,903
2030-2034....	-	68,426	-	6,250	74,676
2035-2039....	-	50,215	-	6,250	56,465
2040-2044....	-	36,598	-	6,250	42,848
2045-2049....	-	30,591	-	6,250	36,841
2050-2054....	-	17,098	-	6,250	23,348
2055-2059....	-	16,273	-	2,083	18,356
2060-2064....	-	11,944	-	-	11,944
2065-2069....	-	7,021	-	-	7,021
2070-2074....	-	4,522	-	-	4,522
2075-2079....	-	1,214	-	-	1,214
Total.....	<u>\$ 378,686</u>	<u>\$ 564,639</u>	<u>\$ 15,148</u>	<u>\$ 56,819</u>	<u>\$ 1,015,292</u>

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately \$25.2 million and \$17.5 million, respectively, in fiscal year 2013-14. A new five-year car rental lease agreement option was exercised 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 \$41.5 million for fiscal year 2013-14.

### **Other Commitments**

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately \$1.7 billion at June 30, 2014.

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, 2014

(Dollars in Thousands)

### (16) RISK MANAGEMENT

#### Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for 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, subject to a deductible of \$10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a deductible of \$500 per single occurrence. 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. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of \$100.0 million, subject to a deductible of \$100 per occurrence; 2) hull and machinery liability coverage of \$3.5 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of \$1.0 billion and a deductible of \$750 per occurrence; and 4) public officials and employee liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-Insure
b. Property	Self-Insure and Purchase Insurance
c. Workers' Compensation	Self-Insure
d. Employee (Transit Operators)	Purchase Insurance
e. Directors and Officers	Purchase Insurance

The SFMTA is self-insured 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 \$4.0 million. As of June 30, 2014, the reserve was \$15.4 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

### Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2014 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 June 30, 2012, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
2012-2013	\$ 169,387	\$ 36,851	\$ (31,656)	\$ 174,582
2013-2014	174,582	121,586	(49,109)	247,059

Breakdown of the estimated claims payable at June 30, 2014 is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payables.....	\$ 48,932
Long-term portion of estimated claims payables.....	106,919
Total.....	<u>\$ 155,851</u>
<u>Business-type activities:</u>	
Current portion of estimated claims payables.....	\$ 39,491
Long-term portion of estimated claims payables.....	51,717
Total.....	<u>\$ 91,208</u>

### Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2014 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, 2014 was \$383.9 million which is reported in the appropriate individual funds in accordance with the City's accounting policies.

# CITY AND COUNTY OF SAN FRANCISCO

## Notes to Basic Financial Statements (Continued)

June 30, 2014  
(Dollars in Thousands)

Changes in the reported accrued workers' compensation since June 30, 2012, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
2012-2013	\$ 370,884	\$ 76,308	\$ (69,416)	\$ 377,776
2013-2014	377,776	78,663	(72,563)	383,876

Breakdown of the accrued workers' compensation liability at June 30, 2014 is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 37,467
Long-term portion of accrued workers' compensation liability.....	185,280
Total.....	<u>\$ 222,747</u>
<u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 25,774
Long-term portion of accrued workers' compensation liability.....	135,355
Total.....	<u>\$ 161,129</u>

## **(17) SUBSEQUENT EVENTS**

### **(a) Long-term Debt Issuance**

The Series 2014 Revenue Bonds will be issued by the San Francisco Municipal Transportation Agency (SFMTA) with the U.S. Bank as trustee as approved by the SFMTA Board and concurred by the Board of Supervisors under resolution adopted on September 24, 2013. The total Series 2014 Bonds will result in project funding of \$75.0 million and are being issued (a) to finance a portion of the costs of various capital projects for SFMTA; (b) to make a deposit to the Series 2014 Reserve Account of the Reserve Fund established under the Indenture for the Series 2014 Bonds; and (c) to pay a portion of the costs of issuance of the Series 2014 Bonds.

In July 2014, the City issued \$17.1 million taxable and \$41.4 million tax-exempt commercial paper (CP) to refund maturing \$12.6 million taxable and \$28.2 million tax-exempt CP and to provide \$17.5 million interim funding for the War Memorial Veterans Building Seismic Retrofit project. The taxable notes bear interest rates at 0.13% and the tax-exempt CP at 0.08% and 0.07%. The taxable and tax-exempt notes are scheduled to mature on November 5, 2014.

In August 2014, the City issued \$8.2 million tax-exempt CP to provide \$4.8 million and \$3.4 million interim funding for the Moscone Expansion project and acquisition of real property at 900 Innes Avenue, respectively. The notes bear interest rates at 0.08% and scheduled to mature on November 5, 2014.

In August 2014, the City has requested an extension on the stated expiration date of the irrevocable direct pay letter of credits related to the Series 2008-1 Bonds and 2008-2 Bonds until October 2014 for the City and County of San Francisco Finance Corporation (Corporation). Subsequently the Corporation adopted an ordinance approving the amended and restated reimbursement agreements with State Street Bank and Trust Company for 2008-01 Bonds and 2008-2 Bonds, respectively. The agreements are effective as of October 8, 2014 and the stated expiration date is October 7, 2019 or such later date or dates as may be extended.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

In September 2014, the Airport issued its Second Series Revenue Bonds, Series 2014A/B in the aggregate principal amount of \$473.6 million to finance and refinance (through the repayment of subordinate commercial paper notes) a portion of the Airport's Capital Plan. The Series 2014A/B Bonds are uninsured long-term fixed-rate bonds maturing between 2039 and 2044 with an interest rate of 5.0%.

In October 2014, the City issued \$4.0 million taxable and \$12.3 million tax-exempt CP to provide funding for the War Memorial Veterans Building Seismic Retrofit project. The taxable notes bear interest rates at 0.10% and the tax-exempt notes at 0.06% and are all scheduled to mature on November 5, 2014.

In October 2014, the City issued General Obligation Bonds Series 2014C (Earthquake Safety and Emergency Response) in the amount of \$55.0 million and Series 2014D (Earthquake Safety and Emergency Response) in the amount of \$100.7 million. Both series bear interest rates ranging from 2.0% to 5.0% and mature from June 2015 through June 2034. The proceeds of the Series 2014C and 2014D bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructures and to pay certain costs related to the issuance of the respective series.

In November 2014, the City issued \$57.5 million tax-exempt and \$22.4 million taxable commercial paper (CP) to refund maturing \$53.7 million tax-exempt and \$21.1 million taxable CP and to provide \$5.1 million interim financing for the War Memorial Veterans Building Seismic Retrofit project. The tax-exempt and taxable CP are scheduled to mature on February 4, 2015 and bear interest rates of 0.05% and 0.13% respectively. In addition, the City issued \$17.7 million tax-exempt CP to refinance \$8.2 million maturing CP and provide \$9.4 million interim funding for the Moscone Expansion District project. The CP bears interest rates of 0.06% and 0.08% and scheduled to mature on January 7, 2015 and February 2, 2015, respectively.

#### **(b) Credit Rating Changes**

During fiscal year 2014, Moody's upgraded the credit rating of National Public Finance Guarantee Corporation, the reinsurer of swap insurance for the interest rate swaps associated with the Airport's Second Series Variable Rate Revenue Refunding Bonds, Issues 36AB, from "Baa1" to "A3" with a "Stable" outlook. The outlook was subsequently changed to "negative" on July 2, 2014.

#### **(c) Post-Issuance Compliance with Federal Tax Law**

The Airport follows certain federal tax law post-issuance compliance procedures that are intended to ensure that proceeds of its tax-exempt bonds are invested and expended consistent with applicable federal tax law, including the Internal Revenue Code of 1986 (Code), the Regulations promulgated thereunder, and other applicable guidance from the U.S. Treasury Department and the Internal Revenue Service (IRS). As a result, the Airport from time to time identifies and addresses relatively minor tax law compliance issues. As part of its tax diligence procedures, the Airport determined in August 2012 that small portions of the proceeds of a number of outstanding series of bonds were applied for purposes that present tax law compliance issues. In particular, a small portion of the Airport's passenger terminal facilities financed from proceeds of those bonds (less than 0.1%) were used for retail locations where wine was sold for consumption off-Airport. Such uses of proceeds are prohibited by the Code. If not addressed with the IRS, the failure to observe such limitation could cause the interest on such bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance. In November 2013, the Airport finalized a closing agreement with the IRS under its Tax Exempt Bond Voluntary Closing Agreement Program ("VCAP") with respect to the Airport's Series 2009 C/D Bonds pursuant to which the Airport made a payment to the IRS of approximately \$5 and retired a small portion (\$200) of the Series 2009D Bonds allocable to such use of bond proceeds. In September 2014, the Airport approved and expects to execute in the near future, a second closing agreement with the IRS with respect to the other bonds affected by this compliance issue, pursuant to which the Airport will make a payment to the IRS of approximately \$67 and retire \$1.1 million of the Airports Series 2010A Bonds.

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

#### **(d) Audit of FAA Grants**

In 2013, the Airport resolved an initial audit by the U.S. Department of Transportation (DOT) Office of Inspector General (OIG) of two ARRA grants totaling \$14.5 million for runway improvements. The Airport resolved the audit by repaying approximately \$0.9 million of grant funds and voluntarily reduced other AIP grant reimbursement requests by \$1.2 million. Subsequent to the initial audit, the DOT OIG Office of Investigations began and is continuing a review of the ARRA and other AIP grants received by the Airport and have identified approximately \$1.0 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

#### **(e) Jurisdictional Transfer of the Francisco Reservoir Tract to the San Francisco Recreation and Parks**

In July 2014, Board of Supervisors approved the jurisdictional transfer of the Francisco Reservoir Tract located in San Francisco at fair market value of \$9.9 million from the San Francisco Public Utilities Commission (SFPUC) to the San Francisco Recreation and Parks Department (SFRPD). The Francisco Reservoir Tract is included in property that the City purchased from the Spring Valley Water Company in 1930 for the Water Enterprise. The Memorandum of Understanding (MOU) provides that SFRPD shall pay the appraised fair market value of \$9.9 million to the SFPUC in installments over 12 years, together with interest on the unpaid principal balance. SFRPD shall take possession of the Francisco Reservoir Tract upon full approval of the MOU by the Board of Supervisors and the Mayor and after the initial installment payment to the SFPUC. However, SFPUC shall not transfer jurisdiction over the Francisco Reservoir Tract until after SFRPD makes its final principal payment and all outstanding interest. Commencement date is September 30, 2014, or within 30 days after the Board of Supervisors and the Mayor approve the MOU, whichever is later. Initial installment payment plus accrued interest of \$219 was received on September 29, 2014.

#### **(f) Mandatory Restrictions on Retail Outdoor Irrigation as Required by the State Water Resources Control Board**

In July 2014, the State Water Resources Control Board adopted drought emergency regulations, which require urban water utilities to impose mandatory restrictions on irrigation of ornamental landscapes and turf with potable water. It further provided for fines of up to five hundred dollars for certain water waste activity and required that agencies implement plans to reduce wasteful outdoor water use. In August 2014, SFPUC approved the 10 percent mandatory outdoor irrigation reduction for turf and ornamental plants for the period October 1, 2014 through June 30, 2015. Excess use charges were adopted and the procedures for administering those charges applied to approximately 1,600 customers with dedicated irrigation accounts using potable water - about half of which are municipal agencies retail potable water irrigation accounts. This action represents the first charges for excess water use in the City since 1988.

#### **(g) Elections**

On November 4, 2014 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

**Proposition A** – An ordinance that would allow the City to borrow up to \$500.0 million by issuing general obligation bonds to implement many of the infrastructure repairs and improvements identified by the Transportation Task Force.

**Proposition B** – A Charter amendment that would require the City to increase the Base Amount provided to the San Francisco Municipal Transportation Agency (SFMTA) by a percentage equal to the City's annual population increase, taking into account daytime and nighttime populations, as determined by the Controller's Office. In 2015, the City would increase the Base Amount based on population increases over the previous ten years. In future years, the City would increase the Base Amount based on population increases over the previous year. Proposition B would also require the SFMTA to use 75% of any population-based increases in the Base Amount to improve Muni's reliability, frequency of service, and capacity to pay for Muni repairs. The other 25% would be used for capital

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

June 30, 2014

(Dollars in Thousands)

expenditures to improve street safety. Proposition B would also authorize the Mayor to discontinue the Base Amount increases required by this measure if the voters enact a vehicle license fee in the future.

The amendment would set aside funds for transit system improvement and capital expenditures that would otherwise be available for any public purpose. The amendment does not identify new revenue sources for this set-aside and other City spending would therefore have to be reduced or new sources of funding identified to maintain current service levels. This charter amendment is not in compliance with a non-binding, voter approved City policy which states that any new set-aside shall identify adequate new revenue sources to cover its cost and shall expire after ten years.

#### **Proposition C – A Charter amendment that would change the way the City funds and administers services to children, youth, and their families.**

*Children's Fund* – Proposition C would extend the Children's Fund and the property tax set-aside for 25 years, until June 30, 2041. Proposition C would increase the property tax set-aside gradually over the next four years to 4 cents for each \$100 of assessed property value. Proposition C would not increase or otherwise change property taxes; it would only affect the amount of property tax revenues set aside for the Fund. Proposition C would also extend the age group served by the Children's Fund to include youth aged 18 through 24 years old.

*Public Education Enrichment Fund* – Proposition C would extend Public Education Enrichment Fund (PEEF) for 26 years, until June 30, 2041. It would also extend funding for universal pre-school to include 3-, 4- and 5-year-olds, but would still give priority to 4-year-olds. The City could also use these funds to develop services for children from birth to 3 years old.

*Our Children, Our Families Council* – Proposition C would create an Our Children, Our Families Council (Council) to advise the City and School District on the needs of children and families in San Francisco and on priorities, goals, and best practices for addressing those needs.

*Rainy Day Reserve* - Proposition C would divide the existing Rainy Day Reserve into a City Rainy Day Reserve (City Reserve) and a School Rainy Day Reserve (School Reserve). Under the amendment, 25% of the future Rainy Day deposits would go the School Reserve and 75% would go to the City Reserve. Under Proposition C, the School District could withdraw up to half the money in School Reserve in years when it expects to collect less money per student than in the previous fiscal year and would have to lay off a significant number of employees. The School Board could, by a two-thirds' vote, override those limits and withdraw any amount in the School Reserve in any year.

The amendment does not identify new revenue sources for this set-aside and other City spending would therefore have to be reduced or new sources of funding identified to maintain current service levels. This Charter amendment is not in compliance with a non-binding, voter adopted City policy which states that any set-aside shall identify adequate new revenue sources to cover its costs and shall expire after ten years.

**Proposition D – A Charter amendment that would grant certain former Redevelopment Agency and Successor Agency employees the same health benefits as City employees hired during the same period.** Under Proposition D, employees who started working for the Redevelopment Agency before January 10, 2009, and later started working for the City between February 1, 2012 and February 28, 2015, without a break in service, would be eligible for full retiree health care coverage after five years of employment with the City, the Redevelopment Agency, and/or the Successor Agency combined. For employees who started working for the Redevelopment Agency between January 10, 2009 and August 31, 2010, and later started working for the City between February 1, 2012, and February 28, 2015, without a break in service, Proposition D would credit the employees' years working for the former Redevelopment Agency and the Successor Agency toward the 20-year vesting period for retiree health care benefits. Under Proposition D, employees who started working for the Redevelopment Agency before January 10, 2009 and then started working for the City

## CITY AND COUNTY OF SAN FRANCISCO

### Notes to Basic Financial Statements (Continued)

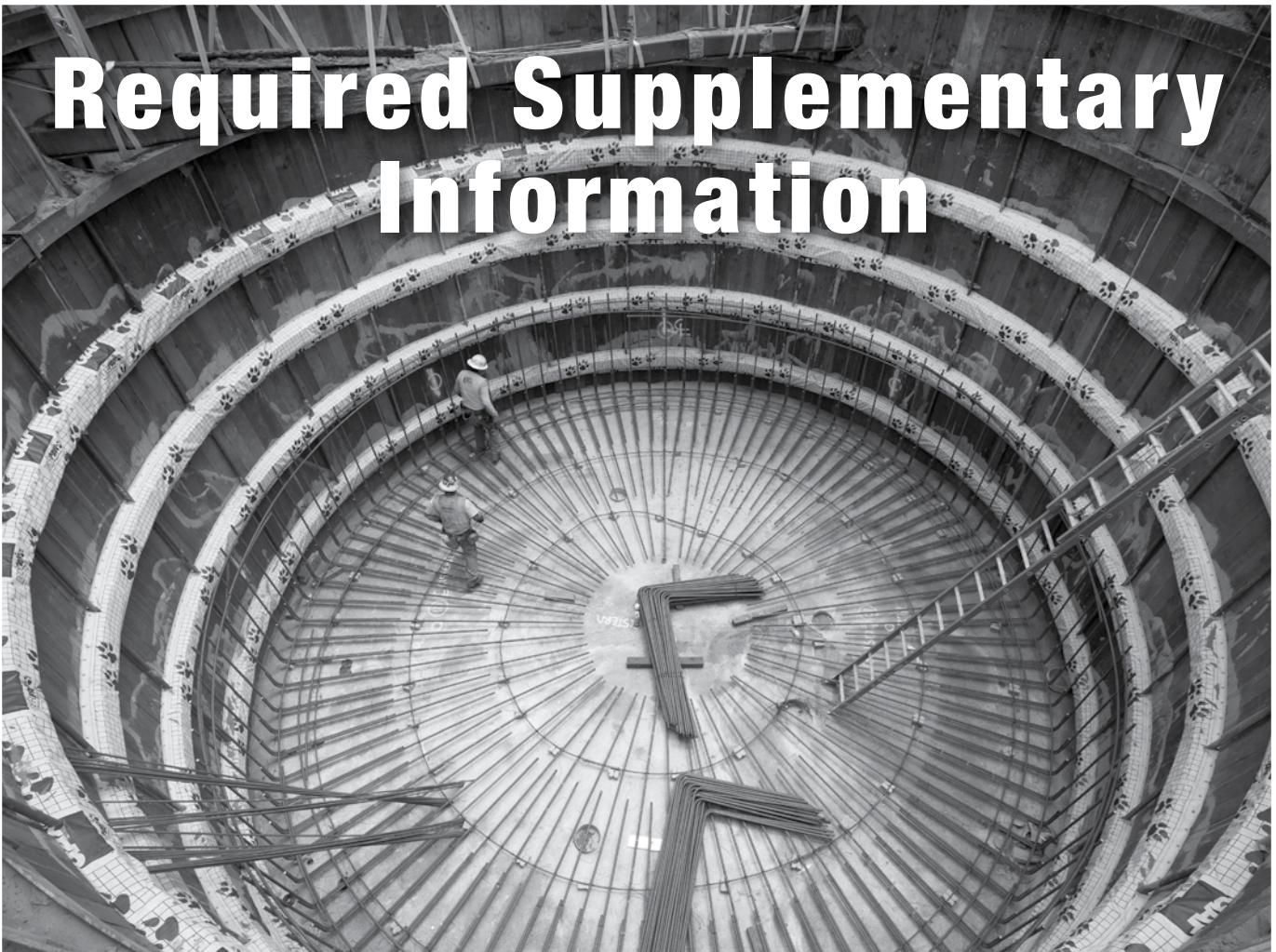
June 30, 2014

(Dollars in Thousands)

before March 1, 2015 without a break in service would pay 0.25% of compensation into the Retiree Health Care Trust Fund after July 1, 2016, increasing to 1% of compensation after July 1, 2019, rather than 2% of compensation.

**Proposition J – An ordinance that would increase the minimum wage to \$15.00 per hour by July 1, 2018 with further increases based on inflation.** The ordinance would increase the minimum wage for employees who perform work in San Francisco as follow: 1) on May 1, 2015, the minimum wage would increase to \$12.25 per hour; 2) on July 1, 2016 the minimum wage would increase to \$13.00 per hour; 3) on July 1, 2017, the minimum wage would increase to \$14.00 per hour; 4) on July 1, 2018, the minimum wage would increase to \$15.00 per hour; and 5) beginning July 1, 2019, the minimum wage would increase annually based on inflation. Proposition J would apply to City employees and to employees of the In-Home Support Services Public Authority. Two types of employees would receive a limited increase: employees under the age of 18 working in a government-subsidized training or apprenticeship program; and employees over age 55 working for non-profits that provide social welfare services and whose positions are government-subsidized. These employees would receive a minimum wage of \$12.25 per hour starting on May 1, 2015 with annual increases starting on July 1, 2016 based on inflation.

# Required Supplementary Information



*One of many new cisterns under construction. The new cisterns will enhance firefighting capacity throughout San Francisco.*



# CITY AND COUNTY OF SAN FRANCISCO

## Required Supplementary Information – Schedules of Funding Progress and Employer Contributions (Unaudited) June 30, 2014 (Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

### Employees' Retirement System – Pension Plan <sup>(1)</sup>

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
07/01/11	\$ 16,313,120	\$ 18,598,728	\$ (2,285,608)	87.7%	\$ 2,360,413	96.8%
07/01/12	16,027,683	19,393,854	(3,366,171)	82.6%	2,393,842	140.6%
07/01/13	16,303,397	20,224,777	(3,921,380)	80.6%	2,535,963	154.6%

<sup>(1)</sup> The July 1, 2012 valuation results incorporate the following significant assumption changes from the previous valuation:

- Investment Rate of Return Assumption – phase-in reduction from 7.75% to 7.50% over three years (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; and fiscal year 2013-14 to 7.50%)
- Wage inflation Assumption – phase in reduction from 4.00% to 3.75% over three years (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%)
- Long-term Consumer Price Index Assumption – phase in reduction from 3.50% to 3.25% over three years (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%)

Experience losses related to changes in economic and demographic assumptions and the recognition of investment losses from fiscal year 2008-09 over five years contributed to the \$1.08 billion increase in UAAL from July 1, 2011.

In January 2014, the Retirement Board adopted to use the same assumptions from the July 1, 2012 actuarial valuation, instead of continuing the three-year phase-in of actuarial assumptions, in the July 1, 2013 actuarial valuation. The assumed investment rate of return remained at 7.58%, wage inflation at 3.83%, and price inflation at 3.33%. As of July 1, 2013, the most recent actuarial valuation date, the Pension Plan's UAAL increased by \$0.6 billion. The primary cause of this increase is the smoothing of investment losses from the year ended June 30, 2009 that are being recognized over five years, which mitigates the impact of investment performance volatility on employer contribution rates.

### California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	\$ 788,580	\$ 836,171	\$ (47,591)	94.3%	\$ 105,575	45.1%
06/30/12	834,822	892,396	(57,574)	93.5%	104,239	55.2%
06/30/13	785,150	962,208	(177,058)	81.6%	108,070	163.8%

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information –**  
**Schedules of Funding Progress and Employer Contributions (Unaudited) (continued)**  
June 30, 2014  
(Dollars in Thousands)

**Schedule of Funding Progress – City and County of San Francisco –**  
**Other Postemployment Health Care Benefits**

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/08	\$ -	\$ 4,364,273	\$ (4,364,273)	0.0%	\$ 2,296,336	190.1%
07/01/10 <sup>(1)</sup>	-	4,420,146	(4,420,146)	0.0%	2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%

<sup>(1)</sup> As of July 1, 2010, the City set-aside approximately \$3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

**Schedule of Employer Contributions – City and County of San Francisco –**  
**Other Postemployment Health Care Benefits**

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2012	\$ 397,862	39.2%
2013	408,735	39.2%
2014	341,377	48.8%

**Schedule of Funding Progress – San Francisco County Transportation Authority –**  
**Other Postemployment Health Care Benefits**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/10	\$ 173	\$ 374	\$ (201)	46.3%	\$ 2,858	7.0%
06/30/11 <sup>(2)</sup>	405	671	(266)	60.4%	3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%

<sup>(1)</sup> The actuarial valuation report is conducted once every two years. The SFCTA's next valuation is scheduled to be performed in fiscal year 2014/2015.

<sup>(2)</sup> As of June 30, 2012, the SFCTA complied with GASB Statement No. 57 and completed an OPEB actuarial valuation based on a common date of its trust account with CalPERS. CalPERS requires June 30 valuations to be prepared for each odd numbered year. As such, the SFCTA performed its latest actuarial valuation as of June 30, 2013.

**CITY AND COUNTY OF SAN FRANCISCO**

**Required Supplementary Information –  
Schedules of Funding Progress and Employer Contributions (Unaudited) (continued)**  
June 30, 2014  
(Dollars in Thousands)

**Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits**

Actuarial Valuation Date <sup>(1)</sup>	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	\$ 493	\$ 13,790	\$ (13,297)	3.6%	\$ 10,515	126.5%
06/30/11	1,856	14,390	(12,534)	12.9%	4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%

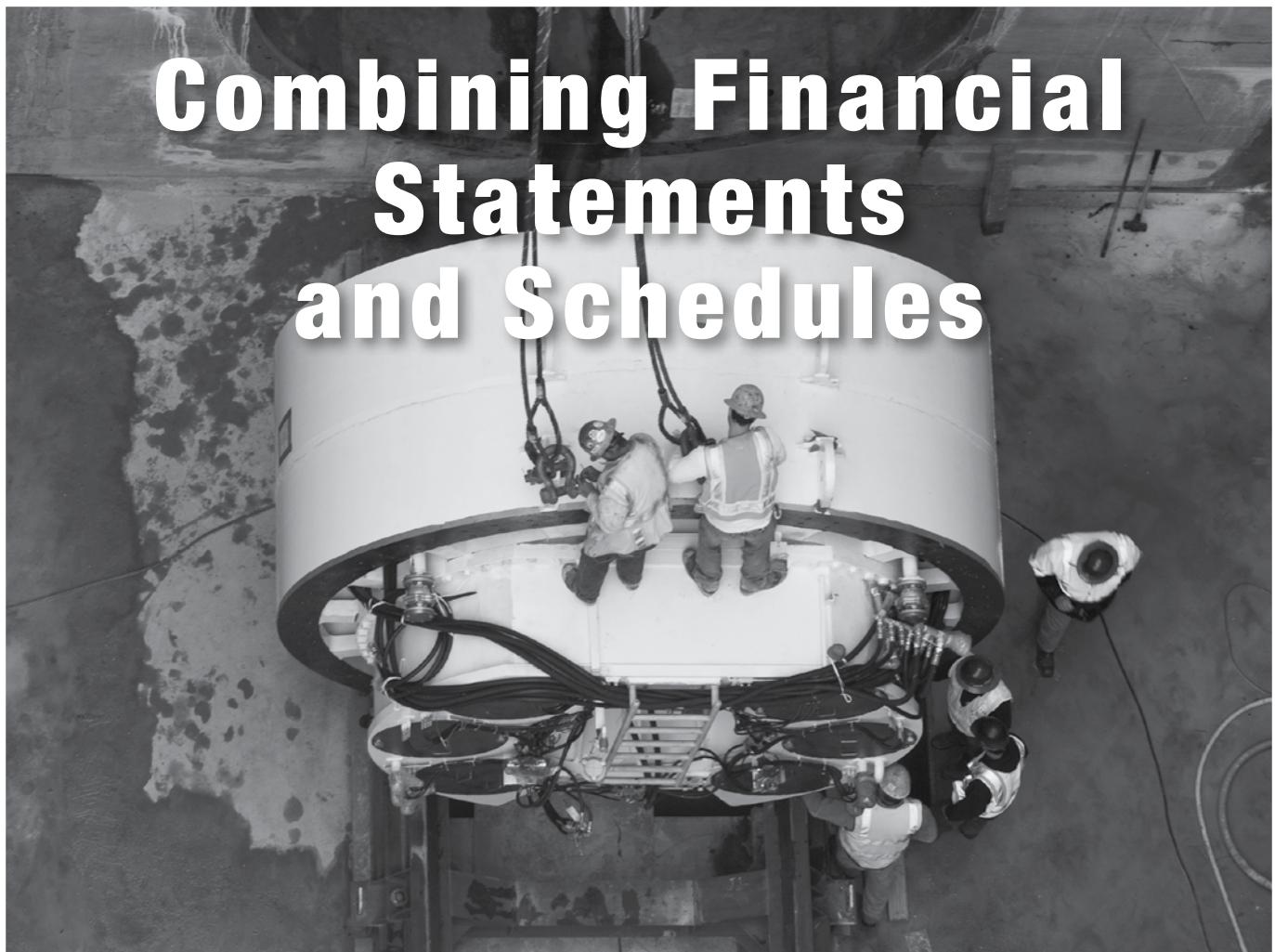
(1) The actuarial valuation report is conducted once every two years.



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# Combining Financial Statements and Schedules



*Bay Tunnel – Tunnel Boring Machine Assembly and Launch.*



## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

*Building Inspection Fund* – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

*Children and Families Fund* – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

*Community/Neighborhood Development Fund* – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

*Community Health Services Fund* – Accounts for state and federal grants used to promote public health and mental health programs.

*Convention Facilities Fund* – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

*Court's Fund* – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

*Culture and Recreation Fund* – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

*Environmental Protection Fund* – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

*Gasoline Tax Fund* – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

*General Services Fund* – Accounts for the activities of several non-grant activities, generally established by administrative action.

*Gift Fund* – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

*Golf Fund* – Accounts for the revenue and expenditures related to the City's six golf courses.

*Human Welfare Fund* – Accounts for state and federal grants used to promote education and discourage domestic violence.

*Low and Moderate Income Housing Asset Fund* – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### SPECIAL REVENUE FUNDS (Continued)

*Open Space and Park Fund* – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

*Public Library Fund* – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

*Public Protection Fund* – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

*Public Works, Transportation and Commerce Fund* – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

*Real Property Fund* – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

*San Francisco County Transportation Authority Fund* – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

*Senior Citizens' Program Fund* – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

*War Memorial Fund* – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

#### DEBT SERVICE FUNDS

The Debt Service Funds account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

*General Obligation Bond Fund* – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the \$100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

*Certificates of Participation (COP) Funds* – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

*Other Bond Funds* – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

## CITY AND COUNTY OF SAN FRANCISCO

### NONMAJOR GOVERNMENTAL FUNDS

#### CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

*City Facilities Improvement Fund* – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

*Earthquake Safety Improvement Fund* – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

*Fire Protection Systems Improvement Fund* – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

*Moscone Convention Center Fund* – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

*Public Library Improvement Fund* – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

*Recreation and Park Projects Fund* – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

*Street Improvement Fund* – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

#### PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

*Bequest Fund* – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds**

June 30, 2014  
 (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.....	\$ 703,258	\$ 107,312	\$ 514,375	\$ 7,678	\$ 1,332,623
Deposits and investments outside City Treasury.....	24,770	31,046	10,175	-	65,991
<b>Receivables</b>					
Property taxes and penalties.....	4,279	5,949	-	-	10,228
Other local taxes.....	17,704	-	-	-	17,704
Federal and state grants and subventions.....	113,128	-	7,168	-	120,296
Charges for services.....	13,517	-	-	-	13,517
Interest and other.....	2,836	310	675	8	3,829
Due from other funds.....	3,138	-	2,735	-	5,873
Due from component unit.....	509	-	36	-	545
Advance to component unit.....	10,606	-	-	-	10,606
Loans receivable (net of allowance for uncollectible)	70,747	-	-	-	70,747
Other assets.....	13,638	-	-	-	13,638
<b>Total assets.....</b>	<b><u>\$ 978,130</u></b>	<b><u>\$ 144,617</u></b>	<b><u>\$ 535,164</u></b>	<b><u>\$ 7,686</u></b>	<b><u>\$ 1,665,597</u></b>
<b>Liabilities:</b>					
Accounts payable.....	\$ 83,787	\$ 3	\$ 67,927	\$ 91	\$ 151,808
Accrued payroll.....	22,661	-	2,520	-	25,181
Unearned grant and subvention revenue.....	8,216	-	104	13	8,333
Due to other funds.....	12,694	30	8,186	-	20,910
Unearned revenues and other liabilities.....	40,406	12,828	2,138	40	55,412
Bonds, loans, capital leases, and other payables.....	138,334	-	37,426	-	175,760
<b>Total liabilities.....</b>	<b><u>306,098</u></b>	<b><u>12,861</u></b>	<b><u>118,301</u></b>	<b><u>144</u></b>	<b><u>437,404</u></b>
Deferred inflows of resources	<u>119,524</u>	<u>5,252</u>	<u>2,000</u>	<u>-</u>	<u>126,776</u>
<b>Fund balances:</b>					
Nonspendable.....	441	-	-	-	441
Restricted.....	558,673	126,504	422,507	7,542	1,115,226
Assigned.....	50,733	-	-	-	50,733
Unassigned.....	(57,339)	-	(7,644)	-	(64,983)
<b>Total fund balances.....</b>	<b><u>552,508</u></b>	<b><u>126,504</u></b>	<b><u>414,863</u></b>	<b><u>7,542</u></b>	<b><u>1,101,417</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 978,130</u></b>	<b><u>\$ 144,617</u></b>	<b><u>\$ 535,164</u></b>	<b><u>\$ 7,686</u></b>	<b><u>\$ 1,665,597</u></b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
Year Ended June 30, 2014  
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
<b>Revenues:</b>					
Property taxes.....	\$ 130,445	\$ 208,539	\$ -	\$ -	\$ 338,984
Business taxes.....	510	-	-	-	510
Sales and use tax.....	93,931	-	-	-	93,931
Licenses, permits, and franchises.....	15,396	-	-	-	15,396
Fines, forfeitures, and penalties.....	7,941	15,203	-	-	23,144
Interest and investment income.....	7,527	1,431	4,790	64	13,812
Rents and concessions.....	63,473	733	152	853	65,211
<b>Intergovernmental:</b>					
Federal.....	201,779	-	8,853	-	210,632
State.....	106,312	801	4,745	-	111,858
Other.....	6,930	-	287	-	7,217
Charges for services.....	153,054	-	-	-	153,054
Other.....	107,283	3,734	14,048	98	125,163
<b>Total revenues.....</b>	<b>894,581</b>	<b>230,441</b>	<b>32,875</b>	<b>1,015</b>	<b>1,158,912</b>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	75,658	-	-	-	75,658
Public works, transportation and commerce.....	153,756	-	-	-	153,756
Human welfare and neighborhood development.....	274,405	-	-	-	274,405
Community health.....	92,738	-	-	-	92,738
Culture and recreation.....	218,007	-	-	888	218,895
General administration and finance.....	43,642	-	-	-	43,642
General City responsibilities.....	28	-	-	-	28
<b>Debt service:</b>					
Principal retirement.....	-	190,266	-	-	190,266
Interest and other fiscal charges.....	1,966	116,579	597	-	119,142
Bond issuance costs.....	-	1,007	1,178	-	2,185
Capital outlay.....	-	-	449,726	-	449,726
<b>Total expenditures.....</b>	<b>860,200</b>	<b>307,852</b>	<b>451,501</b>	<b>888</b>	<b>1,620,441</b>
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>	<b>34,381</b>	<b>(77,411)</b>	<b>(418,626)</b>	<b>127</b>	<b>(461,529)</b>
<b>Other financing sources (uses):</b>					
Transfers in.....	236,879	68,759	41,196	-	346,834
Transfers out.....	(110,292)	-	(44,190)	(8)	(154,490)
<b>Issuance of bonds and loans:</b>					
Face value of bonds issued.....	-	47,220	209,955	-	257,175
Face value of loans issued.....	8,735	-	-	-	8,735
Premium on issuance of bonds.....	-	3,265	16,508	-	19,773
Payment to refunded bond escrow agent.....	-	(49,055)	-	-	(49,055)
Other financing sources-capital leases.....	1,417	-	4,867	-	6,284
<b>Total other financing sources (uses).....</b>	<b>136,739</b>	<b>70,189</b>	<b>228,336</b>	<b>(8)</b>	<b>435,256</b>
<b>Net changes in fund balances.....</b>	<b>171,120</b>	<b>(7,222)</b>	<b>(190,290)</b>	<b>119</b>	<b>(26,273)</b>
<b>Fund balances at beginning of year.....</b>	<b>381,388</b>	<b>133,726</b>	<b>605,153</b>	<b>7,423</b>	<b>1,127,690</b>
<b>Fund balances at end of year.....</b>	<b>\$ 552,508</b>	<b>\$ 126,504</b>	<b>\$ 414,863</b>	<b>\$ 7,542</b>	<b>\$ 1,101,417</b>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds**  
June 30, 2014  
(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>Court's Fund</b>
<b>Assets:</b>						
Deposits and investments with City Treasury.....	\$ 121,701	\$ 75,800	\$ 172,314	\$ 27,904	\$ 35,097	\$ 17
Deposits and investments outside City Treasury.....	5	-	4,343	-	-	-
Receivables						
Property taxes and penalties.....	-	1,605	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	-	7,628	21,770	20,480	-	-
Charges for services.....	374	-	22	14	4,301	147
Interest and other.....	131	103	191	29	-	-
Due from other funds.....	-	-	2,870	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible)...	256	-	70,045	-	-	-
Other assets.....	-	1,044	-	-	-	-
<b>Total assets.....</b>	<b>\$ 122,467</b>	<b>\$ 86,180</b>	<b>\$ 271,555</b>	<b>\$ 48,427</b>	<b>\$ 39,398</b>	<b>\$ 164</b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 1,593	\$ 20,583	\$ 11,823	\$ 13,455	\$ 1,150	\$ 6
Accrued payroll.....	2,289	997	997	2,117	107	-
Unearned grant and subvention revenues.....	-	203	794	382	-	-
Due to other funds.....	-	-	-	648	-	-
Unearned revenues and other liabilities.....	20,401	3,407	226	782	1,420	-
Bonds, loans, capital leases, and other payables.....	-	-	3,126	-	-	-
<b>Total liabilities.....</b>	<b>24,283</b>	<b>25,190</b>	<b>16,966</b>	<b>17,384</b>	<b>2,677</b>	<b>6</b>
Deferred inflows of resources	256	7,244	75,871	9,092	-	-
<b>Fund balances:</b>						
Nonspendable.....	-	-	-	-	-	-
Restricted.....	97,928	53,746	175,865	21,951	36,721	158
Assigned.....	-	-	2,853	-	-	-
Unassigned.....	-	-	-	-	-	-
<b>Total fund balances.....</b>	<b>97,928</b>	<b>53,746</b>	<b>178,718</b>	<b>21,951</b>	<b>36,721</b>	<b>158</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 122,467</b>	<b>\$ 86,180</b>	<b>\$ 271,555</b>	<b>\$ 48,427</b>	<b>\$ 39,398</b>	<b>\$ 164</b>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
June 30, 2014  
(In Thousands)

	<b>Culture and Recreation Fund</b>	<b>Environmental Protection Fund</b>	<b>Gasoline Tax Fund</b>	<b>General Services Fund</b>	<b>Gift and Other Expendable Trusts Fund</b>	<b>Golf Fund</b>
<b>Assets:</b>						
Deposits and investments with City Treasury.....	\$ 9,927	\$ 973	\$ 24,019	\$ 15,686	\$ 7,280	\$ 2,885
Deposits and investments outside City Treasury.....	235	1,307	-	-	192	-
Receivables						
Property taxes and penalties.....	-	-	-	-	-	-
Other local taxes.....	-	-	-	-	-	-
Federal and state grants and subventions.....	30	1,434	3,743	624	105	-
Charges for services.....	110	-	142	1,682	-	382
Interest and other.....	-	124	21	724	3	3
Due from other funds.....	-	202	-	-	-	-
Due from component unit.....	-	-	-	-	-	-
Advance to component unit.....	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible)...	-	-	-	-	-	-
Other assets.....	-	-	-	-	-	-
Total assets.....	<u>\$ 10,302</u>	<u>\$ 4,040</u>	<u>\$ 27,925</u>	<u>\$ 18,716</u>	<u>\$ 7,580</u>	<u>\$ 3,270</u>
<b>Liabilities:</b>						
Accounts payable.....	\$ 1,607	\$ 488	\$ 3,843	\$ 1,175	\$ 133	\$ 345
Accrued payroll.....	263	240	1,793	473	30	285
Unearned grant and subvention revenues.....	335	1,993	-	207	182	-
Due to other funds.....	-	-	-	-	-	-
Unearned revenues and other liabilities.....	4	-	-	125	-	-
Bonds, loans, capital leases, and other payables.....	-	-	-	-	-	-
Total liabilities.....	<u>2,209</u>	<u>2,721</u>	<u>5,636</u>	<u>1,980</u>	<u>345</u>	<u>630</u>
Deferred inflows of resources	<u>14</u>	<u>689</u>	<u>-</u>	<u>612</u>	<u>64</u>	<u>-</u>
<b>Fund balances:</b>						
Nonspendable.....	-	-	-	-	192	-
Restricted.....	5,557	630	22,289	7,012	6,979	-
Assigned.....	2,522	-	-	9,112	-	2,640
Unassigned.....	-	-	-	-	-	-
Total fund balances.....	<u>8,079</u>	<u>630</u>	<u>22,289</u>	<u>16,124</u>	<u>7,171</u>	<u>2,640</u>
Total liabilities, deferred inflows of resources and fund balances.....	<u>\$ 10,302</u>	<u>\$ 4,040</u>	<u>\$ 27,925</u>	<u>\$ 18,716</u>	<u>\$ 7,580</u>	<u>\$ 3,270</u>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
June 30, 2014  
(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.....	\$ -	\$ 23,012	\$ 27,712	\$ 40,735	\$ 13,929	\$ 35,293
Deposits and investments outside City Treasury.....	- -	- -	- -	- -	100	130
Receivables						
Property taxes and penalties.....	- -	- -	1,337	1,337	- -	- -
Other local taxes.....	- -	- -	- -	- -	- -	- -
Federal and state grants and subventions.....	7,566	- -	- -	7	30,027	226
Charges for services.....	200	31	- -	8	2,013	4,090
Interest and other.....	- -	270	29	45	174	- -
Due from other funds.....	- -	- -	- -	- -	- -	- -
Due from component unit.....	- -	- -	- -	- -	- -	- -
Advance to component unit.....	- -	- -	- -	- -	- -	- -
Loans receivable (net of allowance for uncollectible)....	- -	446	- -	- -	- -	- -
Other assets.....	91	6,251	- -	- -	950	5,053
<b>Total assets.....</b>	<b>\$ 7,857</b>	<b>\$ 30,010</b>	<b>\$ 29,078</b>	<b>\$ 42,132</b>	<b>\$ 47,193</b>	<b>\$ 44,792</b>
<b>Liabilities:</b>						
Accounts payable.....	\$ 2,265	\$ -	\$ 185	\$ 2,987	\$ 5,279	\$ 1,311
Accrued payroll.....	53	50	1,376	4,410	1,473	3,798
Unearned grant and subvention revenues.....	15	- -	- -	- -	3,956	- -
Due to other funds.....	4,219	- -	60	- -	- -	276
Unearned revenues and other liabilities.....	- -	2,701	2,841	2,839	- -	5,637
Bonds, loans, capital leases, and other payables.....	- -	- -	- -	- -	- -	208
<b>Total liabilities.....</b>	<b>6,552</b>	<b>2,751</b>	<b>4,462</b>	<b>10,236</b>	<b>10,708</b>	<b>11,230</b>
Deferred inflows of resources	1,745	446	1,182	1,182	9,900	2,617
<b>Fund balances:</b>						
Nonspendable.....	- -	- -	- -	- -	- -	- -
Restricted.....	- -	26,813	23,434	29,574	24,781	283
Assigned.....	- -	- -	- -	1,140	1,804	30,662
Unassigned.....	(440)	- -	- -	- -	- -	- -
<b>Total fund balances.....</b>	<b>(440)</b>	<b>26,813</b>	<b>23,434</b>	<b>30,714</b>	<b>26,585</b>	<b>30,945</b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b>\$ 7,857</b>	<b>\$ 30,010</b>	<b>\$ 29,078</b>	<b>\$ 42,132</b>	<b>\$ 47,193</b>	<b>\$ 44,792</b>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
June 30, 2014  
(In Thousands)

	<b>Real Property Fund</b>	<b>San Francisco County Transportation Authority Fund</b>	<b>Senior Citizens' Program Fund</b>	<b>War Memorial Fund</b>	<b>Total</b>
<b>Assets:</b>					
Deposits and investments with City Treasury.....	\$ 4,479	\$ 52,945	\$ -	\$ 11,550	\$ 703,258
Deposits and investments outside City Treasury.....	419	18,039	-	-	24,770
Receivables					
Property taxes and penalties.....	-	-	-	-	4,279
Other local taxes.....	-	17,704	-	-	17,704
Federal and state grants and subventions.....	-	18,054	1,434	-	113,128
Charges for services.....	1	-	-	-	13,517
Interest and other.....	-	989	-	-	2,836
Due from other funds.....	42	24	-	-	3,138
Due from component unit.....	-	509	-	-	509
Advance to component unit.....	-	10,606	-	-	10,606
Loans receivable (net of allowance for uncollectible)...	-	-	-	-	70,747
Other assets.....	-	249	-	-	13,638
<b>Total assets.....</b>	<b><u>\$ 4,941</u></b>	<b><u>\$ 119,119</u></b>	<b><u>\$ 1,434</u></b>	<b><u>\$ 11,550</u></b>	<b><u>\$ 978,130</u></b>
<b>Liabilities:</b>					
Accounts payable.....	\$ 1,844	\$ 13,058	\$ 617	\$ 40	\$ 83,787
Accrued payroll.....	1,339	106	47	418	22,661
Unearned grant and subvention revenues.....	-	-	149	-	8,216
Due to other funds.....	-	6,870	621	-	12,694
Unearned revenues and other liabilities.....	-	-	-	23	40,406
Bonds, loans, capital leases, and other payables.....	-	135,000	-	-	138,334
<b>Total liabilities.....</b>	<b><u>3,183</u></b>	<b><u>155,034</u></b>	<b><u>1,434</u></b>	<b><u>481</u></b>	<b><u>306,098</u></b>
Deferred inflows of resources	-	8,477	133	-	119,524
<b>Fund balances:</b>					
Nonspendable.....	-	249	-	-	441
Restricted.....	1,758	12,125	-	11,069	558,673
Assigned.....	-	-	-	-	50,733
Unassigned.....	-	(56,766)	(133)	-	(57,339)
<b>Total fund balances.....</b>	<b><u>1,758</u></b>	<b><u>(44,392)</u></b>	<b><u>(133)</u></b>	<b><u>11,069</u></b>	<b><u>552,508</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 4,941</u></b>	<b><u>\$ 119,119</u></b>	<b><u>\$ 1,434</u></b>	<b><u>\$ 11,550</u></b>	<b><u>\$ 978,130</u></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, 2014  
(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>Court's Fund</b>
<b>Revenues:</b>						
Property taxes.....	\$ -	\$ 48,917	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	510	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	6,665	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	164	2,735	-	29
Interest and investment income.....	852	555	3,153	218	294	-
Rents and concessions.....	-	-	37	-	27,669	-
<b>Intergovernmental:</b>						
Federal.....	-	9,180	49,064	52,527	-	-
State.....	-	12,700	12,409	24,276	-	-
Other.....	-	-	3	-	-	-
Charges for services.....	70,259	-	7,185	4,593	-	2,731
Other.....	1	632	98,642	674	-	-
<b>Total revenues.....</b>	<b>77,777</b>	<b>71,984</b>	<b>171,167</b>	<b>85,023</b>	<b>27,963</b>	<b>2,760</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	-	-	378
Public works, transportation and commerce.....	50,941	-	12,259	246	1,062	-
Human welfare and neighborhood development.....	-	155,381	65,351	-	206	-
Community health.....	-	-	-	92,735	-	-
Culture and recreation.....	-	-	99	-	47,625	-
General administration and finance.....	-	-	2,309	-	404	-
General City responsibilities.....	-	-	-	-	-	-
<b>Debt service:</b>						
Interest and other fiscal charges.....	-	-	98	-	-	-
<b>Total expenditures.....</b>	<b>50,941</b>	<b>155,381</b>	<b>80,116</b>	<b>92,981</b>	<b>49,297</b>	<b>378</b>
Excess (deficiency) of revenues over (under) expenditures.....	<b>26,836</b>	<b>(83,397)</b>	<b>91,051</b>	<b>(7,958)</b>	<b>(21,334)</b>	<b>2,382</b>
<b>Other financing sources (uses):</b>						
Transfers in.....	3	83,141	279	-	47,314	6,208
Transfers out.....	(42)	(5)	(7,843)	(23)	(22,549)	(4,188)
<b>Issuance of bonds and loans</b>						
Face value of loans issued.....	-	-	-	-	-	-
<b>Other financing sources-capital leases</b>						
<b>Total other financing sources (uses).....</b>	<b>(39)</b>	<b>83,136</b>	<b>(7,564)</b>	<b>(23)</b>	<b>24,765</b>	<b>2,020</b>
<b>Net changes in fund balances.....</b>	<b>26,797</b>	<b>(261)</b>	<b>83,487</b>	<b>(7,981)</b>	<b>3,431</b>	<b>4,402</b>
<b>Fund balances at beginning of year.....</b>	<b>71,131</b>	<b>54,007</b>	<b>95,231</b>	<b>29,932</b>	<b>33,290</b>	<b>(4,244)</b>
<b>Fund balances at end of year.....</b>	<b>\$ 97,928</b>	<b>\$ 53,746</b>	<b>\$ 178,718</b>	<b>\$ 21,951</b>	<b>\$ 36,721</b>	<b>\$ 158</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, 2014  
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	211	-	-	2,834	-	-
Fines, forfeitures, and penalties.....	-	1	-	-	258	-
Interest and investment income.....	16	4	130	59	81	21
Rents and concessions.....	404	-	-	849	-	3,131
Intergovernmental:						
Federal.....	96	439	-	1,925	-	-
State.....	463	5,833	36,936	19	-	-
Other.....	40	258	-	-	-	-
Charges for services.....	7,914	23	666	2,020	19	6,893
Other.....	238	376	29	631	1,833	-
Total revenues.....	<u>9,382</u>	<u>6,934</u>	<u>37,761</u>	<u>8,337</u>	<u>2,191</u>	<u>10,045</u>
Expenditures:						
Current:						
Public protection.....	-	-	-	246	25	-
Public works, transportation and commerce.....	1,655	-	28,977	32	175	-
Human welfare and neighborhood development.....	-	7,670	-	-	570	-
Community health.....	-	-	-	-	3	-
Culture and recreation.....	10,247	-	-	806	1,691	12,911
General administration and finance.....	11,944	17	-	5,424	60	-
General City responsibilities.....	-	-	-	23	5	-
Debt service:						
Interest and other fiscal charges.....	<u>514</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures.....	<u>24,360</u>	<u>7,687</u>	<u>28,977</u>	<u>6,531</u>	<u>2,529</u>	<u>12,911</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(14,978)</u>	<u>(753)</u>	<u>8,784</u>	<u>1,806</u>	<u>(338)</u>	<u>(2,866)</u>
Other financing sources (uses):						
Transfers in.....	17,918	530	1,345	118	-	4,771
Transfers out.....	(255)	(193)	(2,633)	-	(1,408)	(1,180)
Issuance of bonds and loans						
Face value of loans issued.....	8,735	-	-	-	-	-
Other financing sources-capital leases.....	-	-	1,417	-	-	-
Total other financing sources (uses).....	<u>26,398</u>	<u>337</u>	<u>129</u>	<u>118</u>	<u>(1,408)</u>	<u>3,591</u>
Net changes in fund balances.....	<u>11,420</u>	<u>(416)</u>	<u>8,913</u>	<u>1,924</u>	<u>(1,746)</u>	<u>725</u>
Fund balances at beginning of year.....	<u>(3,341)</u>	<u>1,046</u>	<u>13,376</u>	<u>14,200</u>	<u>8,917</u>	<u>1,915</u>
Fund balances at end of year.....	<u>\$ 8,079</u>	<u>\$ 630</u>	<u>\$ 22,289</u>	<u>\$ 16,124</u>	<u>\$ 7,171</u>	<u>\$ 2,640</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2014  
(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.....	\$ -	\$ -	\$ 40,764	\$ 40,764	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-
Licenses, permits, and franchises.....	298	-	-	-	506	-
Fines, forfeitures, and penalties.....	10	-	-	-	4,625	119
Interest and investment income.....	-	636	118	273	97	253
Rents and concessions.....	-	1,855	-	16	-	-
Intergovernmental:						
Federal.....	18,222	-	-	28	55,682	-
State.....	219	-	167	207	10,846	126
Other.....	16	716	-	-	4	761
Charges for services.....	518	-	-	797	13,757	35,435
Other.....	28	2,997	-	-	69	704
Total revenues.....	<u>19,311</u>	<u>6,204</u>	<u>41,049</u>	<u>42,085</u>	<u>85,586</u>	<u>37,398</u>
<b>Expenditures:</b>						
<b>Current:</b>						
Public protection.....	-	-	-	-	75,009	-
Public works, transportation and commerce.....	-	-	-	6,865	-	12,413
Human welfare and neighborhood development.....	22,709	1,988	-	-	3,118	11,087
Community health.....	-	-	-	-	-	-
Culture and recreation.....	-	-	38,345	94,781	-	29
General administration and finance.....	-	-	35	145	3,136	1
General City responsibilities.....	-	-	-	-	-	-
<b>Debt service:</b>						
Interest and other fiscal charges.....	-	-	-	-	-	-
Total expenditures.....	<u>22,709</u>	<u>1,988</u>	<u>38,380</u>	<u>101,791</u>	<u>81,263</u>	<u>23,530</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(3,398)</u>	<u>4,216</u>	<u>2,669</u>	<u>(59,706)</u>	<u>4,323</u>	<u>13,868</u>
<b>Other financing sources (uses):</b>						
Transfers in.....	2,708	-	1,180	60,680	-	1,296
Transfers out.....	-	-	-	(1,676)	(2,092)	(253)
Issuance of bonds and loans						
Face value of loans issued.....	-	-	-	-	-	-
Other financing sources-capital leases.....	-	-	-	-	-	-
Total other financing sources (uses).....	<u>2,708</u>	<u>-</u>	<u>1,180</u>	<u>59,004</u>	<u>(2,092)</u>	<u>1,043</u>
Net changes in fund balances.....	<u>(690)</u>	<u>4,216</u>	<u>3,849</u>	<u>(702)</u>	<u>2,231</u>	<u>14,911</u>
Fund balances at beginning of year.....	<u>250</u>	<u>22,597</u>	<u>19,585</u>	<u>31,416</u>	<u>24,354</u>	<u>16,034</u>
Fund balances at end of year.....	<u>\$ (440)</u>	<u>\$ 26,813</u>	<u>\$ 23,434</u>	<u>\$ 30,714</u>	<u>\$ 26,585</u>	<u>\$ 30,945</u>

(Continued)

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**Nonmajor Governmental Funds – Special Revenue Funds (Continued)**  
Year Ended June 30, 2014  
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
<b>Revenues:</b>					
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 130,445
Business taxes.....	-	-	-	-	510
Sales and use tax.....	-	93,931	-	-	93,931
Licenses, permits, and franchises.....	-	4,882	-	-	15,396
Fines, forfeitures, and penalties.....	-	-	-	-	7,941
Interest and investment income.....	28	638	-	101	7,527
Rents and concessions.....	27,379	-	-	2,133	63,473
Intergovernmental:					
Federal.....	-	9,496	5,120	-	201,779
State.....	-	1,279	832	-	106,312
Other.....	440	4,692	-	-	6,930
Charges for services.....	3	-	-	241	153,054
Other.....	-	169	260	-	107,283
Total revenues.....	<u>27,850</u>	<u>115,087</u>	<u>6,212</u>	<u>2,475</u>	<u>894,581</u>
<b>Expenditures:</b>					
<b>Current:</b>					
Public protection.....	-	-	-	-	75,658
Public works, transportation and commerce.....	1,133	37,998	-	-	153,756
Human welfare and neighborhood development.....	-	-	6,325	-	274,405
Community health.....	-	-	-	-	92,738
Culture and recreation.....	-	-	-	11,473	218,007
General administration and finance.....	20,167	-	-	-	43,642
General City responsibilities.....	-	-	-	-	28
<b>Debt service:</b>					
Interest and other fiscal charges.....	-	1,354	-	-	1,966
Total expenditures.....	<u>21,300</u>	<u>39,352</u>	<u>6,325</u>	<u>11,473</u>	<u>860,200</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>6,550</u>	<u>75,735</u>	<u>(113)</u>	<u>(8,998)</u>	<u>34,381</u>
<b>Other financing sources (uses):</b>					
Transfers in.....	-	-	8	9,380	236,879
Transfers out.....	(13,612)	(52,240)	-	(100)	(110,292)
Issuance of bonds and loans					
Face value of loans issued.....	-	-	-	-	8,735
Other financing sources-capital leases.....	-	-	-	-	1,417
Total other financing sources (uses).....	<u>(13,612)</u>	<u>(52,240)</u>	<u>8</u>	<u>9,280</u>	<u>136,739</u>
Net changes in fund balances.....	(7,062)	23,495	(105)	282	171,120
Fund balances at beginning of year.....	<u>8,820</u>	<u>(67,887)</u>	<u>(28)</u>	<u>10,787</u>	<u>381,388</u>
Fund balances at end of year.....	<u>\$ 1,758</u>	<u>\$ (44,392)</u>	<u>\$ (133)</u>	<u>\$ 11,069</u>	<u>\$ 552,508</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**

Year Ended June 30, 2014

(In Thousands)

	Building Inspection Fund				Children and Families Fund				Variance			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)				
								Building Inspection Fund	Children and Families Fund	Building Inspection Fund	Children and Families Fund	
<b>Revenues:</b>												
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ 47,950	\$ 47,950	\$ 48,917	\$ 967				
Business taxes.....	-	-	-	-	-	-	-	-				
Sales and use tax.....	-	-	-	-	-	-	-	-				
Licenses, permits, and franchises.....	6,761	6,761	6,665	(96)	-	-	-	-				
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-				
Interest and investment income.....	459	459	648	189	429	429	429	-				
Rents and concessions.....	-	-	-	-	-	-	-	-				
Intergovernmental:												
Federal.....	-	-	-	-	10,190	9,796	9,180	(616)				
State.....	-	-	-	-	15,083	16,571	16,362	(209)				
Other.....	-	-	-	-	-	-	-	-				
Charges for services.....	49,795	49,795	70,259	20,464	-	-	-	-				
Other.....	-	-	1	1	110	632	632	-				
<b>Total revenues.....</b>	<b>57,015</b>	<b>57,015</b>	<b>77,573</b>	<b>20,558</b>	<b>73,762</b>	<b>75,378</b>	<b>75,520</b>	<b>142</b>				
<b>Expenditures:</b>												
<b>Current:</b>												
Public protection.....	-	-	-	-	-	-	-	-				
Public works, transportation and commerce.....	63,855	58,027	50,944	7,083	-	-	-	-				
Human welfare and neighborhood development.....	-	-	-	-	168,364	155,905	155,383	522				
Community health.....	-	-	-	-	-	-	-	-				
Culture and recreation.....	-	-	-	-	-	-	-	-				
General administration and finance.....	-	-	-	-	-	-	-	-				
General City responsibilities.....	-	-	-	-	-	-	-	-				
<b>Total expenditures.....</b>	<b>63,855</b>	<b>58,027</b>	<b>50,944</b>	<b>7,083</b>	<b>168,364</b>	<b>155,905</b>	<b>155,383</b>	<b>522</b>				
<b>Excess (deficiency) of revenues over (under) expenditures.....</b>												
(6,840)	(1,012)	26,629	27,641	(94,602)	(80,527)	(79,863)	664					
<b>Other financing sources (uses):</b>												
Transfers in.....	-	3	3	-	82,660	83,141	83,141	-				
Transfers out.....	-	-	-	-	-	-	-	-				
Issuance of loans.....	-	-	-	-	-	-	-	-				
Issuance of commercial paper.....	-	-	-	-	-	-	-	-				
Budget reserves and designations.....	(14,738)	-	-	-	(1,026)	-	-	-				
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-				
Total other financing sources (uses).....	(14,738)	3	3	-	81,634	83,141	83,141	-				
Net changes in fund balances.....	(21,578)	(1,009)	26,632	27,641	(12,968)	2,614	3,278	664				
Budgetary fund balances, July 1.....	21,578	71,195	71,195	-	12,968	56,203	56,203	-				
Budgetary fund balances, June 30.....	\$ -	\$ 70,186	\$ 97,827	\$ 27,641	\$ -	\$ 58,817	\$ 59,481	\$ 664				

(Continued)

**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, 2014  
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	1,000	1,000	510	(490)	-	-	-	-
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	650	650	164	(486)	2,324	2,324	2,735	411
Interest and investment income.....	9	2,353	2,789	436	220	216	153	(63)
Rents and concessions.....	-	269	37	(232)	-	-	-	-
Intergovernmental:								
Federal.....	6,454	51,516	51,516	-	65,638	56,218	56,218	-
State.....	523	15,172	15,172	-	33,506	24,222	24,222	-
Other.....	-	287	287	-	-	-	-	-
Charges for services.....	5,435	5,435	7,185	1,750	242	6,614	4,593	(2,021)
Other.....	3,415	79,847	98,642	18,795	448	674	674	-
Total revenues.....	<u>17,486</u>	<u>156,529</u>	<u>176,302</u>	<u>19,773</u>	<u>102,378</u>	<u>90,268</u>	<u>88,595</u>	<u>(1,673)</u>
<b>Expenditures:</b>								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	6,162	12,259	12,259	-	-	246	246	-
Human welfare and neighborhood development.....	7,850	65,965	65,350	615	-	-	-	-
Community health.....	-	-	-	-	102,406	92,735	92,735	-
Culture and recreation.....	1,312	99	99	-	-	-	-	-
General administration and finance.....	3,279	2,310	2,310	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>18,603</u>	<u>80,633</u>	<u>80,018</u>	<u>615</u>	<u>102,406</u>	<u>92,981</u>	<u>92,981</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(1,117)</u>	<u>75,896</u>	<u>96,284</u>	<u>20,388</u>	<u>(28)</u>	<u>(2,713)</u>	<u>(4,386)</u>	<u>(1,673)</u>
<b>Other financing sources (uses):</b>								
Transfers in.....	1	279	279	-	-	-	-	-
Transfers out.....	(10)	(10,142)	(10,142)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	1,631	1,631	-	-	-	-	-
Budget reserves and designations.....	(1,420)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	(98)	(98)	-	-	-	-	-
Total other financing sources (uses).....	<u>(1,429)</u>	<u>(8,330)</u>	<u>(8,330)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances.....	<u>(2,546)</u>	<u>67,566</u>	<u>87,954</u>	<u>20,388</u>	<u>(28)</u>	<u>(2,713)</u>	<u>(4,386)</u>	<u>(1,673)</u>
Budgetary fund balances, July 1.....	<u>2,546</u>	<u>104,527</u>	<u>104,527</u>	<u>-</u>	<u>28</u>	<u>35,413</u>	<u>35,413</u>	<u>-</u>
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 172,093</u>	<u>\$ 192,481</u>	<u>\$ 20,388</u>	<u>\$ -</u>	<u>\$ 32,700</u>	<u>\$ 31,027</u>	<u>\$ (1,673)</u>

*(Continued)*

**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, 2014  
(In Thousands)

	Convention Facilities Fund				Court's 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.....	-	-	-	-	35	35	29	(6)	
Interest and investment income.....	-	2	4	2	-	-	-	-	
Rents and concessions.....	25,024	25,024	27,669	2,645	-	-	-	-	
Intergovernmental:									
Federal.....	-	-	-	-	-	-	-	-	
State.....	-	-	-	-	-	-	-	-	
Other.....	-	-	-	-	-	-	-	-	
Charges for services.....	-	-	-	-	3,500	3,500	2,736	(764)	
Other.....	-	-	-	-	-	-	-	-	
<b>Total revenues.....</b>	<b>25,024</b>	<b>25,026</b>	<b>27,673</b>	<b>2,647</b>	<b>3,535</b>	<b>3,535</b>	<b>2,765</b>	<b>(770)</b>	
<b>Expenditures:</b>									
<b>Current:</b>									
Public protection.....	-	-	-	-	4,616	428	365	63	
Public works, transportation and commerce.....	-	1,062	1,062	-	-	-	-	-	
Human welfare and neighborhood development.	560	206	206	-	-	-	-	-	
Community health.....	-	-	-	-	-	-	-	-	
Culture and recreation.....	76,339	53,673	47,625	6,048	-	-	-	-	
General administration and finance.....	-	404	404	-	-	-	-	-	
General City responsibilities.....	-	-	-	-	-	-	-	-	
<b>Total expenditures.....</b>	<b>76,899</b>	<b>55,345</b>	<b>49,297</b>	<b>6,048</b>	<b>4,616</b>	<b>428</b>	<b>365</b>	<b>63</b>	
<b>Excess (deficiency) of revenues     over (under) expenditures.....</b>									
	<b>(51,875)</b>	<b>(30,319)</b>	<b>(21,624)</b>	<b>8,695</b>	<b>(1,081)</b>	<b>3,107</b>	<b>2,400</b>	<b>(707)</b>	
<b>Other financing sources (uses):</b>									
Transfers in.....	42,287	47,314	47,314	-	-	6,196	6,196	-	
Transfers out.....	-	(21,752)	(21,752)	-	-	(4,188)	(4,188)	-	
Issuance of loans.....	-	-	-	-	-	-	-	-	
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	
Budget reserves and designations.....	-	-	-	-	-	-	-	-	
Loan repayments and other financing sources (uses).....	(506)	(506)	(506)	-	-	-	-	-	
<b>Total other financing sources (uses).....</b>	<b>41,781</b>	<b>25,056</b>	<b>25,056</b>	<b>-</b>	<b>-</b>	<b>2,008</b>	<b>2,008</b>	<b>-</b>	
<b>Net changes in fund balances.....</b>	<b>(10,094)</b>	<b>(5,263)</b>	<b>3,432</b>	<b>8,695</b>	<b>(1,081)</b>	<b>5,115</b>	<b>4,408</b>	<b>(707)</b>	
Budgetary fund balances, July 1.....	10,094	38,055	38,055	-	1,081	(4,241)	(4,241)	-	
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 32,792</b>	<b>\$ 41,487</b>	<b>\$ 8,695</b>	<b>\$ -</b>	<b>\$ 874</b>	<b>\$ 167</b>	<b>\$ (707)</b>	

(Continued)

**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, 2014**  
(In Thousands)

	Culture and Recreation Fund			Variance Positive (Negative)	Environmental Protection 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.....	312	312	211	(101)	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	1	1
Interest and investment income.....	25	25	-	(25)	-	-	-	-
Rents and concessions.....	343	343	404	61	-	-	-	-
Intergovernmental:								
Federal.....	-	96	96	-	-	434	434	-
State.....	-	368	368	-	536	6,414	6,414	-
Other.....	60	-	-	-	673	256	258	2
Charges for services.....	7,646	7,890	7,888	(2)	-	-	23	23
Other.....	-	238	238	-	1,521	520	376	(144)
Total revenues.....	<u>8,386</u>	<u>9,272</u>	<u>9,205</u>	<u>(67)</u>	<u>2,730</u>	<u>7,624</u>	<u>7,506</u>	<u>(118)</u>
<b>Expenditures:</b>								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	925	1,655	1,655	-	-	-	-	-
Human welfare and neighborhood development.....	-	-	-	-	2,747	8,548	7,670	878
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	11,211	10,790	10,246	544	-	-	-	-
General administration and finance.....	12,733	11,944	11,944	-	-	17	17	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>24,869</u>	<u>24,389</u>	<u>23,845</u>	<u>544</u>	<u>2,747</u>	<u>8,565</u>	<u>7,687</u>	<u>878</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(16,483)</u>	<u>(15,117)</u>	<u>(14,640)</u>	<u>477</u>	<u>(17)</u>	<u>(941)</u>	<u>(181)</u>	<u>760</u>
<b>Other financing sources (uses):</b>								
Transfers in.....	16,990	17,918	17,918	-	-	530	530	-
Transfers out.....	-	(210)	(210)	-	-	(189)	(189)	-
Issuance of loans.....	-	8,735	8,735	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	(4)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	<u>(2,329)</u>	<u>(2,329)</u>	<u>(743)</u>	<u>1,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses).....	<u>14,657</u>	<u>24,114</u>	<u>25,700</u>	<u>1,586</u>	<u>-</u>	<u>341</u>	<u>341</u>	<u>-</u>
Net changes in fund balances.....	<u>(1,826)</u>	<u>8,997</u>	<u>11,060</u>	<u>2,063</u>	<u>(17)</u>	<u>(600)</u>	<u>160</u>	<u>760</u>
Budgetary fund balances, July 1.....	1,826	1,684	1,684	-	17	1,158	1,158	-
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 10,681</u>	<u>\$ 12,744</u>	<u>\$ 2,063</u>	<u>\$ -</u>	<u>\$ 558</u>	<u>\$ 1,318</u>	<u>\$ 760</u>

(Continued)

**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, 2014**  
(In Thousands)

	Gasoline Tax Fund			Variance Positive (Negative)	General Services 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.....	-	-	-	-	2,921	2,921	2,834	(87)
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-
Interest and investment income.....	42	42	100	58	45	45	45	-
Rents and concessions.....	-	-	-	-	-	849	849	-
Intergovernmental:								
Federal.....	-	-	-	-	-	1,926	1,926	-
State.....	35,138	35,138	36,935	1,797	-	19	19	-
Other.....	-	-	-	-	-	-	-	-
Charges for services.....	800	800	666	(134)	2,807	2,807	2,020	(787)
Other.....	-	-	29	29	466	1,162	1,162	-
<b>Total revenues.....</b>	<b>35,980</b>	<b>35,980</b>	<b>37,730</b>	<b>1,750</b>	<b>6,239</b>	<b>9,729</b>	<b>8,855</b>	<b>(874)</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Public protection.....	-	-	-	-	280	246	246	-
Public works, transportation and commerce.....	37,325	27,842	27,559	283	-	32	32	-
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	806	806	-
General administration and finance.....	-	-	-	-	6,138	5,424	5,424	-
General City responsibilities.....	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>37,325</b>	<b>27,842</b>	<b>27,559</b>	<b>283</b>	<b>6,418</b>	<b>6,508</b>	<b>6,508</b>	<b>-</b>
Excess (deficiency) of revenues over (under) expenditures.....	(1,345)	8,138	10,171	2,033	(179)	3,221	2,347	(874)
<b>Other financing sources (uses):</b>								
Transfers in.....	1,345	1,345	1,345	-	159	95	95	-
Transfers out.....	-	(2,633)	(2,633)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	(13)	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses).....</b>	<b>1,345</b>	<b>(1,288)</b>	<b>(1,288)</b>	<b>-</b>	<b>146</b>	<b>95</b>	<b>95</b>	<b>-</b>
Net changes in fund balances.....	-	6,850	8,883	2,033	(33)	3,316	2,442	(874)
Budgetary fund balances, July 1.....	-	13,389	13,389	-	33	14,299	14,299	-
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 20,239</b>	<b>\$ 22,272</b>	<b>\$ 2,033</b>	<b>\$ -</b>	<b>\$ 17,615</b>	<b>\$ 16,741</b>	<b>\$ (874)</b>

(Continued)

**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, 2014**  
(In Thousands)

	Gift and Other Expendable Trusts Fund			Golf 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.....	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	257	257	-	-	-
Interest and investment income.....	-	25	25	-	20	20	17 (3)
Rents and concessions.....	-	-	-	-	3,157	3,157	3,131 (26)
Intergovernmental:							
Federal.....	-	-	-	-	-	-	-
State.....	-	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-
Charges for services.....	-	19	19	-	6,970	6,970	6,893 (77)
Other.....	1,025	2,153	1,896	(257)	-	-	-
Total revenues.....	1,025	2,197	2,197	-	10,147	10,147	10,041 (106)
Expenditures:							
Current:							
Public protection.....	-	25	25	-	-	-	-
Public works, transportation and commerce.....	-	175	175	-	-	-	-
Human welfare and neighborhood development.....	544	571	571	-	-	-	-
Community health.....	-	3	3	-	-	-	-
Culture and recreation.....	481	1,691	1,691	-	13,738	13,829	12,911 918
General administration and finance.....	-	60	60	-	-	-	-
General City responsibilities.....	-	5	5	-	-	-	-
Total expenditures.....	1,025	2,530	2,530	-	13,738	13,829	12,911 918
Excess (deficiency) of revenues over (under) expenditures.....	-	(333)	(333)	-	(3,591)	(3,682)	(2,870) 812
Other financing sources (uses):							
Transfers in.....	-	-	-	-	4,771	4,771	4,771 -
Transfers out.....	-	(1,356)	(1,356)	-	(1,180)	(1,180)	(1,180) -
Issuance of loans.....	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-
Total other financing sources (uses).....	-	(1,356)	(1,356)	-	3,591	3,591	3,591 -
Net changes in fund balances.....	-	(1,689)	(1,689)	-	(91)	721	812
Budgetary fund balances, July 1.....	-	8,909	8,909	-	1,920	1,920	-
Budgetary fund balances, June 30.....	\$ -	\$ 7,220	\$ 7,220	\$ -	\$ 1,829	\$ 2,641	\$ 812

(Continued)

**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, 2014**  
(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	
Revenues:								
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....								
Sales and use tax.....	-	-	-	-	-	-	-	-
Licenses, permits, and franchises.....	222	222	298	76	-	-	-	-
Fines, forfeitures, and penalties.....	8	8	10	2	-	-	-	-
Interest and investment income.....	-	-	-	-	-	-	602	602
Rents and concessions.....	-	-	-	-	5,500	5,500	1,854	(3,646)
Intergovernmental:								
Federal.....	27,046	18,933	18,933	-	-	-	-	-
State.....	96	227	227	-	-	-	-	-
Other.....	40	16	16	-	1,368	716	716	-
Charges for services.....	130	306	518	212	-	-	-	-
Other.....	235	30	30	-	-	-	2,997	2,997
Total revenues.....	<u>27,777</u>	<u>19,742</u>	<u>20,032</u>	<u>290</u>	<u>6,868</u>	<u>6,216</u>	<u>6,169</u>	<u>(47)</u>
Expenditures:								
Current:								
Public protection.....	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-
Human welfare and neighborhood development.	30,267	22,716	22,670	46	6,868	1,988	1,988	-
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	-	-	-
General administration and finance.....	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>30,267</u>	<u>22,716</u>	<u>22,670</u>	<u>46</u>	<u>6,868</u>	<u>1,988</u>	<u>1,988</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,490)</u>	<u>(2,974)</u>	<u>(2,638)</u>	<u>336</u>	<u>-</u>	<u>4,228</u>	<u>4,181</u>	<u>(47)</u>
Other financing sources (uses):								
Transfers in.....	2,481	2,669	2,669	-	-	-	-	-
Transfers out.....	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-
Total other financing sources (uses).....	<u>2,481</u>	<u>2,669</u>	<u>2,669</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balances.....	<u>(9)</u>	<u>(305)</u>	<u>31</u>	<u>336</u>	<u>-</u>	<u>4,228</u>	<u>4,181</u>	<u>(47)</u>
Budgetary fund balances, July 1.....	9	1,272	1,272	-	-	22,618	22,618	-
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 967</u>	<u>\$ 1,303</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 26,846</u>	<u>\$ 26,799</u>	<u>\$ (47)</u>

(Continued)

**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, 2014**  
(In Thousands)

	Open Space and Park Fund				Variance Positive (Negative)	Public Library Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual			Original Budget	Final Budget	Actual		
<b>Revenues:</b>										
Property taxes.....	\$ 39,956	\$ 39,956	\$ 40,764	\$ 808		\$ 39,956	\$ 39,956	\$ 40,764	\$ 808	
Business taxes.....	-	-	-	-		-	-	-	-	
Sales and use tax.....	-	-	-	-		-	-	-	-	
Licenses, permits, and franchises.....	-	-	-	-		-	-	-	-	
Fines, forfeitures, and penalties.....	-	-	-	-		-	-	-	-	
Interest and investment income.....	452	452	76	(376)		222	222	151	(71)	
Rents and concessions.....	-	-	-	-		24	24	16	(8)	
<b>Intergovernmental:</b>										
Federal.....	-	-	-	-		-	28	28	-	
State.....	152	152	168	16		216	204	207	3	
Other.....	-	-	-	-		-	-	-	-	
Charges for services.....	-	-	-	-		856	856	797	(59)	
Other.....	-	-	-	-		-	-	-	-	
Total revenues.....	<u>40,560</u>	<u>40,560</u>	<u>41,008</u>	<u>448</u>		<u>41,274</u>	<u>41,290</u>	<u>41,963</u>	<u>673</u>	
<b>Expenditures:</b>										
<b>Current:</b>										
Public protection.....	-	-	-	-		-	-	-	-	
Public works, transportation and commerce.....	-	-	-	-		-	6,864	6,864	-	
Human welfare and neighborhood development.....	-	-	-	-		-	-	-	-	
Community health.....	-	-	-	-		-	-	-	-	
Culture and recreation.....	43,432	41,532	38,346	3,186		99,913	97,755	94,781	2,974	
General administration and finance.....	-	35	35	-		-	145	145	-	
General City responsibilities.....	-	-	-	-		-	-	-	-	
Total expenditures.....	<u>43,432</u>	<u>41,567</u>	<u>38,381</u>	<u>3,186</u>		<u>99,913</u>	<u>104,764</u>	<u>101,790</u>	<u>2,974</u>	
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,872)</u>	<u>(1,007)</u>	<u>2,627</u>	<u>3,634</u>		<u>(58,639)</u>	<u>(63,474)</u>	<u>(59,827)</u>	<u>3,647</u>	
<b>Other financing sources (uses):</b>										
Transfers in.....	1,180	1,180	1,180	-		57,690	60,680	60,680	-	
Transfers out.....	-	-	-	-		-	(1,610)	(1,610)	-	
Issuance of loans.....	-	-	-	-		-	-	-	-	
Issuance of commercial paper.....	-	-	-	-		-	-	-	-	
Budget reserves and designations.....	-	-	-	-		-	-	-	-	
Loan repayments and other financing sources (uses).....	-	-	-	-		-	-	-	-	
Total other financing sources (uses).....	<u>1,180</u>	<u>1,180</u>	<u>1,180</u>	<u>-</u>		<u>57,690</u>	<u>59,070</u>	<u>59,070</u>	<u>-</u>	
Net changes in fund balances.....	<u>(1,692)</u>	<u>173</u>	<u>3,807</u>	<u>3,634</u>		<u>(949)</u>	<u>(4,404)</u>	<u>(757)</u>	<u>3,647</u>	
Budgetary fund balances, July 1.....	<u>1,692</u>	<u>19,602</u>	<u>19,602</u>	<u>-</u>		<u>949</u>	<u>34,208</u>	<u>34,208</u>	<u>-</u>	
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 19,775</u>	<u>\$ 23,409</u>	<u>\$ 3,634</u>		<u>\$ -</u>	<u>\$ 29,804</u>	<u>\$ 33,451</u>	<u>\$ 3,647</u>	

(Continued)

**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, 2014**  
(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.....	501	501	506	5	-	-	-	-
Fines, forfeitures, and penalties.....	2,171	4,438	4,625	187	-	85	136	51
Interest and investment income.....	52	51	59	8	-	-	-	-
Rents and concessions.....	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal.....	28,939	53,935	53,935	-	-	-	-	-
State.....	9,369	10,900	10,900	-	-	53	53	-
Other.....	-	4	4	-	-	761	761	-
Charges for services.....	2,641	14,111	14,047	(64)	13,423	23,603	37,499	13,896
Other.....	633	69	69	-	-	729	704	(25)
Total revenues.....	<u>44,306</u>	<u>84,009</u>	<u>84,145</u>	<u>136</u>	<u>13,423</u>	<u>25,231</u>	<u>39,153</u>	<u>13,922</u>
<b>Expenditures:</b>								
Current:								
Public protection.....	40,093	74,502	74,502	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	1,616	14,544	12,414	2,130
Human welfare and neighborhood development.....	3,189	3,118	3,118	-	11,605	11,352	11,087	265
Community health.....	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	-	29	29	-
General administration and finance.....	-	3,136	3,136	-	-	1	1	-
General City responsibilities.....	-	-	-	-	-	-	-	-
Total expenditures.....	<u>43,282</u>	<u>80,756</u>	<u>80,756</u>	<u>-</u>	<u>13,221</u>	<u>25,926</u>	<u>23,531</u>	<u>2,395</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,024</u>	<u>3,253</u>	<u>3,389</u>	<u>136</u>	<u>202</u>	<u>(695)</u>	<u>15,622</u>	<u>16,317</u>
<b>Other financing sources (uses):</b>								
Transfers in.....	-	-	-	-	-	1,296	1,296	-
Transfers out.....	(1,869)	(2,069)	(2,069)	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	(202)	(212)	(212)	-
Total other financing sources (uses).....	<u>(1,869)</u>	<u>(2,069)</u>	<u>(2,069)</u>	<u>-</u>	<u>(202)</u>	<u>1,084</u>	<u>1,084</u>	<u>-</u>
Net changes in fund balances.....	<u>(845)</u>	<u>1,184</u>	<u>1,320</u>	<u>136</u>	<u>-</u>	<u>389</u>	<u>16,706</u>	<u>16,317</u>
Budgetary fund balances, July 1.....	845	34,777	34,777	-	-	15,327	15,327	-
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 35,961</u>	<u>\$ 36,097</u>	<u>\$ 136</u>	<u>\$ -</u>	<u>\$ 15,716</u>	<u>\$ 32,033</u>	<u>\$ 16,317</u>

(Continued)

**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, 2014**  
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund				Variance Positive (Negative)
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual		
<b>Revenues:</b>									
Property taxes.....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Business taxes.....	-	-	-	-	-	-	-	-	-
Sales and use tax.....	-	-	-	-	88,294	88,294	93,931	5,637	
Licenses, permits, and franchises.....	-	-	-	-	4,728	4,728	4,882	154	
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-	
Interest and investment income.....	-	-	-	-	948	526	637	111	
Rents and concessions.....	1,251	27,306	27,379	73	-	-	-	-	
Intergovernmental:									
Federal.....	-	-	-	-	10,504	11,207	9,497	(1,710)	
State.....	-	-	-	-	1,209	1,209	1,280	71	
Other.....	481	441	441	-	1,529	6,682	4,692	(1,990)	
Charges for services.....	-	-	3	3	-	-	-	-	
Other.....	-	-	-	-	2,660	132	169	37	
Total revenues.....	<u>1,732</u>	<u>27,747</u>	<u>27,823</u>	<u>76</u>	<u>109,872</u>	<u>112,778</u>	<u>115,088</u>	<u>2,310</u>	
<b>Expenditures:</b>									
Current:									
Public protection.....	-	-	-	-	-	-	-	-	
Public works, transportation and commerce.....	-	1,133	1,133	-	245,132	149,204	106,748	42,456	
Human welfare and neighborhood development.....	-	-	-	-	-	-	-	-	
Community health.....	-	-	-	-	-	-	-	-	
Culture and recreation.....	-	-	-	-	-	-	-	-	
General administration and finance.....	3,795	20,589	20,589	-	-	-	-	-	
General City responsibilities.....	-	-	-	-	-	-	-	-	
Total expenditures.....	<u>3,795</u>	<u>21,722</u>	<u>21,722</u>	<u>-</u>	<u>245,132</u>	<u>149,204</u>	<u>106,748</u>	<u>42,456</u>	
Excess (deficiency) of revenues over (under) expenditures.....	<u>(2,063)</u>	<u>6,025</u>	<u>6,101</u>	<u>76</u>	<u>(135,260)</u>	<u>(36,426)</u>	<u>8,340</u>	<u>44,766</u>	
<b>Other financing sources (uses):</b>									
Transfers in.....	-	-	-	-	-	-	-	-	
Transfers out.....	-	(13,584)	(13,584)	-	-	-	-	-	
Issuance of loans.....	-	-	-	-	-	-	-	-	
Issuance of commercial paper.....	-	-	-	-	275,318	-	-	-	
Budget reserves and designations.....	-	-	-	-	-	-	-	-	
Loan repayments and other financing sources (uses).....	-	-	-	-	-	-	-	-	
Total other financing sources (uses).....	-	(13,584)	(13,584)	-	275,318	-	-	-	
Net changes in fund balances.....	<u>(2,063)</u>	<u>(7,559)</u>	<u>(7,483)</u>	<u>76</u>	<u>140,058</u>	<u>(36,426)</u>	<u>8,340</u>	<u>44,766</u>	
Budgetary fund balances, July 1.....	<u>2,063</u>	<u>8,824</u>	<u>8,824</u>	<u>-</u>	<u>83,766</u>	<u>83,766</u>	<u>83,766</u>	<u>-</u>	
Budgetary fund balances, June 30.....	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ 1,341</u>	<u>\$ 76</u>	<u>\$ 223,824</u>	<u>\$ 47,340</u>	<u>\$ 92,106</u>	<u>\$ 44,766</u>	

(Continued)

**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, 2014  
(In Thousands)

	Senior Citizens' Program Fund				War Memorial 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.....	-	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties.....	-	-	-	-	-	-	-	-	-
Interest and investment income.....	-	-	-	-	-	-	-	-	-
Rents and concessions.....	-	-	-	-	1,520	1,863	2,131	268	
Intergovernmental:									
Federal.....	6,746	5,234	5,234	-	-	-	-	-	-
State.....	729	832	832	-	-	-	-	-	-
Other.....	-	-	-	-	-	-	-	-	-
Charges for services.....	-	-	-	-	170	206	240	34	
Other.....	1,027	252	252	-	-	-	-	-	-
<b>Total revenues.....</b>	<b>8,502</b>	<b>6,318</b>	<b>6,318</b>	<b>—</b>	<b>1,690</b>	<b>2,069</b>	<b>2,371</b>	<b>302</b>	
<b>Expenditures:</b>									
Current:									
Public protection.....	-	-	-	-	-	-	-	-	-
Public works, transportation and commerce.....	-	-	-	-	-	-	-	-	-
Human welfare and neighborhood development.....	8,502	6,318	6,318	-	-	-	-	-	-
Community health.....	-	-	-	-	-	-	-	-	-
Culture and recreation.....	-	-	-	-	11,934	12,063	11,473	590	
General administration and finance.....	-	-	-	-	-	-	-	-	-
General City responsibilities.....	-	-	-	-	-	-	-	-	-
<b>Total expenditures.....</b>	<b>8,502</b>	<b>6,318</b>	<b>6,318</b>	<b>—</b>	<b>11,934</b>	<b>12,063</b>	<b>11,473</b>	<b>590</b>	
Excess (deficiency) of revenues over (under) expenditures.....	-	-	-	-	(10,244)	(9,994)	(9,102)	892	
<b>Other financing sources (uses):</b>									
Transfers in.....	-	-	-	-	9,380	9,380	9,380	-	-
Transfers out.....	-	-	-	-	-	-	-	-	-
Issuance of loans.....	-	-	-	-	-	-	-	-	-
Issuance of commercial paper.....	-	-	-	-	-	-	-	-	-
Budget reserves and designations.....	-	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses).....	-	-	-	-	(1)	(1)	-	1	
Total other financing sources (uses).....	-	-	-	-	9,379	9,379	9,380	1	
Net changes in fund balances.....	-	-	-	-	(865)	(615)	278	893	
Budgetary fund balances, July 1.....	-	2	2	-	865	10,750	10,750	-	
Budgetary fund balances, June 30.....	<b>\$ -</b>	<b>\$ 2</b>	<b>\$ 2</b>	<b>\$ -</b>	<b>\$ 10,135</b>	<b>\$ 11,028</b>	<b>\$ 11,028</b>	<b>\$ 893</b>	

(Continued)

**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, 2014**  
(In Thousands)

	<b>Total</b>			<b>Variance</b> <b>Positive (Negative)</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes.....	\$ 127,862	\$ 127,862	\$ 130,445	\$ 2,583
Business taxes.....	1,000	1,000	510	(490)
Sales and use tax.....	88,294	88,294	93,931	5,637
Licenses, permits, and franchises.....	15,445	15,445	15,396	(49)
Fines, forfeitures, and penalties.....	5,188	7,540	7,957	417
Interest and investment income.....	2,923	4,867	5,735	868
Rents and concessions.....	36,819	64,335	63,470	(865)
Intergovernmental:				
Federal.....	155,517	209,323	206,997	(2,326)
State.....	96,557	111,481	113,159	1,678
Other.....	4,151	9,163	7,175	(1,988)
Charges for services.....	94,415	122,912	155,386	32,474
Other.....	11,540	86,438	107,871	21,433
Total revenues.....	<u>639,711</u>	<u>848,660</u>	<u>908,032</u>	<u>59,372</u>
<b>Expenditures:</b>				
Current:				
Public protection.....	44,989	75,201	75,138	63
Public works, transportation and commerce.....	355,015	273,043	221,091	51,952
Human welfare and neighborhood development.....	240,496	276,687	274,361	2,326
Community health.....	102,406	92,738	92,738	-
Culture and recreation.....	258,360	232,267	218,007	14,260
General administration and finance.....	25,945	44,065	44,065	-
General City responsibilities.....	-	5	5	-
Total expenditures.....	<u>1,027,211</u>	<u>994,006</u>	<u>925,405</u>	<u>68,601</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(387,500)</u>	<u>(145,346)</u>	<u>(17,373)</u>	<u>127,973</u>
<b>Other financing sources (uses):</b>				
Transfers in.....	218,944	236,797	236,797	-
Transfers out.....	(3,059)	(58,913)	(58,913)	-
Issuance of loans.....	-	8,735	8,735	-
Issuance of commercial paper.....	275,318	1,631	1,631	-
Budget reserves and designations.....	(17,201)	-	-	-
Loan repayments and other financing sources (uses).....	<u>(3,038)</u>	<u>(3,146)</u>	<u>(1,559)</u>	<u>1,587</u>
Total other financing sources (uses).....	<u>470,964</u>	<u>185,104</u>	<u>186,691</u>	<u>1,587</u>
Net changes in fund balances.....	<u>83,464</u>	<u>39,758</u>	<u>169,318</u>	<u>129,560</u>
Budgetary fund balances, July 1.....	<u>140,360</u>	<u>573,657</u>	<u>573,657</u>	-
Budgetary fund balances, June 30.....	<u>\$ 223,824</u>	<u>\$ 613,415</u>	<u>\$ 742,975</u>	<u>\$ 129,560</u>

**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, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>BUILDING INSPECTION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Building Inspection.....	\$ 63,855	\$ 57,648	\$ 50,565	\$ 7,083
Public Utilities Commission.....	-	137	137	-
Public Works.....	-	242	242	-
Total Building Inspection Fund.....	<u>63,855</u>	<u>58,027</u>	<u>50,944</u>	<u>7,083</u>
<b>CHILDREN AND FAMILIES FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Child Support Services.....	13,275	12,966	12,445	521
Children and Families Commission.....	43,933	31,912	31,911	1
Mayor's Office.....	111,156	111,027	111,027	-
Total Children and Families Fund.....	<u>168,364</u>	<u>155,905</u>	<u>155,383</u>	<u>522</u>
<b>COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	6,112	12,208	12,208	-
Public Works.....	50	51	51	-
	<u>6,162</u>	<u>12,259</u>	<u>12,259</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Children, Youth and Their Families.....	-	226	226	-
Mayor's Office.....	1,712	59,591	59,591	-
Rent Arbitration Board.....	6,138	6,148	5,533	615
	<u>7,850</u>	<u>65,965</u>	<u>65,350</u>	<u>615</u>
<b>Culture and Recreation</b>				
Arts Commission.....	20	4	4	-
Public Library.....	52	-	-	-
Recreation and Park Commission.....	1,240	95	95	-
	<u>1,312</u>	<u>99</u>	<u>99</u>	<u>-</u>
<b>General Administration and Finance</b>				
Administrative Services.....	1,765	970	970	-
City Planning.....	1,514	1,340	1,340	-
	<u>3,279</u>	<u>2,310</u>	<u>2,310</u>	<u>-</u>
Total Community / Neighborhood Development Fund.....	<u>18,603</u>	<u>80,633</u>	<u>80,018</u>	<u>615</u>
<b>COMMUNITY HEALTH SERVICES FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	246	246	-
<b>Community Health</b>				
Community Health Network.....	102,406	92,735	92,735	-
Total Community Health Services Fund.....	<u>102,406</u>	<u>92,981</u>	<u>92,981</u>	<u>-</u>
<b>CONVENTION FACILITIES FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	-	48	48	-
Public Utilities Commission.....	-	7	7	-
Public Works.....	-	1,007	1,007	-
	<u>-</u>	<u>1,062</u>	<u>1,062</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	560	206	206	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	28	28	-
Administrative Services.....	76,339	53,645	47,597	6,048
	<u>76,339</u>	<u>53,673</u>	<u>47,625</u>	<u>6,048</u>
<b>General Administration and Finance</b>				
City Attorney.....	-	38	38	-
City Planning.....	-	366	366	-
	<u>-</u>	<u>404</u>	<u>404</u>	<u>-</u>
Total Convention Facilities Fund.....	<u>76,899</u>	<u>55,345</u>	<u>49,297</u>	<u>6,048</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, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>COURT'S FUND</b>				
<b>Public Protection</b>				
Trial Courts.....	4,616	428	365	63
Total Court's Fund.....	<u>4,616</u>	<u>428</u>	<u>365</u>	<u>63</u>
<b>CULTURE AND RECREATION FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	925	1,008	1,008	-
Public Works.....	-	647	647	-
	<u>925</u>	<u>1,655</u>	<u>1,655</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	4,334	3,600	3,600	-
Asian Art Museum.....	495	471	471	-
Fine Arts Museums.....	3,146	3,474	3,474	-
Recreation and Park Commission.....	3,236	3,245	2,701	544
	<u>11,211</u>	<u>10,790</u>	<u>10,246</u>	<u>544</u>
<b>General Administration and Finance</b>				
Administrative Services.....	12,733	11,944	11,944	-
Total Culture and Recreation Fund.....	<u>24,869</u>	<u>24,389</u>	<u>23,845</u>	<u>544</u>
<b>ENVIRONMENTAL PROTECTION FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	2,747	8,548	7,670	878
<b>General Administration and Finance</b>				
City Planning.....	-	17	17	-
Total Environmental Protection Fund.....	<u>2,747</u>	<u>8,565</u>	<u>7,687</u>	<u>878</u>
<b>GASOLINE TAX FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Municipal Transportation Agency.....	-	1,537	1,536	1
Public Utilities Commission.....	-	2,625	2,625	-
Public Works.....	37,325	23,680	23,398	282
Total Gasoline Tax Fund.....	<u>37,325</u>	<u>27,842</u>	<u>27,559</u>	<u>283</u>
<b>GENERAL SERVICES FUND</b>				
<b>Public Protection</b>				
District Attorney.....	-	23	23	-
Trial Courts.....	280	223	223	-
	<u>280</u>	<u>246</u>	<u>246</u>	<u>-</u>
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	-	32	32	-
<b>Culture and Recreation</b>				
Fine Arts Museum.....	-	806	806	-
<b>General Administration and Finance</b>				
Administrative Services.....	333	168	168	-
Assessor/Recorder.....	2,355	1,360	1,360	-
Board of Supervisors.....	18	23	23	-
Elections.....	-	24	24	-
Telecommunications and Information Services.....	2,966	3,317	3,317	-
Treasurer/Tax Collector.....	466	532	532	-
	<u>6,138</u>	<u>5,424</u>	<u>5,424</u>	<u>-</u>
Total General Services Fund.....	<u>6,418</u>	<u>6,508</u>	<u>6,508</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, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>GIFT AND OTHER EXPENDABLE TRUSTS FUND</b>				
<b>Public Protection</b>				
District Attorney.....	-	1	1	-
Fire Department.....	-	15	15	-
Police Department.....	-	9	9	-
	<hr/>	<hr/>	<hr/>	<hr/>
	25	25	25	-
<b>Public Works, Transportation and Commerce</b>				
Mayor's Office.....	-	1	1	-
Public Works.....	-	174	174	-
	<hr/>	<hr/>	<hr/>	<hr/>
	175	175	175	-
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	75	33	33	-
Social Services.....	469	532	532	-
Commission on Status of Women.....	-	6	6	-
	<hr/>	<hr/>	<hr/>	<hr/>
	544	571	571	-
<b>Community Health</b>				
Community Health Network.....	-	3	3	-
<b>Culture and Recreation</b>				
Arts Commission.....	-	55	55	-
Fine Arts Museums.....	-	657	657	-
Public Library.....	10	184	184	-
Recreation and Park Commission.....	471	617	617	-
War Memorial.....	-	178	178	-
	<hr/>	<hr/>	<hr/>	<hr/>
	481	1,691	1,691	-
<b>General Administration and Finance</b>				
Administrative Services.....	-	58	58	-
Telecommunications and Information Services.....	-	2	2	-
	<hr/>	<hr/>	<hr/>	<hr/>
	60	60	60	-
<b>General City Responsibilities</b>				
Controller.....	-	5	5	-
Total Gift Fund.....	<hr/>	<hr/>	<hr/>	<hr/>
	1,025	2,530	2,530	-
<b>GOLF FUND</b>				
<b>Culture and Recreation</b>				
Recreation and Park Commission.....	13,738	13,829	12,911	918
Total Golf Fund.....	<hr/>	<hr/>	<hr/>	<hr/>
	13,738	13,829	12,911	918
<b>HUMAN WELFARE FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Commission on Status of Women.....	238	270	224	46
Social Services.....	30,029	22,446	22,446	-
Total Human Welfare Fund.....	<hr/>	<hr/>	<hr/>	<hr/>
	30,267	22,716	22,670	46
<b>LOW AND MODERATE INCOME HOUSING ASSET FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	6,868	1,988	1,988	-
Total Low and Moderate Income Housing Asset Fund.....	<hr/>	<hr/>	<hr/>	<hr/>
	6,868	1,988	1,988	-

**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, 2014

(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>OPEN SPACE AND PARK FUND</b>				
<b>Culture and Recreation</b>				
Arts Commission.....	-	100	100	-
Recreation and Park Commission.....	43,432	41,432	38,246	3,186
	<u>43,432</u>	<u>41,532</u>	<u>38,346</u>	<u>3,186</u>
<b>General Administration and Finance</b>				
City Planning.....	-	35	35	-
Total Open Space and Park Fund.....	<u>43,432</u>	<u>41,567</u>	<u>38,381</u>	<u>3,186</u>
<b>PUBLIC LIBRARY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	13	13	-
Public Works.....	-	6,851	6,851	-
	<u>-</u>	<u>6,864</u>	<u>6,864</u>	<u>-</u>
<b>Culture and Recreation</b>				
Arts Commission.....	-	1	1	-
Public Library.....	99,913	97,754	94,780	2,974
	<u>99,913</u>	<u>97,755</u>	<u>94,781</u>	<u>2,974</u>
<b>General Administration and Finance</b>				
Telecommunications and Information Services.....	-	145	145	-
Total Public Library Fund.....	<u>99,913</u>	<u>104,764</u>	<u>101,790</u>	<u>2,974</u>
<b>PUBLIC PROTECTION FUND</b>				
<b>Public Protection</b>				
Adult Probation.....	995	1,453	1,453	-
District Attorney.....	4,298	4,755	4,755	-
Emergency Communications Department.....	22,902	42,064	42,064	-
Fire Department.....	-	2,175	2,175	-
Juvenile Probation.....	1,264	1,504	1,504	-
Mayor's Office.....	-	3	3	-
Police Commission.....	7,225	18,239	18,239	-
Public Defender.....	97	491	491	-
Sheriff.....	3,312	3,818	3,818	-
	<u>40,093</u>	<u>74,502</u>	<u>74,502</u>	<u>-</u>
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	3,189	3,034	3,034	-
Commission on Status of Women.....	-	84	84	-
	<u>3,189</u>	<u>3,118</u>	<u>3,118</u>	<u>-</u>
<b>General Administration and Finance</b>				
City Attorney.....	-	3,136	3,136	-
Total Public Protection Fund.....	<u>43,282</u>	<u>80,756</u>	<u>80,756</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, 2014  
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Works.....	1,616	14,544	12,414	2,130
<b>Human Welfare and Neighborhood Development</b>				
Mayor's Office.....	11,605	11,352	11,087	265
<b>Culture and Recreation</b>				
Arts Commission.....	-	29	29	-
<b>General Administration and Finance</b>				
City Planning.....	-	1	1	-
	-	1	1	-
Total Public Works, Transportation and Commerce Fund.....	<u>13,221</u>	<u>25,926</u>	<u>23,531</u>	<u>2,395</u>
<b>REAL PROPERTY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Public Utilities Commission.....	-	615	615	-
Public Works.....	-	518	518	-
	-	1,133	1,133	-
<b>General Administration and Finance</b>				
Administrative Services.....	<u>3,795</u>	<u>20,589</u>	<u>20,589</u>	-
Total Real Property Fund.....	<u>3,795</u>	<u>21,722</u>	<u>21,722</u>	-
<b>SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND</b>				
<b>Public Works, Transportation and Commerce</b>				
Board of Supervisors.....	245,132	149,204	106,748	42,456
Total SF County Transportation Authority Fund.....	<u>245,132</u>	<u>149,204</u>	<u>106,748</u>	<u>42,456</u>
<b>SENIOR CITIZENS' PROGRAM FUND</b>				
<b>Human Welfare and Neighborhood Development</b>				
Social Services Department.....	8,502	6,318	6,318	-
Total Senior Citizens' Program Fund.....	<u>8,502</u>	<u>6,318</u>	<u>6,318</u>	-
<b>WAR MEMORIAL FUND</b>				
<b>Culture and Recreation</b>				
War Memorial.....	11,934	12,063	11,473	590
Total War Memorial Fund.....	<u>11,934</u>	<u>12,063</u>	<u>11,473</u>	<u>590</u>
Total Special Revenue Funds With Legally Adopted Budgets ..	<u>\$ 1,027,211</u>	<u>\$ 994,006</u>	<u>\$ 925,405</u>	<u>\$ 68,601</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Debt Service Funds**  
June 30, 2014  
(In Thousands)

	Certificates				
	General Obligation Bond Fund	of Participation Funds	Other Bond Funds	Total	
<b>Assets:</b>					
Deposits and investments with City Treasury.....	\$ 107,309	\$ -	\$ 3	\$ 107,312	
Deposits and investments outside City Treasury.....	-	31,046	-	31,046	
<b>Receivables</b>					
Property taxes and penalties.....	5,949	-	-	5,949	
Interest and other.....	273	37	-	310	
<b>Total assets.....</b>	<b><u>\$ 113,531</u></b>	<b><u>\$ 31,083</u></b>	<b><u>\$ 3</u></b>	<b><u>\$ 144,617</u></b>	
<b>Liabilities:</b>					
Accounts payable.....	\$ -	\$ -	\$ 3	\$ 3	
Due to other funds.....	-	30	-	30	
Unearned revenues and other liabilities.....	12,828	-	-	12,828	
<b>Total liabilities.....</b>	<b><u>12,828</u></b>	<b><u>30</u></b>	<b><u>3</u></b>	<b><u>12,861</u></b>	
Deferred inflows of resources	5,252	-	-	5,252	
<b>Fund balances:</b>					
Restricted.....	95,451	31,053	-	126,504	
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 113,531</u></b>	<b><u>\$ 31,083</u></b>	<b><u>\$ 3</u></b>	<b><u>\$ 144,617</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, 2014  
(In Thousands)

	Certificates				Total
	General Obligation Bond Fund	of Participation Funds	Other Bond Funds		
Revenues:					
Property taxes.....	\$ 208,539	\$ -	\$ -	\$ -	\$ 208,539
Fines, forfeitures, and penalties.....	15,203	-	-	-	15,203
Interest and investment income.....	1,336	95	-	-	1,431
Rents and concessions.....	-	733	-	-	733
Intergovernmental					
State.....	801	-	-	-	801
Other.....	3,734	-	-	-	3,734
Total revenues.....	<u>229,613</u>	<u>828</u>	<u>-</u>	<u>-</u>	<u>230,441</u>
Expenditures:					
Debt service:					
Principal retirement.....	161,554	28,235	477	190,266	
Interest and other fiscal charges.....	91,813	24,450	316	116,579	
Bond issuance costs.....	-	1,007	-	1,007	
Total expenditures.....	<u>253,367</u>	<u>53,692</u>	<u>793</u>	<u>307,852</u>	
Deficiency of revenues under expenditures.....	<u>(23,754)</u>	<u>(52,864)</u>	<u>(793)</u>	<u>(77,411)</u>	
Other financing sources (uses):					
Transfers in.....	17,017	50,949	793	68,759	
Issuance of bonds and loans:					
Face value of bonds issued.....	-	47,220	-	47,220	
Premium on issuance of bonds.....	-	3,265	-	3,265	
Payment to refunded bond escrow agent.....	-	(49,055)	-	(49,055)	
Total other financing sources, net.....	<u>17,017</u>	<u>52,379</u>	<u>793</u>	<u>70,189</u>	
Net changes in fund balances.....	<u>(6,737)</u>	<u>(485)</u>	<u>-</u>	<u>(7,222)</u>	
Fund balances at beginning of year.....	<u>102,188</u>	<u>31,538</u>	<u>-</u>	<u>133,726</u>	
Fund balances at end of year.....	<u><u>\$ 95,451</u></u>	<u><u>\$ 31,053</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 126,504</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 – Debt Service Funds**  
Year Ended June 30, 2014  
(In Thousands)

	<b>General Obligation Bond Fund</b>			<b>Variance</b> <b>Positive</b> <b>(Negative)</b>
	<b>Original</b> <b>Budget</b>	<b>Final</b> <b>Budget</b>	<b>Actual</b>	
<b>Revenues:</b>				
Property taxes.....	\$ 217,451	\$ 217,451	\$ 208,539	\$ (8,912)
Fines, forfeitures, and penalties.....	-	15,203	15,203	-
Interest and investment income.....	-	-	1,147	1,147
<b>Intergovernmental</b>				
State.....	750	750	801	51
Other.....	-	3,710	3,734	24
Total revenues.....	<u>218,201</u>	<u>237,114</u>	<u>229,424</u>	<u>(7,690)</u>
<b>Expenditures:</b>				
<b>Debt service:</b>				
Principal retirement.....	227,341	161,554	161,554	-
Interest and other fiscal charges.....	11,446	91,813	91,813	-
Total expenditures.....	<u>238,787</u>	<u>253,367</u>	<u>253,367</u>	<u>-</u>
<b>Deficiency of revenues</b>				
under expenditures.....	(20,586)	(16,253)	(23,943)	(7,690)
<b>Other financing sources:</b>				
Transfers in.....	-	17,017	17,017	-
Total other financing sources.....	-	<u>17,017</u>	<u>17,017</u>	<u>-</u>
Net changes in fund balances.....	(20,586)	764	(6,926)	(7,690)
Budgetary fund balance, July 1.....	20,586	110,463	110,463	-
Budgetary fund balance, June 30.....	<u>\$ -</u>	<u>\$ 111,227</u>	<u>\$ 103,537</u>	<u>\$ (7,690)</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Capital Projects Funds**  
June 30, 2014  
(In Thousands)

	<b>City Facilities Improvement Fund</b>	<b>Earthquake Safety 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.....	\$ 278,539	\$ 17	\$ 7,384	\$ -
Deposits and investments outside City Treasury.....	5,945	-	-	506
<b>Receivables:</b>				
Federal and state grants and subventions.....	-	-	-	-
Interest and other.....	380	-	9	-
Due from other funds.....	-	-	-	-
Due from component unit.....	-	-	-	36
<b>Total assets.....</b>	<b><u>\$ 284,864</u></b>	<b><u>\$ 17</u></b>	<b><u>\$ 7,393</u></b>	<b><u>\$ 542</u></b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 50,328	\$ -	\$ -	\$ -
Accrued payroll.....	724	-	-	-
Unearned grant and subvention revenue.....	-	-	-	-
Due to other funds.....	-	-	-	8,186
Unearned revenues and other liabilities.....	51	-	-	-
Bonds, loans, capital leases, and other payables.....	37,426	-	-	-
<b>Total liabilities.....</b>	<b><u>88,529</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>8,186</u></b>
Deferred inflows of resources.....	-	-	-	-
<b>Fund balances:</b>				
Restricted.....	196,335	17	7,393	-
Unassigned.....	-	-	-	(7,644)
<b>Total fund balances.....</b>	<b><u>196,335</u></b>	<b><u>17</u></b>	<b><u>7,393</u></b>	<b><u>(7,644)</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 284,864</u></b>	<b><u>\$ 17</u></b>	<b><u>\$ 7,393</u></b>	<b><u>\$ 542</u></b>

*(Continued)*

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Balance Sheet**  
**Nonmajor Governmental Funds – Capital Projects Funds (Continued)**  
June 30, 2014  
(In Thousands)

	<b>Public Library Improvement Fund</b>	<b>Recreation and Park Projects</b>	<b>Street Improvement Fund</b>	<b>Total</b>
<b>Assets:</b>				
Deposits and investments with City Treasury.....	\$ 1,234	\$ 95,454	\$ 131,747	\$ 514,375
Deposits and investments outside City Treasury.....	-	-	3,724	10,175
<b>Receivables:</b>				
Federal and state grants and subventions.....	-	3,524	3,644	7,168
Interest and other.....	2	120	164	675
Due from other funds.....	162	2,340	233	2,735
Due from component unit.....	-	-	-	36
<b>Total assets.....</b>	<b><u>\$ 1,398</u></b>	<b><u>\$ 101,438</u></b>	<b><u>\$ 139,512</u></b>	<b><u>\$ 535,164</u></b>
<b>Liabilities:</b>				
Accounts payable.....	\$ 332	\$ 6,903	\$ 10,364	\$ 67,927
Accrued payroll.....	35	426	1,335	2,520
Unearned grant and subvention revenue.....	-	104	-	104
Due to other funds.....	-	-	-	8,186
Unearned revenues and other liabilities.....	79	122	1,886	2,138
Bonds, loans, capital leases, and other payables.....	-	-	-	37,426
<b>Total liabilities.....</b>	<b><u>446</u></b>	<b><u>7,555</u></b>	<b><u>13,585</u></b>	<b><u>118,301</u></b>
<b>Deferred inflows of resources.....</b>	<b><u>-</u></b>	<b><u>1,559</u></b>	<b><u>441</u></b>	<b><u>2,000</u></b>
<b>Fund balances:</b>				
Restricted.....	952	92,324	125,486	422,507
Unassigned.....	-	-	-	(7,644)
<b>Total fund balances.....</b>	<b><u>952</u></b>	<b><u>92,324</u></b>	<b><u>125,486</u></b>	<b><u>414,863</u></b>
<b>Total liabilities, deferred inflows of resources and fund balances.....</b>	<b><u>\$ 1,398</u></b>	<b><u>\$ 101,438</u></b>	<b><u>\$ 139,512</u></b>	<b><u>\$ 535,164</u></b>

**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, 2014  
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income.....	\$ 2,577	\$ -	\$ 54	\$ -
Rents and concessions.....	-	-	-	-
Intergovernmental:				
Federal.....	-	-	-	-
State.....	-	-	-	-
Other.....	-	-	-	-
Other.....	-	-	-	-
Total revenues.....	<u>2,577</u>	<u>-</u>	<u>54</u>	<u>-</u>
Expenditures:				
Debt service:				
Interest and other fiscal charges.....	597	-	-	-
Bond issuance costs.....	1,178	-	-	-
Capital outlay.....	<u>333,741</u>	<u>-</u>	<u>45</u>	<u>86</u>
Total expenditures.....	<u>335,516</u>	<u>-</u>	<u>45</u>	<u>86</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>(332,939)</u>	<u>-</u>	<u>9</u>	<u>(86)</u>
Other financing sources (uses):				
Transfers in.....	28,917	-	-	507
Transfers out.....	(43,545)	-	-	(39)
Issuance of bonds and loans:				
Face value of bonds issued.....	209,955	-	-	-
Premium on issuance of bonds.....	16,508	-	-	-
Other financing sources-capital leases.....	-	-	-	-
Total other financing sources, net.....	<u>211,835</u>	<u>-</u>	<u>-</u>	<u>468</u>
Net changes in fund balances.....	<u>(121,104)</u>	<u>-</u>	<u>9</u>	<u>382</u>
Fund balances at beginning of year.....	<u>317,439</u>	<u>17</u>	<u>7,384</u>	<u>(8,026)</u>
Fund balances at end of year.....	<u><u>\$ 196,335</u></u>	<u><u>\$ 17</u></u>	<u><u>\$ 7,393</u></u>	<u><u>\$ (7,644)</u></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, 2014  
(In Thousands)

	<b>Public Library Improvement Fund</b>	<b>Recreation and Park Projects</b>	<b>Street Improvement Fund</b>	<b>Total</b>
<b>Revenues:</b>				
Interest and investment income.....	\$ 12	\$ 910	\$ 1,237	\$ 4,790
Rents and concessions.....	-	-	152	152
Intergovernmental:				
Federal.....	-	118	8,735	8,853
State.....	-	3,233	1,512	4,745
Other.....	-	-	287	287
Other.....	-	238	13,810	14,048
Total revenues.....	12	4,499	25,733	32,875
<b>Expenditures:</b>				
Debt service:				
Interest and other fiscal charges.....	-	-	-	597
Bond issuance costs.....	-	-	-	1,178
Capital outlay.....	766	36,111	78,977	449,726
Total expenditures.....	766	36,111	78,977	451,501
Excess (deficiency) of revenues over (under) expenditures.....	(754)	(31,612)	(53,244)	(418,626)
<b>Other financing sources (uses):</b>				
Transfers in.....	-	250	11,522	41,196
Transfers out.....	-	(400)	(206)	(44,190)
Issuance of bonds and loans:				
Face value of bonds issued.....	-	-	-	209,955
Premium on issuance of bonds.....	-	-	-	16,508
Other financing sources-capital leases.....	618	4,249	-	4,867
Total other financing sources, net.....	618	4,099	11,316	228,336
Net changes in fund balances.....	(136)	(27,513)	(41,928)	(190,290)
Fund balances at beginning of year.....	1,088	119,837	167,414	605,153
Fund balances at end of year.....	\$ 952	\$ 92,324	\$ 125,486	\$ 414,863



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## CITY AND COUNTY OF SAN FRANCISCO

### INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

*Central Shops Fund* – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

*Finance Corporation* – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

*Reproduction Fund* – Accounts for printing, design and mail services required by various City departments and agencies.

*Telecommunications and Information Fund* – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city 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, 2014

(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom- munications & Information Fund	Total
<b>Assets:</b>					
Current assets:					
Deposits and investments with City Treasury.....	\$ 3,660	\$ -	\$ 1,757	\$ 32,468	\$ 37,885
Receivables:					
Charges for services.....	34	-	-	-	34
Interest and other.....	-	27	5	567	599
Due from other funds.....	-	85	-	-	85 <sup>(1)</sup>
Capital leases receivable.....	-	22,128	-	-	22,128
Other assets.....	225	-	-	-	225
Restricted assets:					
Deposits and investments outside City Treasury	-	40,417	-	-	40,417
Total current assets.....	<u>3,919</u>	<u>62,657</u>	<u>1,762</u>	<u>33,035</u>	<u>101,373</u>
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury	-	4,730	-	-	4,730
Capital leases receivable.....	-	218,983	-	-	218,983
Capital assets:					
Facilities and equipment, net of depreciation.....	194	-	86	8,998	9,278
Total noncurrent assets.....	<u>194</u>	<u>223,713</u>	<u>86</u>	<u>8,998</u>	<u>232,991</u>
Total assets.....	<u>4,113</u>	<u>286,370</u>	<u>1,848</u>	<u>42,033</u>	<u>334,364</u>
Deferred outflows of resources:					
Unamortized loss on refunding of debt.....	-	1,250	-	-	1,250
Liabilities:					
Current liabilities:					
Accounts payable.....	1,608	200	92	7,416	9,316
Accrued payroll.....	764	-	90	1,881	2,735
Accrued vacation and sick leave pay.....	416	-	-	1,090	1,506
Accrued workers' compensation.....	-	-	-	322	322
Bonds, loans, capital leases, and other payables..	-	20,440	-	-	20,440
Accrued interest payable.....	-	1,578	-	-	1,578
Due to other funds.....	-	2,507	-	85	2,592 <sup>(1)</sup>
Unearned revenues and other liabilities.....	-	39,832	-	34	39,866
Total current liabilities.....	<u>2,788</u>	<u>64,557</u>	<u>182</u>	<u>10,828</u>	<u>78,355</u>
Noncurrent liabilities:					
Accrued vacation and sick leave pay.....	337	-	-	935	1,272
Accrued workers' compensation.....	-	-	-	1,445	1,445
Other postemployment benefits obligation.....	4,611	-	-	15,178	19,789
Bonds, loans, capital leases, and other payables..	-	223,063	-	-	223,063
Total noncurrent liabilities.....	<u>4,948</u>	<u>223,063</u>	-	<u>17,558</u>	<u>245,569</u>
Total liabilities.....	<u>7,736</u>	<u>287,620</u>	<u>182</u>	<u>28,386</u>	<u>323,924</u>
Net position:					
Net investment in capital assets.....	194	-	86	8,998	9,278
Unrestricted (deficit).....	<u>(3,817)</u>	-	<u>1,580</u>	<u>4,649</u>	<u>2,412</u>
Total net position.....	<u>\$ (3,623)</u>	<u>\$ -</u>	<u>\$ 1,666</u>	<u>\$ 13,647</u>	<u>\$ 11,690</u>

Notes:

<sup>(1)</sup> Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary funds on pages 32-33.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Internal Service Funds**  
Year Ended June 30, 2014  
(In Thousands)

	<b>Central Shops Fund</b>	<b>Finance Corporation</b>	<b>Reproduction Fund</b>	<b>Telecom- munications &amp; Information Fund</b>	<b>Total</b>
<b>Operating revenues:</b>					
Charges for services.....	\$ 29,528	\$ -	\$ 7,045	\$ 81,851	\$ 118,424
Rents and concessions.....	-	-	-	142	142
Total operating revenues.....	<u>29,528</u>	<u>-</u>	<u>7,045</u>	<u>81,993</u>	<u>118,566</u>
<b>Operating expenses:</b>					
Personal services.....	13,062	-	1,610	32,988	47,660
Contractual services.....	2,781	-	4,343	32,841	39,965
Materials and supplies.....	12,083	-	257	5,812	18,152
Depreciation and amortization.....	110	-	48	1,799	1,957
General and administrative.....	99	-	3	280	382
Services provided by other departments..	1,165	-	432	5,701	7,298
Other.....	-	-	-	1,405	1,405
Total operating expenses.....	<u>29,300</u>	<u>-</u>	<u>6,693</u>	<u>80,826</u>	<u>116,819</u>
Operating income.....	<u>228</u>	<u>-</u>	<u>352</u>	<u>1,167</u>	<u>1,747</u>
<b>Nonoperating revenues (expenses):</b>					
Interest and investment income.....	-	5,101	5	173	5,279
Interest expense.....	(1)	(5,567)	-	-	(5,568)
Other, net.....	-	466	9	43	518
Total nonoperating revenues (expenses).....	<u>(1)</u>	<u>-</u>	<u>14</u>	<u>216</u>	<u>229</u>
Income before transfers.....	227	-	366	1,383	1,976
Transfers in.....	1	-	-	1,241	1,242
Transfers out.....	-	-	(5)	(173)	(178)
Change in net position.....	228	-	361	2,451	3,040
Net position at beginning of year.....	(3,851)	-	1,305	11,196	8,650
Net position at end of year.....	<u>\$ (3,623)</u>	<u>\$ -</u>	<u>\$ 1,666</u>	<u>\$ 13,647</u>	<u>\$ 11,690</u>

**CITY AND COUNTY OF SAN FRANCISCO**

**Combining Statement of Cash Flows**  
**Internal Service Funds**  
**Year Ended June 30, 2014**  
**(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.....	\$ 29,493	\$ 25,029	\$ 7,053	\$ 82,117	\$ 143,692
Cash paid to employees for services.....	(12,470)	-	(1,608)	(30,988)	(45,066)
Cash paid to suppliers for goods and services.....	(15,858)	(13,544)	(5,115)	(42,669)	(77,186)
Net cash provided by operating activities.....	<u>1,165</u>	<u>11,485</u>	<u>330</u>	<u>8,460</u>	<u>21,440</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers in.....	1	-	-	-	1
Transfers out.....	-	-	(5)	(173)	(178)
Net cash provided by (used in) noncapital financing activities.....	<u>1</u>	<u>-</u>	<u>(5)</u>	<u>(173)</u>	<u>(177)</u>
<b>Cash flows from capital and related financing activities:</b>					
Transfers in.....	-	-	-	1,241	1,241
Acquisition of capital assets.....	(28)	-	(26)	(5,262)	(5,316)
Retirement of capital lease obligation.....	-	(20,780)	(29)	(334)	(21,143)
Bond issue costs paid.....	-	(146)	-	-	(146)
Interest paid on long-term debt.....	-	(5,639)	-	-	(5,639)
Net cash provided by (used in) capital and related financing activities.....	<u>(28)</u>	<u>(26,565)</u>	<u>(55)</u>	<u>(4,355)</u>	<u>(31,003)</u>
<b>Cash flows from investing activities:</b>					
Purchases of investments with trustees.....	-	(23)	-	-	(23)
Proceeds from sale of investments with trustees.....	-	4,870	-	-	4,870
Interest and investment income.....	-	113	5	173	291
Other investing activities.....	(1)	-	-	-	(1)
Net cash provided by (used in) investing activities.....	<u>(1)</u>	<u>4,960</u>	<u>5</u>	<u>173</u>	<u>5,137</u>
Change in cash and cash equivalents.....	1,137	(10,120)	275	4,105	(4,603)
Cash and cash equivalents at beginning of year.....	2,523	50,537	1,482	28,363	82,905
Cash and cash equivalents at end of year.....	<u>\$ 3,660</u>	<u>\$ 40,417</u>	<u>\$ 1,757</u>	<u>\$ 32,468</u>	<u>\$ 78,302</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>					
Operating income.....	\$ 228	\$ -	\$ 352	\$ 1,167	\$ 1,747
<b>Adjustments for non-cash and other activities:</b>					
Depreciation and amortization.....	110	-	48	1,799	1,957
Other.....	-	-	9	43	52
<b>Changes in assets/liabilities:</b>					
Receivables, net.....	(34)	20,780	-	82	20,828
Accounts payable.....	495	-	(80)	3,484	3,899
Accrued payroll.....	109	-	1	233	343
Accrued vacation and sick leave pay.....	49	-	-	(2)	47
Accrued workers' compensation.....	-	-	-	259	259
Other postemployment benefits obligation.....	433	-	-	1,509	1,942
Due to other funds.....	-	-	-	(114)	(114)
Unearned revenue and other liabilities.....	<u>(225)</u>	<u>(9,295)</u>	<u>-</u>	<u>-</u>	<u>(9,520)</u>
Total adjustments.....	<u>937</u>	<u>11,485</u>	<u>(22)</u>	<u>7,293</u>	<u>19,693</u>
Net cash provided by operating activities.....	<u><u>\$ 1,165</u></u>	<u><u>\$ 11,485</u></u>	<u><u>\$ 330</u></u>	<u><u>\$ 8,460</u></u>	<u><u>\$ 21,440</u></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.....	\$ 3,660	\$ -	\$ 1,757	\$ 32,468	\$ 37,885
<b>Deposits and investments outside City Treasury:</b>					
Restricted.....	-	45,147	-	-	45,147
Total deposits and investments.....	3,660	45,147	1,757	32,468	83,032
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	-	(4,730)	-	-	(4,730)
Cash and cash equivalents at end of year on statement of cash flows.....	<u>\$ 3,660</u>	<u>\$ 40,417</u>	<u>\$ 1,757</u>	<u>\$ 32,468</u>	<u>\$ 78,302</u>
<b>Non-cash capital and related financing activities:</b>					
Acquisition of capital assets on accounts payable and capital lease.....	\$ -	\$ 2,703	\$ -	\$ -	\$ 2,703

## CITY AND COUNTY OF SAN FRANCISCO

### FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

#### **Trust Funds**

*Employees' Retirement System* – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

*Health Service System* – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

*Retiree Health Care Trust* - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

#### **Agency Funds**

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

*Assistance Program Fund* – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

*Deposits Fund* – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

*Payroll Deduction Fund* – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

*State Revenue Collection Fund* – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

*Tax Collection Fund* – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

*Transit Fund* – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

*Other Agency Funds* – Accounts for monies held as agent for a variety of purposes.

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**Pension and Other Employee Benefit Trust Funds**  
June 30, 2014  
(In Thousands)

	Pension	Other	Other Post-	
	Trust Fund	Employee	employment	
	Employees'	Benefit	Benefit	
	Trust Fund	Trust Fund	Trust Fund	Total
	Employees' Retirement System	Health Service System	Retiree Health Care	
<b>Assets</b>				
Deposits and investments with City Treasury.....	\$ 5,227	\$ 137,570	\$ 47,662	\$ 190,459
Deposits and investments outside City Treasury:				
Cash and deposits.....	82,283	-	-	82,283
Short term investments.....	838,466	-	-	838,466
Debt securities.....	4,531,032	-	-	4,531,032
Equity securities.....	10,441,661	-	-	10,441,661
Real estate.....	1,582,169	-	-	1,582,169
Alternative investments.....	2,424,678	-	-	2,424,678
Foreign currency contracts, net.....	829	-	-	829
Invested in securities lending collateral.....	911,577	-	-	911,577
Receivables:				
Employer and employee contributions.....	49,643	39,961	1,302	90,906
Brokers, general partners and others.....	281,319	-	-	281,319
Interest and other.....	63,968	2,046	53	66,067
Total assets.....	<u>21,212,852</u>	<u>179,577</u>	<u>49,017</u>	<u>21,441,446</u>
<b>Liabilities</b>				
Accounts payable.....	19,273	13,205	-	32,478
Estimated claims payable.....	-	29,156	-	29,156
Payable to brokers.....	356,990	-	-	356,990
Deferred Retirement Option Program.....	3,096	-	-	3,096
Payable to borrowers of securities.....	912,886	-	-	912,886
Other liabilities.....	-	44,395	-	44,395
Total liabilities.....	<u>1,292,245</u>	<u>86,756</u>	<u>-</u>	<u>1,379,001</u>
<b>Net Position</b>				
Held in trust for pension benefits and other purposes	<u>\$ 19,920,607</u>	<u>\$ 92,821</u>	<u>\$ 49,017</u>	<u>\$ 20,062,445</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, 2014  
(In Thousands)

	Pension	Other	Other Post-	
	Trust Fund	Employee	employment	
	Employees' Retirement System	Benefit Trust Fund	Benefit Trust Fund	
Additions:				
Employees' contributions.....	\$ 289,020	\$ 118,912	\$ 11,791	\$ 419,723
Employer contributions.....	<u>532,882</u>	<u>644,054</u>	<u>5,895</u>	<u>1,182,831</u>
Total contributions.....	<u>821,902</u>	<u>762,966</u>	<u>17,686</u>	<u>1,602,554</u>
Investment income/loss:				
Interest.....	177,425	827	257	178,509
Dividends.....	195,503	-	-	195,503
Net appreciation in fair value of investments.....	2,844,279	228	61	2,844,568
Securities lending income.....	<u>4,871</u>	<u>-</u>	<u>-</u>	<u>4,871</u>
Total investment income.....	<u>3,222,078</u>	<u>1,055</u>	<u>318</u>	<u>3,223,451</u>
Less investment expenses:				
Securities lending borrower rebates and expenses.....	952	-	-	952
Other investment expenses.....	<u>(47,599)</u>	<u>-</u>	<u>-</u>	<u>(47,599)</u>
Total investment expenses.....	<u>(46,647)</u>	<u>-</u>	<u>-</u>	<u>(46,647)</u>
Total additions, net.....	<u>3,997,333</u>	<u>764,021</u>	<u>18,004</u>	<u>4,779,358</u>
Deductions:				
Benefit payments.....	1,062,229	748,564	-	1,810,793
Refunds of contributions.....	10,297	-	-	10,297
Administrative expenses.....	<u>15,745</u>	<u>-</u>	<u>160</u>	<u>15,905</u>
Total deductions.....	<u>1,088,271</u>	<u>748,564</u>	<u>160</u>	<u>1,836,995</u>
Change in net assets.....	2,909,062	15,457	17,844	2,942,363
Net position at beginning of year.....	<u>17,011,545</u>	<u>77,364</u>	<u>31,173</u>	<u>17,120,082</u>
Net position at end of year.....	<u>\$19,920,607</u>	<u>\$ 92,821</u>	<u>\$ 49,017</u>	<u>\$ 20,062,445</u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
Year Ended June 30, 2014  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2014</b>
<b>Assistance Program Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 25,801	\$ 4,577	\$ 7,074	\$ 23,304
Deposits and investments outside City Treasury..	15	14	15	14
Receivables:				
Interest and other.....	8	154	134	28
Total assets.....	<u><u>\$ 25,824</u></u>	<u><u>\$ 4,745</u></u>	<u><u>\$ 7,223</u></u>	<u><u>\$ 23,346</u></u>
Liabilities				
Accounts payable.....	\$ 10	\$ 2,648	\$ 1,092	\$ 1,566
Agency obligations.....	25,814	6,243	10,277	21,780
Total liabilities.....	<u><u>\$ 25,824</u></u>	<u><u>\$ 8,891</u></u>	<u><u>\$ 11,369</u></u>	<u><u>\$ 23,346</u></u>
<b>Deposits Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 13,088	\$ 53,476	\$ 49,479	\$ 17,085
Deposits and investments outside City Treasury..	2	-	2	-
Receivables:				
Interest and other.....	79	105	100	84
Other assets.....	34,538	11,000	-	45,538
Total assets.....	<u><u>\$ 47,707</u></u>	<u><u>\$ 64,581</u></u>	<u><u>\$ 49,581</u></u>	<u><u>\$ 62,707</u></u>
Liabilities				
Accounts payable.....	\$ 740	\$ 16,563	\$ 13,821	\$ 3,482
Agency obligations.....	46,967	52,037	39,779	59,225
Total liabilities.....	<u><u>\$ 47,707</u></u>	<u><u>\$ 68,600</u></u>	<u><u>\$ 53,600</u></u>	<u><u>\$ 62,707</u></u>
<b>Payroll Deduction Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 38,698	\$ -	\$ 22,777	\$ 15,921
Receivables:				
Employer and employee contributions.....	59,737	6,270	-	66,007
Total assets.....	<u><u>\$ 98,435</u></u>	<u><u>\$ 6,270</u></u>	<u><u>\$ 22,777</u></u>	<u><u>\$ 81,928</u></u>
Liabilities				
Accounts payable.....	\$ 9,289	\$ -	\$ 1,658	\$ 7,631
Agency obligations.....	89,146	6,897	21,746	74,297
Total liabilities.....	<u><u>\$ 98,435</u></u>	<u><u>\$ 6,897</u></u>	<u><u>\$ 23,404</u></u>	<u><u>\$ 81,928</u></u>

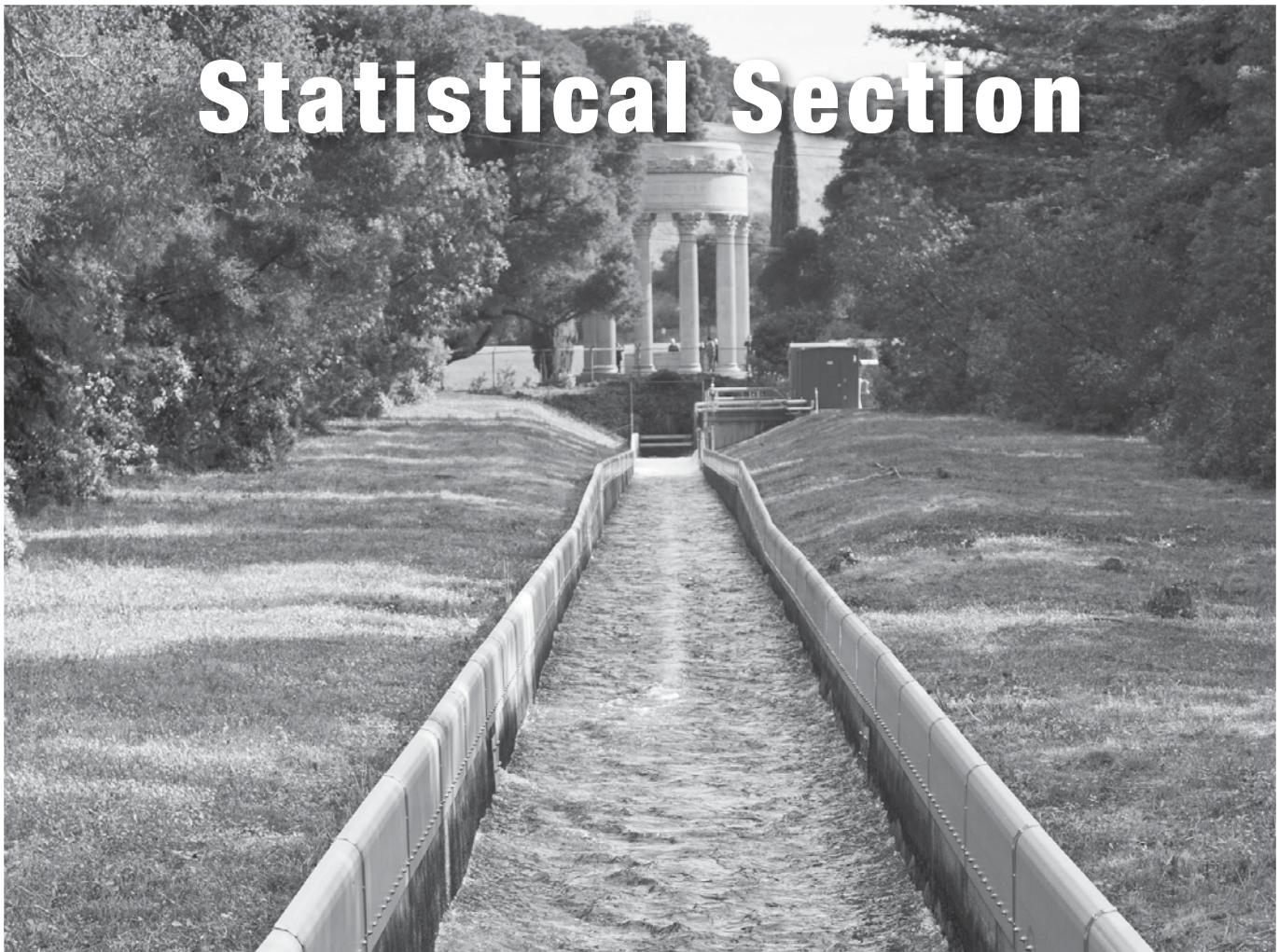
**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
Year Ended June 30, 2014  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1,</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30,</b>
	<b>2013</b>			<b>2014</b>
<b>State Revenue Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 1,764	\$ 12,159	\$ 10,291	\$ 3,632
Deposits and investments outside City Treasury..	3	-	3	-
Receivables:				
Interest and other.....	-	1	1	-
Total assets.....	<u><u>\$ 1,767</u></u>	<u><u>\$ 12,160</u></u>	<u><u>\$ 10,295</u></u>	<u><u>\$ 3,632</u></u>
Liabilities				
Accounts payable.....	\$ 183	\$ 10,313	\$ 10,220	\$ 276
Agency obligations.....	1,584	12,140	10,368	3,356
Total liabilities.....	<u><u>\$ 1,767</u></u>	<u><u>\$ 22,453</u></u>	<u><u>\$ 20,588</u></u>	<u><u>\$ 3,632</u></u>
<b>Tax Collection Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 54,261	\$ 3,358,074	\$ 3,353,514	\$ 58,821
Deposits and investments outside City Treasury..	125	1,076	125	1,076
Receivables:				
Interest and other.....	173,832	1,987,401	2,016,971	144,262
Total assets.....	<u><u>\$ 228,218</u></u>	<u><u>\$ 5,346,551</u></u>	<u><u>\$ 5,370,610</u></u>	<u><u>\$ 204,159</u></u>
Liabilities				
Accounts payable.....	\$ 8,071	\$ 79,298	\$ 84,770	\$ 2,599
Agency obligations.....	220,147	2,521,712	2,540,299	201,560
Total liabilities.....	<u><u>\$ 228,218</u></u>	<u><u>\$ 2,601,010</u></u>	<u><u>\$ 2,625,069</u></u>	<u><u>\$ 204,159</u></u>
<b>Transit Fund</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 4,794	\$ 67,329	\$ 67,807	\$ 4,316
Receivables:				
Interest and other.....	1	16	14	3
Total assets.....	<u><u>\$ 4,795</u></u>	<u><u>\$ 67,345</u></u>	<u><u>\$ 67,821</u></u>	<u><u>\$ 4,319</u></u>
Liabilities				
Accounts payable.....	\$ 2,021	\$ 24,472	\$ 24,284	\$ 2,209
Agency obligations.....	2,774	44,423	45,087	2,110
Total liabilities.....	<u><u>\$ 4,795</u></u>	<u><u>\$ 68,895</u></u>	<u><u>\$ 69,371</u></u>	<u><u>\$ 4,319</u></u>

**CITY AND COUNTY OF SAN FRANCISCO**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds (Continued)**  
Year Ended June 30, 2014  
(In Thousands)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1,</b>			<b>June 30,</b>
	<b>2013</b>	<b>Additions</b>	<b>Deductions</b>	<b>2014</b>
<b>Other Agency Funds</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 16,838	\$ 282,728	\$ 264,775	\$ 34,791
Deposits and investments outside City Treasury..	-	80	-	80
Receivables:				
Interest and other.....	404	479	434	449
Total assets.....	<u><u>\$ 17,242</u></u>	<u><u>\$ 283,287</u></u>	<u><u>\$ 265,209</u></u>	<u><u>\$ 35,320</u></u>
Liabilities				
Accounts payable.....	\$ 3,482	\$ 78,412	\$ 72,013	\$ 9,881
Agency obligations.....	13,760	277,132	265,453	25,439
Total liabilities.....	<u><u>\$ 17,242</u></u>	<u><u>\$ 355,544</u></u>	<u><u>\$ 337,466</u></u>	<u><u>\$ 35,320</u></u>
<b>Total Agency Funds</b>				
Assets				
Deposits and investments with City Treasury.....	\$ 155,244	\$ 3,778,343	\$ 3,775,717	\$ 157,870
Deposits and investments outside City Treasury..	145	1,170	145	1,170
Receivables:				
Employer and employee contributions.....	59,737	6,270	-	66,007
Interest and other.....	174,324	1,988,156	2,017,654	144,826
Other assets.....	34,538	11,000	-	45,538
Total assets.....	<u><u>\$ 423,988</u></u>	<u><u>\$ 5,784,939</u></u>	<u><u>\$ 5,793,516</u></u>	<u><u>\$ 415,411</u></u>
Liabilities				
Accounts payable.....	\$ 23,796	\$ 211,706	\$ 207,858	\$ 27,644
Agency obligations.....	400,192	2,920,584	2,933,009	387,767
Total liabilities.....	<u><u>\$ 423,988</u></u>	<u><u>\$ 3,132,290</u></u>	<u><u>\$ 3,140,867</u></u>	<u><u>\$ 415,411</u></u>

# Statistical Section



*The first waters from the new Bay Tunnel flow into the Pulgas Water Temple on Oct. 15, 2014.*



## CITY AND COUNTY OF SAN FRANCISCO

### Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

#### **Financial Trends**

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

#### **Debt Capacity**

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

#### **Operating Information**

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

#### **Sources:**

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

# CITY AND COUNTY OF SAN FRANCISCO

## NET POSITION BY COMPONENT <sup>(1)</sup>

Last Ten Fiscal Years  
(Accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Governmental activities</b>										
Net investment in capital assets.....	\$ 1,159,696	\$ 1,438,010	\$ 1,454,614	\$ 1,436,842	\$ 1,725,203	\$ 1,833,733	\$ 1,910,341	\$ 2,199,316	\$ 2,275,963	\$ 2,483,086
Restricted for:										
Reserve for rainy day.....	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194
Debt service.....	46,575	53,076	28,310	23,130	30,724	34,308	36,805	48,202	98,754	91,900
Capital projects.....	25,101	10,589	19,128	-	-	63,323	82,315	91,997	154,502	110,608
Community development.....	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640
Transportation Authority activities.....	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496
Building inspection programs.....	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928
Children and families .....	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572
Culture, recreation, grants and other purposes.....	76,068	84,531	113,606	112,219	116,032	113,917	155,152	150,383	158,973	206,368
Unrestricted (deficit).....	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)
Total governmental activities net position.....	<u>\$ 1,501,082</u>	<u>\$ 1,794,618</u>	<u>\$ 1,871,011</u>	<u>\$ 1,585,056</u>	<u>\$ 1,305,203</u>	<u>\$ 1,152,985</u>	<u>\$ 1,310,279</u>	<u>\$ 1,920,010</u>	<u>\$ 1,820,159</u>	<u>\$ 2,341,631</u>
<b>Business-type activities</b>										
Net investment in capital assets.....	\$ 3,391,450	\$ 3,438,397	\$ 3,795,006	\$ 3,935,008	\$ 4,204,644	\$ 4,277,799	\$ 4,481,404	\$ 4,538,990	\$ 4,691,579	\$ 4,832,659
Restricted for:										
Debt service.....	202,006	256,055	249,656	282,187	58,716	71,128	62,421	53,951	58,970	64,143
Capital projects.....	161,231	148,957	75,771	111,463	140,932	188,580	161,580	176,570	299,942	363,601
Other purposes.....	66,753	32,354	23,709	28,254	31,459	18,854	18,741	18,913	13,046	24,721
Unrestricted.....	446,039	536,670	567,122	491,437	324,395	259,533	268,328	242,842	610,565	732,736
Total business-type activities net position.....	<u>\$ 4,267,479</u>	<u>\$ 4,412,433</u>	<u>\$ 4,711,264</u>	<u>\$ 4,848,349</u>	<u>\$ 4,760,146</u>	<u>\$ 4,815,894</u>	<u>\$ 4,992,474</u>	<u>\$ 5,031,266</u>	<u>\$ 5,674,102</u>	<u>\$ 6,017,860</u>
<b>Primary government</b>										
Net investment in capital assets.....	\$ 4,551,146	\$ 4,876,407	\$ 5,249,620	\$ 5,371,850	\$ 5,630,550	\$ 5,735,844	\$ 5,993,892	\$ 6,459,434	\$ 6,692,499	\$ 7,032,674
Restricted for:										
Reserve for rainy day.....	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194
Debt service.....	248,581	309,131	277,966	305,317	89,440	105,436	99,226	102,153	157,724	156,043
Capital projects .....	186,332	159,546	94,899	111,463	140,932	239,209	223,694	246,027	356,002	418,103
Community development.....	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640
Transportation Authority activities.....	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496
Building inspection programs.....	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928
Children and families .....	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572
Culture, recreation, grants and other purposes.....	142,821	116,885	137,315	140,473	147,491	132,771	173,893	169,296	172,019	231,089
Unrestricted (deficit).....	245,572	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752
Total primary activities net position.....	<u>\$ 5,768,561</u>	<u>\$ 6,207,051</u>	<u>\$ 6,582,275</u>	<u>\$ 6,433,405</u>	<u>\$ 6,065,349</u>	<u>\$ 5,968,879</u>	<u>\$ 6,302,753</u>	<u>\$ 6,951,276</u>	<u>\$ 7,494,261</u>	<u>\$ 8,359,491</u>

Notes:

(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.



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# CITY AND COUNTY OF SAN FRANCISCO

## CHANGES IN NET POSITION

Last Ten Fiscal Years  
(Accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014
<b>Expenses</b>										
Governmental activities:										
Public protection.....	\$ 738,688	\$ 780,642	\$ 861,689	\$ 1,020,457	\$ 1,109,311	\$ 1,089,309	\$ 1,099,791	\$ 1,158,618	\$ 1,236,922	\$ 1,229,591
Public works, transportation and commerce.....	213,335	272,397	309,095	342,411	254,955	225,589	239,230	210,415	189,124	200,712
Human welfare and neighborhood development.....	619,753	858,396	751,034	848,195	908,449	933,039	885,194	942,523	946,562	1,009,190
Community health.....	503,259	478,844	516,321	567,410	608,733	599,741	613,883	673,905	751,491	786,761
Culture and recreation.....	256,336	244,423	290,547	347,433	319,994	310,063	318,083	307,269	338,042	357,620
General administration and finance.....	152,850	167,490	194,653	250,295	238,601	221,471	224,027	237,818	249,271	298,563
General City responsibilities.....	59,024	49,054	67,948	80,887	72,634	80,246	84,444	96,147	83,895	85,239
Unallocated Interest on long-term debt and cost of issuance <sup>(1)</sup> ....	89,690	94,923	94,060	97,694	93,387	102,635	110,142	110,145	107,790	115,880
Total governmental activities expenses.....	<u>2,632,935</u>	<u>2,946,169</u>	<u>3,085,347</u>	<u>3,554,782</u>	<u>3,606,064</u>	<u>3,562,093</u>	<u>3,574,794</u>	<u>3,736,840</u>	<u>3,903,097</u>	<u>4,083,556</u>
Business-type activities:										
Airport.....	628,445	633,102	624,832	651,581	683,335	662,347	690,875	746,610	756,961	827,658
Transportation.....	711,733	695,593	726,053	830,411	863,218	905,694	905,218	959,088	1,026,726	1,037,368
Port.....	54,897	55,329	61,937	67,495	71,778	73,573	68,661	72,307	81,422	88,551
Water.....	197,848	213,584	236,824	252,802	277,162	325,242	362,802	431,248	445,804	470,200
Power.....	116,683	119,146	95,020	109,436	96,228	119,109	119,282	130,709	129,790	137,639
Hospitals.....	598,160	646,149	714,349	812,399	820,236	842,488	885,294	954,566	992,687	1,011,452
Sewer.....	160,650	160,701	168,954	182,712	184,977	201,403	201,629	214,593	223,727	243,466
Market.....	1,055	1,035	1,061	1,052	1,144	1,119	1,152	1,138	1,231	120
Total business-type activities expenses.....	<u>2,469,471</u>	<u>2,524,639</u>	<u>2,629,030</u>	<u>2,907,888</u>	<u>2,998,078</u>	<u>3,130,975</u>	<u>3,234,913</u>	<u>3,510,259</u>	<u>3,658,348</u>	<u>3,816,454</u>
Total primary government expenses.....	<u>\$ 5,102,406</u>	<u>\$ 5,470,808</u>	<u>\$ 5,714,377</u>	<u>\$ 6,462,670</u>	<u>\$ 6,604,142</u>	<u>\$ 6,693,068</u>	<u>\$ 6,809,707</u>	<u>\$ 7,247,099</u>	<u>\$ 7,561,445</u>	<u>\$ 7,900,010</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
Public protection.....	\$ 54,805	\$ 51,874	\$ 58,979	\$ 66,343	\$ 90,044	\$ 58,980	\$ 62,105	\$ 61,412	\$ 60,190	\$ 69,673
Public works, transportation and commerce.....	95,081	113,861	111,364	115,939	72,287	71,288	101,846	93,809	105,981	135,842
Human welfare and neighborhood development.....	21,375	29,181	56,367	108,956	33,988	25,813	56,628	68,794	69,997	99,848
Community health.....	44,850	52,183	50,266	52,455	60,708	65,756	64,419	58,864	60,856	67,680
Culture and recreation.....	64,614	64,720	65,407	70,576	74,477	81,855	76,528	78,828	93,612	89,969
General administration and finance.....	41,348	55,799	10,502	20,376	33,530	35,190	37,601	44,358	76,903	66,071
General City responsibilities.....	28,956	31,647	29,604	26,980	27,377	37,806	29,316	29,142	50,121	39,445
Operating Grants and Contributions.....	834,607	859,919	927,256	926,089	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094
Capital Grants and Contributions.....	55,435	248,329	50,479	36,079	44,048	50,349	57,719	41,174	29,718	39,379
Total Governmental activities program revenues.....	<u>1,241,071</u>	<u>1,507,513</u>	<u>1,360,224</u>	<u>1,423,793</u>	<u>1,346,154</u>	<u>1,424,128</u>	<u>1,526,278</u>	<u>1,475,082</u>	<u>1,633,532</u>	<u>1,750,001</u>
Business-type activities:										
Charges for services:										
Airport.....	477,314	455,342	503,914	535,771	551,283	578,041	607,323	668,672	726,358	770,691
Transportation.....	187,913	210,692	222,115	257,341	257,083	311,311	334,140	350,464	494,805	521,628
Port.....	57,519	58,588	61,193	64,498	66,438	66,579	72,266	77,260	80,202	85,019
Water.....	184,835	201,833	216,531	234,216	265,781	265,218	288,395	342,101	721,470	379,882
Power.....	132,303	149,500	108,224	119,855	115,274	128,590	140,035	127,309	133,927	134,438
Hospitals.....	493,596	472,327	515,092	558,167	568,210	606,276	726,522	740,920	868,244	951,038
Sewer.....	148,888	164,703	193,411	202,549	208,654	209,843	229,216	244,155	252,554	260,097
Market.....	1,462	1,503	1,567	1,564	1,546	1,681	1,655	1,672	1,715	141
Operating Grants and Contributions.....	180,807	188,672	183,301	181,725	186,805	182,572	204,153	200,318	224,382	190,351
Capital Grants and Contributions.....	93,724	110,403	150,080	152,511	107,118	180,253	213,364	173,975	251,753	515,445
Total business-type activities program revenues.....	<u>1,958,361</u>	<u>2,013,563</u>	<u>2,155,428</u>	<u>2,308,197</u>	<u>2,328,192</u>	<u>2,530,364</u>	<u>2,817,069</u>	<u>2,926,846</u>	<u>3,755,410</u>	<u>3,808,730</u>
Total primary government program revenues.....	<u>\$ 3,199,432</u>	<u>\$ 3,521,076</u>	<u>\$ 3,515,652</u>	<u>\$ 3,731,990</u>	<u>\$ 3,674,346</u>	<u>\$ 3,954,492</u>	<u>\$ 4,343,347</u>	<u>\$ 4,401,928</u>	<u>\$ 5,388,942</u>	<u>\$ 5,558,731</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.

# CITY AND COUNTY OF SAN FRANCISCO

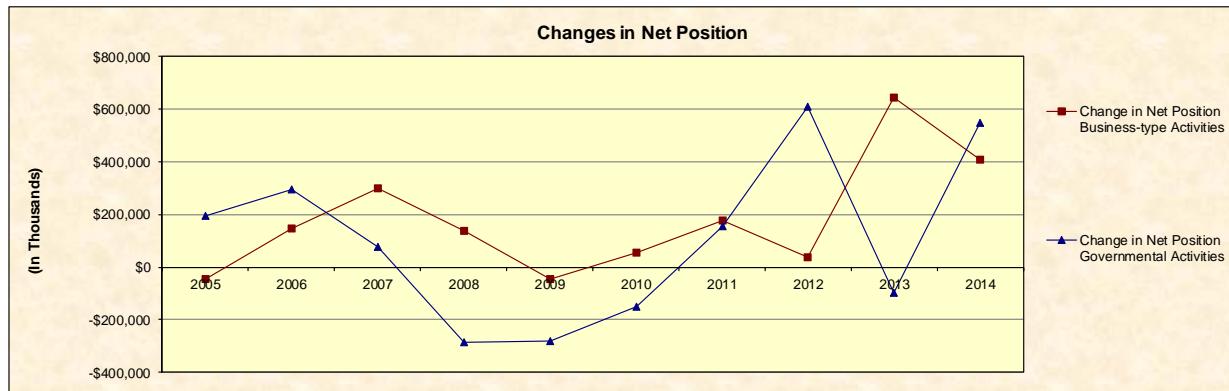
## CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years  
(Accrual basis of accounting)  
(In Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009 <sup>(1)</sup>	2010	2011	2012	2013	2014
<b>Net (expenses)/revenue</b>										
Governmental activities.....	\$ (1,391,864)	\$ (1,438,656)	\$ (1,725,123)	\$ (2,130,989)	\$ (2,259,910)	\$ (2,137,965)	\$ (2,048,516)	\$ (2,261,758)	\$ (2,269,565)	\$ (2,333,555)
Business-type activities.....	(511,110)	(511,076)	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)
Total primary government net expenses.....	<u>\$ (1,902,974)</u>	<u>\$ (1,949,732)</u>	<u>\$ (2,198,725)</u>	<u>\$ (2,730,680)</u>	<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>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes.....	\$ 920,314	\$ 1,016,220	\$ 1,126,992	\$ 1,189,511	\$ 1,302,071	\$ 1,345,040	\$ 1,340,590	\$ 1,355,855	\$ 1,415,068	\$ 1,521,471
Business taxes.....	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406
Sales and use tax.....	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636
Hotel room tax.....	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052
Utility users tax.....	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810
Other local taxes.....	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,746	359,808	391,638
Interest and investment income.....	29,490	71,129	86,233	57,929	35,434	27,877	17,645	31,453	7,862	21,887
Other.....	47,153	56,022	33,046	25,939	44,086	54,410	58,524	91,236	52,865	70,024
Transfers - internal activities of primary government.....	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)
Extraordinary gain (loss).....	-	-	-	-	-	-	-	323,130	(201,670)	-
Total governmental activities.....	<u>\$ 1,586,205</u>	<u>\$ 1,732,192</u>	<u>\$ 1,801,516</u>	<u>\$ 1,845,034</u>	<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>
Business-type activities:										
Interest and investment income.....	33,268	53,161	85,692	67,217	49,691	44,471	42,299	82,533	1,009	29,843
Other.....	237,102	272,873	218,184	233,244	181,759	176,064	214,993	288,584	61,737	82,737
Special item.....	(46,358)	-	17,386	(41,026)	-	-	-	-	-	-
Transfers - internal activities of primary government.....	241,600	329,996	451,171	477,341	393,259	435,824	337,132	251,088	483,028	311,627
Extraordinary gain (loss).....	-	-	-	-	-	-	-	-	-	(6,843)
Total business-type activities.....	<u>\$ 465,612</u>	<u>\$ 656,030</u>	<u>\$ 772,433</u>	<u>\$ 736,776</u>	<u>\$ 624,709</u>	<u>\$ 656,359</u>	<u>\$ 594,424</u>	<u>\$ 622,205</u>	<u>\$ 545,774</u>	<u>\$ 417,364</u>
Total primary government.....	<u>\$ 2,051,817</u>	<u>\$ 2,388,222</u>	<u>\$ 2,573,949</u>	<u>\$ 2,581,810</u>	<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>

### Change in Net Position

Governmental activities.....	\$ 194,341	\$ 293,536	\$ 76,393	\$ (285,955)	\$ (279,853)	\$ (152,218)	\$ 157,294	\$ 609,731	\$ (99,851)	\$ 547,742
Business-type activities.....	(45,498)	144,954	298,831	137,085	(45,177)	55,748	176,580	38,792	642,836	409,640
Total primary government.....	<u>\$ 148,843</u>	<u>\$ 438,490</u>	<u>\$ 375,224</u>	<u>\$ (148,870)</u>	<u>\$ (325,030)</u>	<u>\$ (96,470)</u>	<u>\$ 333,874</u>	<u>\$ 648,523</u>	<u>\$ 542,985</u>	<u>\$ 957,382</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.

**CITY AND COUNTY OF SAN FRANCISCO**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(In Thousands)

	<b>Fiscal Year</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>General Fund</b>					
Reserved for rainy day.....	\$ 48,139	\$ 121,976	\$ 133,622	\$ 117,792	\$ 98,297
Reserved for assets not available for appropriation.....	9,031	10,710	12,665	11,358	11,307
Reserved for encumbrances.....	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward.....	36,198	124,009	161,127	99,959	91,075
Reserved for subsequent years' budgets.....	22,351	27,451	32,062	36,341	6,891
Unreserved.....	134,199	138,971	141,037	77,117	28,203
Total general fund.....	<u>\$ 307,680</u>	<u>\$ 461,276</u>	<u>\$ 541,461</u>	<u>\$ 405,635</u>	<u>\$ 301,675</u>
<b>All other governmental funds</b>					
Reserved for assets not available for appropriation.....	\$ 17,683	\$ 20,202	\$ 19,413	\$ 19,814	\$ 19,781
Reserved for debt service.....	45,540	57,429	51,299	47,334	75,886
Reserved for encumbrances.....	97,920	423,120	288,948	193,461	167,169
Reserved for appropriation carryforward.....	549,571	294,340	292,234	314,051	501,006
Reserved for subsequent years' budgets.....	8,004	8,004	8,004	13,504	11,245
Unreserved reported in:					
Special revenue funds.....	30,809	35,243	47,445	(27,758)	(69,468)
Capital projects funds.....	7,193	13,662	(373)	2,126	(26,153)
Permanent fund.....	3,856	2,308	3,508	3,502	3,871
Total other governmental funds.....	<u>\$ 760,576</u>	<u>\$ 854,308</u>	<u>\$ 710,478</u>	<u>\$ 566,034</u>	<u>\$ 683,337</u>
<b>General Fund</b>					
Nonspendable.....				\$ 14,874	\$ 20,501
				\$ 39,582	\$ 33,439
				4,677	33,431
				132,645	240,635
					79,276
					137,487
					145,126
					305,413
					353,191
					508,903
					74,317
Total general fund.....				<u>\$ 191,778</u>	<u>\$ 328,006</u>
<b>All other governmental funds</b>					
Nonspendable.....				\$ 192	\$ 192
				861,188	831,269
				27,493	27,622
				(81,566)	(59,523)
Total other governmental funds.....				<u>\$ 807,307</u>	<u>\$ 799,560</u>
	<b>2010 <sup>(1)</sup></b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>

Notes:

(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.



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**CITY AND COUNTY OF SAN FRANCISCO**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(Modified accrual basis of accounting)  
(In Thousands)

	<b>Fiscal Year</b>									
	<b>2005 <sup>(1)</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009 <sup>(2)</sup></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Revenues:</b>										
Property taxes.....	\$ 918,645	\$ 1,008,151	\$ 1,107,864	\$ 1,179,688	\$ 1,272,385	\$ 1,331,957	\$ 1,380,356	\$ 1,352,857	\$ 1,421,764	\$ 1,517,261
Business taxes.....	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406
Sales and use tax.....	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636
Hotel room tax.....	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052
Utility users tax.....	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810
Other local taxes.....	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,889	359,808	391,638
Licenses, permits and franchises.....	25,942	27,662	27,428	30,943	32,153	33,625	35,977	39,770	40,901	42,371
Fines, forfeitures and penalties.....	12,509	14,449	8,871	13,217	9,694	22,255	11,770	30,090	49,841	28,425
Interest and investment income.....	28,268	70,046	83,846	54,256	33,547	27,038	17,041	31,371	7,489	21,678
Rent and concessions.....	49,450	52,426	52,493	70,160	77,014	78,527	78,995	89,183	98,770	90,712
Intergovernmental:										
Federal.....	348,764	350,985	381,688	328,315	362,582	448,890	484,704	420,974	420,775	426,314
State.....	522,937	565,989	582,666	561,095	575,774	552,641	581,119	588,532	656,141	721,735
Other.....	25,783	23,500	15,689	15,907	15,186	7,397	32,017	33,181	41,789	9,408
Charges for services.....	241,750	263,994	273,057	288,689	280,407	243,128	258,015	264,856	296,059	333,904
Other.....	57,487	61,565	44,084	81,321	30,318	51,023	97,194	83,634	81,014	134,923
Total revenues.....	3,062,383	3,357,584	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273
<b>Expenditures</b>										
Public protection.....	738,494	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497
Public works, transportation and commerce.....	195,896	274,669	280,907	236,569	248,161	243,454	226,920	250,879	223,218	232,005
Human welfare and neighborhood development.....	644,899	697,102	740,171	828,903	886,686	918,301	870,091	918,414	945,106	995,192
Community health.....	501,050	471,741	509,844	543,046	578,828	581,392	595,222	653,263	734,736	761,439
Culture and recreation.....	239,022	256,979	286,135	309,612	313,442	303,134	310,392	311,156	328,794	331,914
General administration and finance.....	135,118	161,195	167,505	215,054	190,680	187,221	191,641	203,157	211,138	233,977
General City responsibilities .....	62,799	53,763	57,532	71,205	73,147	86,498	85,463	96,150	81,775	86,996
Debt service:										
Principal retirement.....	80,306	86,970	98,169	106,580	126,501	154,051	148,231	167,465	154,542	190,266
Interest and fiscal charges.....	61,524	75,975	71,266	75,844	74,466	89,946	101,716	103,706	108,189	119,142
Bond issuance costs.....	4,842	1,933	3,683	1,090	4,746	2,145	2,161	5,386	2,913	2,185
Capital outlay.....	130,224	153,493	283,370	133,155	152,473	182,448	214,817	270,094	410,994	449,726
Total expenditures.....	2,794,174	3,021,218	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339
Excess (deficiency) of revenues over (under) expenditures....	268,209	336,366	219,964	133,317	32,137	20,630	325,536	196,621	145,871	330,934

**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)

	<b>Fiscal Year</b>									
	<b>2005 <sup>(1)</sup></b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009 <sup>(2)</sup></b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
<b>Other financing sources (uses):</b>										
Transfers in.....	271,553	224,523	217,298	244,770	352,693	302,790	304,682	335,600	447,734	563,283
Transfers out.....	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)
Issuance of bonds and loans:										
Face value of bonds issued.....	346,225	219,120	312,955	310,155	456,935	393,010	232,965	804,090	557,490	257,175
Face value of loans issued.....	500	5,359	141	1,829	-	599	1,813	4,359	5,890	8,735
Premium on issuance of bonds.....	11,989	10,233	3,521	13,071	12,875	16,647	16,799	89,336	64,469	19,773
Discount on issuance of bonds.....	-	-	(1,856)	-	-	-	-	-	-	-
Payment to refunded bond escrow agent.....	(38,913)	-	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-	(49,055)
Other financing sources - capital leases.....	4,542	6,882	12,789	24,254	24,881	20,746	19,769	12,304	13,470	12,869
Total other financing sources (uses).....	<u>82,473</u>	<u>(89,038)</u>	<u>(283,609)</u>	<u>(413,587)</u>	<u>(18,794)</u>	<u>(6,557)</u>	<u>(197,055)</u>	<u>15,580</u>	<u>158,260</u>	<u>(62,516)</u>
Extraordinary gain (loss).....	-	-	-	-	-	-	-	197,314	(172,651)	-
Net change in fund balances.....	<u>\$ 350,682</u>	<u>\$ 247,328</u>	<u>\$ (63,645)</u>	<u>\$ (280,270)</u>	<u>\$ 13,343</u>	<u>\$ 14,073</u>	<u>\$ 128,481</u>	<u>\$ 409,515</u>	<u>\$ 131,480</u>	<u>\$ 268,418</u>
Debt service as a percentage of noncapital expenditures.....	5.31%	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%
Debt service as a percentage of total expenditures.....	5.08%	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%

Notes:

(1) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.

(2) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

**CITY AND COUNTY OF SAN FRANCISCO**  
**ASSESSED VALUE OF TAXABLE PROPERTY <sup>(1)(3)(4)</sup>**  
Last Ten Fiscal Years  
(In Thousands)

Fiscal Year <sup>(4)</sup>	Assessed Value			Exemptions <sup>(2)</sup>			Total Taxable Assessed Value	Total Direct Tax Rate
	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments		
2005.....	\$ 106,805,910	\$ 3,736,998	\$ 110,542,908	\$ 4,017,052	\$ 678,120	\$ 5,199,856	\$ 100,647,880	1.00%
2006.....	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007.....	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008.....	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009.....	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010.....	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011.....	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012.....	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013.....	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014.....	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%

Source:

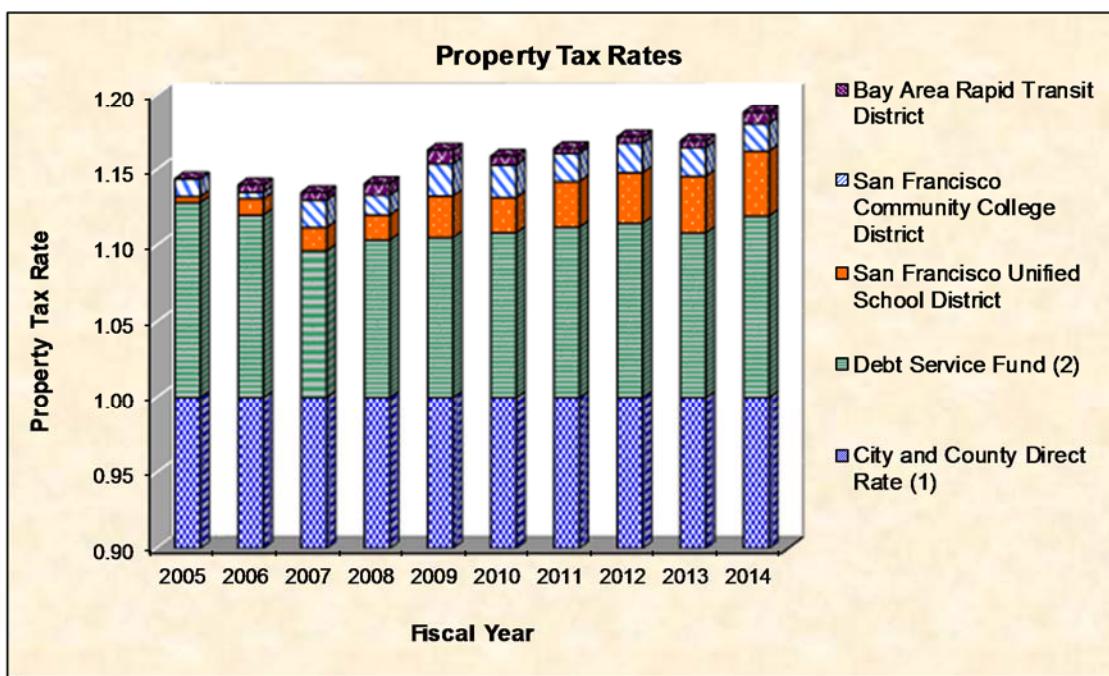
Controller, City and County of San Francisco

Notes:

- (1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or \$1/\$100 of the assessed value, excluding the tax rate for debt service.
- (2) Exemptions are summarized as follows:
  - (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
  - (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
  - (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.
- (3) Based on certified assessed values.
- (4) Based on year end actual assessed values.

**CITY AND COUNTY OF SAN FRANCISCO**  
**DIRECT AND OVERLAPPING PROPERTY TAX RATES**  
 Last Ten Fiscal Years  
 (Rate Per \$1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate <sup>(1)</sup>	Overlapping Rates				Total
		Debt Service Fund <sup>(2)</sup>	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880



**Notes:**

- (1) Proposition 13 allows each county to levy a maximum tax of \$1 per \$100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.
- (2) On June 6, 1978, California voters approved a constitutional amendment to Article XIII A of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIII A (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

**CITY AND COUNTY OF SAN FRANCISCO**

**PRINCIPAL PROPERTY ASSEESSEES**

Current Fiscal Year and Nine Fiscal Years Ago  
(Dollar in Thousands)

Assessee	Type of Business	Fiscal Year 2014			Fiscal Year 2005		
		Taxable Assessed Value ( <sup>1</sup> )	Rank	Percentage of Total Taxable Assessed Value <sup>(2)</sup>	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value <sup>(2)</sup>
HWA 555 Owners LLC	Office, Commercial	\$ 941,010	1	0.52%	\$ -	-	-
Paramount Group Real Estate Fund	Office, Commercial	770,892	2	0.42%	-	-	-
Emporium Mall LLC	Retail, Commercial	430,661	3	0.24%	-	-	-
SPF China Basin Holdings LLC	Office, Commercial	423,273	4	0.23%	-	-	-
SHC Embarcadero LLC	Office, Commercial	398,608	5	0.22%	-	-	-
SF Hilton Inc	Hotel	389,595	6	0.21%	-	-	-
Post-Montgomery Associates	Office, Commercial	387,267	7	0.21%	382,157	8	0.36
SHR St. Francis LLC	Hotel	368,994	8	0.20%	-	-	-
PPF Off One Maritime Plaza LP	Office, Commercial	367,384	9	0.20%	-	-	-
Wells REIT II - 333 Market St LLC	Office, Commercial	349,062	10	0.19%	-	-	-
Embarcadero Center Venture	Office, Commercial	-	-	-	1,410,865	1	1.34
Pacific Gas & Electric Company	Utilities	-	-	-	976,099	2	0.93
555 California Street Partners	Office, Commercial	-	-	-	924,454	3	0.88
SBC California (Formerly Pacific Bell) Utilities, Communications	-	-	-	-	441,015	4	0.42
EOP - One Market LLC	Offices	-	-	-	401,262	5	0.38
CB-1 Entertainment Partners	Hotels, Condos	-	-	-	393,972	6	0.37
Mariott Hotel	Hotel	-	-	-	391,943	7	0.37
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-	-	-	375,661	9	0.36
BRE - St. Francis LLC	Hotels	-	-	-	331,824	10	0.32
Total		<u>\$ 4,826,746</u>		<u>2.65%</u>	<u>\$ 6,029,252</u>		<u>5.73%</u>

Source: Assessor, City and County of San Francisco

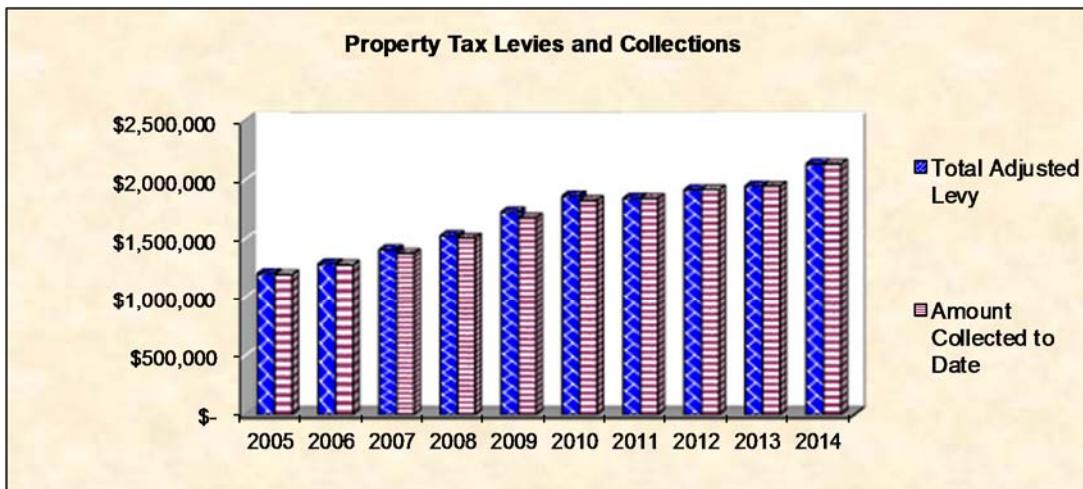
Notes:

(1) Data for fiscal year 2013-2014 updated as of July 1, 2013.

(2) Assessed values for fiscal years 2013-2014 and 2004-2005 are from the tax rolls of calendar years 2013 and 2004, 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>
2005	\$1,208,044	\$ 1,179,959	97.68%	\$ 18,010	\$ 1,197,969	99.17%
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91



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

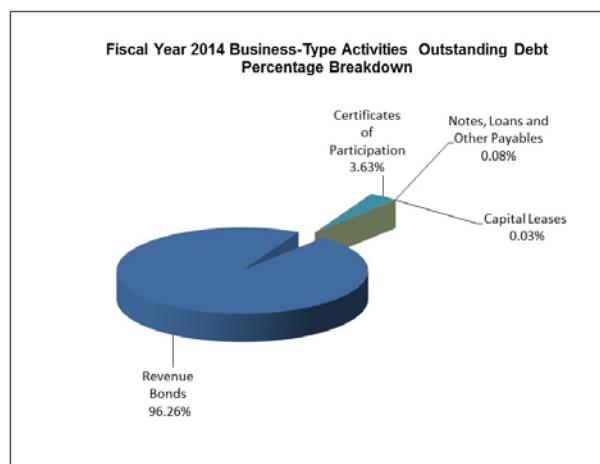
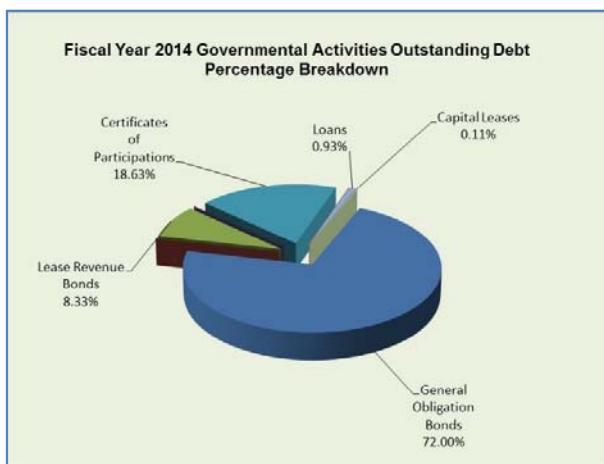
## RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years

(In Thousands, except per capita amount)

Fiscal Year <sup>(1)</sup>	Governmental Activities							Settlement Obligation <sup>(2)</sup>	Subtotal		
	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations		Loans	Capital Leases					
			Participations	Loans							
2005	\$ 1,101,478	\$ 230,738	\$ 281,521	\$ 7,961	\$ 198,703	\$ 39,057	\$ 1,859,458				
2006	1,256,045	231,497	274,407	12,377	190,279	33,278	1,997,883				
2007	1,181,588	250,095	417,063	11,640	185,736	27,353	2,073,475				
2008	1,135,205	283,469	408,745	12,495	174,149	20,779	2,034,842				
2009	1,208,353	294,973	564,754	11,329	164,383	14,019	2,257,811				
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	2,490,699				
2011	1,411,769	283,155	587,121	10,072	141,377	-	2,433,494				
2012	1,617,397	275,876	552,998	13,878	22,878	-	2,483,027				
2013	2,052,155	264,828	574,683	19,184	9,741	-	2,920,591				
2014	2,105,885	243,503	544,817	27,441	3,085	-	2,924,731				

Fiscal Year <sup>(1)</sup>	Business-Type Activities					Primary Government			
	Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation <sup>(3)</sup>		Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income <sup>(3)</sup>
			Participation	Loans					
2005.....	\$ 5,109,738	\$ 134,783	\$ -	\$ 27,278	\$ 4,754	\$ 5,276,553	\$ 7,136,011	14.54%	\$ 9,176
2006.....	5,553,738	118,868	-	22,962	5,522	5,701,090	7,698,973	14.28	9,793
2007.....	5,437,855	102,438	-	18,447	4,499	5,563,239	7,636,714	13.56	9,556
2008.....	5,373,878	89,101	-	13,749	3,843	5,480,571	7,515,413	12.91	9,301
2009.....	4,928,729	75,339	-	324,042	2,635	5,330,745	7,588,556	13.54	9,307
2010.....	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.60	12,386
2011.....	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	18.42	13,284
2012.....	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	20.25	14,723
2013.....	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	19.78	15,061
2014.....	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	19.86	15,272



Notes:

<sup>(1)</sup> In compliance with GASB Statement No. 65, the amount of outstanding obligations for fiscal year 2005-2013 was restated to exclude refunding gains or losses.

<sup>(2)</sup> The amount for fiscal year 2005 to 2010 was restated to exclude commercial paper issued by the San Francisco County Transportation Authority.

<sup>(3)</sup> Certificates of Participation of \$22,550 was presented in FY 2010 in Capital Leases.

<sup>(4)</sup> See Demographic and Economic Statistics, for personal income and population data.

**CITY AND COUNTY OF SAN FRANCISCO**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
Last Ten Fiscal Years  
(In Thousands, except per capita amount)

<b>Fiscal Year</b>	<b>General Obligation Bonds <sup>(1)</sup></b>	<b>Less: Amounts Restricted for Debt Service <sup>(1)</sup></b>			<b>Per Capita <sup>(2)</sup></b>	<b>Percentage of Taxable Assessed Value <sup>(3) (4)</sup></b>
			<b>Total</b>			
2005	\$ 1,101,478	\$ 33,774	\$ 1,067,704	\$ 1,373	1.00%	
2006	1,256,045	46,929	1,209,116	1,538	1.06	
2007	1,181,588	35,249	1,146,339	1,434	0.92	
2008	1,135,205	31,883	1,103,322	1,365	0.82	
2009	1,208,353	40,907	1,167,446	1,432	0.78	
2010	1,442,448	36,901	1,405,547	1,746	0.87	
2011	1,411,769	39,330	1,372,439	1,688	0.86	
2012	1,617,397	51,033	1,566,364	1,897	0.95	
2013	2,052,155	102,188	1,949,967	2,328	1.16	
2014	2,105,885	95,451	2,010,434	2,367	1.14	

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 restated to exclude bond refunding gains or losses.
- (2) Population data can be found in Demographic and Economic Statistics.
- (3) FY 2013 updated with newly available data.
- (4) Taxable property data can be found in Assessed Value of Taxable Property.

**CITY AND COUNTY OF SAN FRANCISCO**

**LEGAL DEBT MARGIN INFORMATION**

Last Ten Fiscal Years  
(In Thousands)

	<b>Fiscal Year</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Debt limit	\$ 3,195,776	\$ 3,419,607	\$ 3,749,434	\$ 4,050,223	\$ 4,497,000
Total net debt applicable to limit <sup>(1)</sup>	1,101,478	1,256,045	1,181,588	1,135,205	1,208,353
Legal debt margin	<u>\$ 2,094,298</u>	<u>\$ 2,163,562</u>	<u>\$ 2,567,846</u>	<u>\$ 2,915,018</u>	<u>\$ 3,288,647</u>
Total net debt applicable to the limit as a percentage of debt limit	34.47%	36.73%	31.51%	28.03%	26.87%

	<b>Fiscal Year</b>				
	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Debt limit	\$ 4,853,760	\$ 4,785,098	\$ 4,962,746	\$ 5,030,049	\$ 5,279,242
Total net debt applicable to limit <sup>(1)</sup>	1,442,448	1,411,769	1,617,397	2,052,155	2,105,885
Legal debt margin	<u>\$ 3,411,312</u>	<u>\$ 3,373,329</u>	<u>\$ 3,345,349</u>	<u>\$ 2,977,894</u>	<u>\$ 3,173,357</u>
Total net debt applicable to the limit as a percentage of debt limit	29.72%	29.50%	32.59%	40.80%	39.89%

**Legal Debt Margin Calculation for Fiscal Year 2014**

Total assessed value	\$ 183,469,677
Less: non-reimbursable exemptions <sup>(2)</sup>	7,494,941
Assessed value <sup>(2)</sup>	<u>\$ 175,974,736</u>
Debt limit (three percent of valuation subject to taxation <sup>(3)</sup> )	\$ 5,279,242
Debt applicable to limit - general obligation bonds	2,105,885
Legal debt margin	<u>\$ 3,173,357</u>

Notes:

(1) Per outstanding general obligation bonds and reinstated to exclude refunding gain or loss.

(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, 2014

Debts	Total Debt Outstanding	Estimated Percentage Applicable to City and County <sup>(1)</sup>	Estimated Share of Overlapping Debt
<b>General Obligation Bonds</b>			
City and County of San Francisco direct debt .....			\$ 2,105,883,334
San Francisco Unified School District..... \$	875,866,878	100.00%	875,866,878
San Francisco Community College District.....	340,476,416	100.00%	340,476,416
Bay Area Rapid Transit District.....	213,930,750	33.00%	70,597,148
Total General Obligation Bonds.....			<u>3,392,823,776</u>
<b>Other Debt</b>			
Lease Revenue Bonds.....	243,502,910	100.00%	243,502,910
Certificates of Participation.....	544,817,408	100.00%	544,817,408
Loans.....	27,441,208	100.00%	27,441,208
Capital Leases.....	3,084,826	100.00%	3,084,826
Total Other Debt.....			<u>818,846,352</u>
<b>Total Direct and Overlapping Debt.....</b>			<b><u>\$ 4,211,670,128</u></b>
Assessed valuation (net of non- reimbursable exemption).....			\$ 175,974,736,019
Population - 2014 <sup>(2)</sup> .....			849,183
Ratio of direct and overlapping general obligation debt per assessed valuation.....			1.93%
Ratio of total direct and overlapping debt per assessed valuation.....			2.39%
Estimated total direct and overlapping total debt per capita.....			4,959.67

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's boundaries and dividing it 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>	Less: Operating Expenses <sup>(3)</sup>		Net Available Revenue	Debt Service			Coverage
		Principal	Interest		Principal	Interest	Total	
2005	\$ 496,485	\$ 253,931	\$ 242,554	\$ 78,555	\$ 207,430	\$ 285,985	0.85	
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77	
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94	
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93	
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97	
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01	
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93	
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02	
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03	
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02	

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

### San Francisco Water Department <sup>(4)</sup>

Fiscal Year	Gross Revenues <sup>(5)</sup>	Less: Operating Expenses <sup>(6)</sup>		Net Available Revenue	Debt Service			Coverage
		Adjustments <sup>(8)</sup>	Principal		Interest	Total		
2005	\$ 189,928	\$ 176,453	\$ 83,078	\$ 96,553	\$ 14,055	\$ 23,939	\$ 37,994	2.54
2006	213,499	186,934	110,638	137,203	14,790	20,585	35,375	3.88
2007	241,078	202,498	112,101	150,681	16,160	48,955	65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 <sup>(7)</sup>	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 <sup>(7)</sup>	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 <sup>(7)</sup>	139,534	4.12
2014	390,789	333,555	426,527	483,761	20,825	120,501 <sup>(7)</sup>	141,326	3.42

(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 FY2014 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

### Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges <sup>(9)(10)</sup>	Less: Operating Expenses <sup>(11)(12)</sup>		Net Available Revenue	Debt Service			Coverage
		Principal	Interest		Principal	Interest	Total	
2005	\$ 25,623	\$ 14,071	\$ 11,552	\$ 5,193	\$ 2,573	\$ 7,766	1.49	
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07	
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93	
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94	
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30	
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36	
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50	
2012	47,810	19,419	28,391	1,685	995	2,680	10.59	
2013	607,125	471,490	135,636	3,075	1,856	4,931	27.51	
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87	

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense. FY2013 was adjusted for Paratransit related expenses.

**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 Revenues <sup>(14)</sup>	Less:		Net		Debt Service			Coverage <sup>(17)</sup>
		Operating Expenses <sup>(15)</sup>	Adjustments <sup>(16)</sup>	Available Revenue <sup>(17)</sup>	Principal	Interest <sup>(17)</sup>	Total <sup>(17)</sup>		
2005	\$ 151,981	\$ 139,290	\$ 36,700	\$ 49,391	\$ -	\$ 17,219	\$ 17,219	2.87	
2006	170,517	140,954	35,788	65,351	-	17,219	17,219	3.80	
2007	199,160	151,600	49,600	97,160	33,445	16,718	50,163	1.94	
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14	
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37	
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25	
2011	231,143	179,084	56,239	108,298	26,320	18,563 <sup>(18)</sup>	44,883	2.41	
2012	247,936	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	

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(14) Gross revenue consists of charges for services, rental income and other income.

(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.

(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.

(17) Restated to match the published Annual Disclosure Reports for FY 2004, 2005, 2007, 2008, 2009.

(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 thru FY2014 also includes a "springing" amendment.

**Port of San Francisco <sup>(19)</sup>**

Fiscal Year	Total Operating Revenues <sup>(20)</sup>	Less:		Available Revenue	Debt Service			Coverage
		Operating Expenses <sup>(21)</sup>	Adjustments <sup>(22)</sup>		Principal	Interest	Total	
2005	\$ 59,217	\$ 43,786	\$ 15,431	\$ 3,920	\$ 1,012	\$ 4,932	3.13	
2006	61,581	44,893	16,688	3,390	554	3,944	4.23	
2007	65,416	50,887	14,529	3,975	453	4,428	3.28	
2008	68,111	56,406	11,705	4,070	348	4,418	2.65	
2009	68,722	57,574	11,148	4,185	222	4,407	2.53	
2010	68,892	58,756	10,136	4,320	75	4,395	2.31	
2011	73,774	51,788	21,986	485	2,358	2,843	7.73	
2012	79,819	55,470	24,349	670	2,175	2,845	8.56	
2013	81,536	63,615	17,921	695	2,151	2,846	6.30	
2014	87,213	63,410	23,803	725	2,122	2,847	8.36	

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(20) Total revenues consist of operating revenues and interest and investment income.

(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

**Hetch Hetchy Water and Power <sup>(22) (23)</sup>**

Fiscal Year	Gross Revenues <sup>(24)</sup>	Less:		Available Revenue	Debt Service			Coverage
		Operating Expenses <sup>(25)</sup>	Adjustments <sup>(26)</sup>		Principal	Interest	Total	
2005	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
2006	-	-	-	-	-	-	-	-
2007	-	-	-	-	-	-	-	-
2008	-	-	-	-	-	-	-	-
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33

(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(23) There were no Hetch Hetchy bonds from 2005 to 2008.

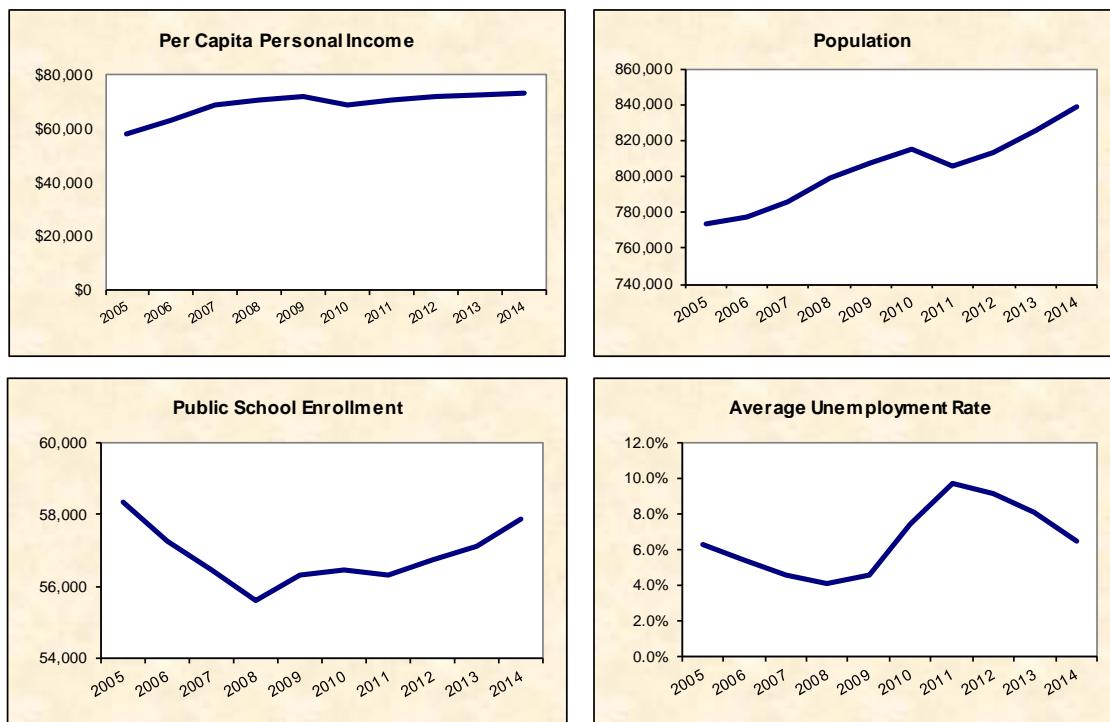
(24) Gross revenues consists of charges for power services, rental income and other income.

(25) Operating expenses only include power operating expense.

(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

**CITY AND COUNTY OF SAN FRANCISCO**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

Fiscal Year	Population <sup>(1)</sup>	Personal Income (In Thousands) <sup>(2)</sup>	Per Capita Personal Income <sup>(3)</sup>	Median Age <sup>(4)</sup>	Public School Enrollment <sup>(5)</sup>	Average Unemployment Rate <sup>(6)</sup>
2005	777,660	\$49,085,123	\$63,119	39.2	58,323	5.4%
2006	786,149	53,902,906	68,566	39.4	57,276	4.6%
2007	799,185	56,306,703	70,455	39.4	56,459	4.1%
2008	808,001	58,199,006	72,028	40.0	55,590	4.6%
2009	815,358	56,037,063	68,727	40.4	56,315	7.4%
2010	805,235	56,665,228	70,371	38.5	56,454	9.7%
2011	812,826	58,619,926	72,119	37.3	56,299	9.2%
2012	825,863	60,059,972	72,724	38.5	56,758	8.1%
2013	837,442 <sup>(7)</sup>	63,777,061 <sup>(8)</sup>	76,157 <sup>(9)</sup>	37.9 <sup>(10)</sup>	57,105	6.5%
2014	849,183 <sup>(7)</sup>	65,289,896 <sup>(8)</sup>	76,886 <sup>(9)</sup>	37.4 <sup>(10)</sup>	57,860	5.2%



Sources:

- (1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data
- (2) US Bureau of Economic Analysis
- (3) US Bureau of Economic Analysis
- (4) US Census Bureau, American Community Survey
- (5) California Department of Education
- (6) California Employment Development Department

Note:

- (7) 2013 is updated from last year's CAFR with newly available data. 2014 population was estimated by multiplying the estimated 2012 population by the 2011 - 2012 population growth rate.
- (8) Personal income was estimated by assuming that its percentage of state personal income in 2013 and 2014 remained at the 2012 level of 3.51 percent. Fiscal year 2013 is updated from last year's CAFR with newly available data.
- (9) Per capita personal income for 2013 and 2014 was estimated by dividing the estimated personal income for 2013 and 2014 by the reported and estimated population in 2013 and 2014, respectively. Fiscal year 2013 is updated from last year's CAFR with newly available data.
- (10) Median age in 2013 and 2014 was estimated by averaging the median age in 2011 and 2012. 2012 is updated from last year's CAFR with newly available data. No new data exists for 2013.

**CITY AND COUNTY OF SAN FRANCISCO**

**Principal Employers**  
Current Year and Nine Years Ago

<b>Employer</b>	<b>Year 2013 <sup>(1)</sup></b>			<b>Year 2004</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.....	25,458	1	4.18%	28,732	1	5.57%
University of California, San Francisco..	20,100	2	3.30%	18,600	2	3.61%
Wells Fargo & Co.....	8,200	3	1.35%	7,275	3	1.41%
San Francisco Unified School District...	8,189	4	1.35%	7,208	4	1.40%
Gap, Inc.....	6,000	5	0.99%	4,084	9	0.79%
California Pacific Medical Center.....	5,934	6	0.98%	5,000	6	0.97%
PG&E Corporation.....	4,394	7	0.72%	4,850	8	0.94%
State of California.....	4,108	8	0.67%	7,048	5	1.37%
San Francisco State University.....	3,707	9	0.61%	-	-	-
Kaiser Permanente.....	3,492	10	0.57%	3,424	10	0.66%
United States Postal Service.....	-	-	-	4,886	7	0.95%
 Total.....	 <u>89,582</u>		 <u>14.72%</u>	 <u>91,107</u>		 <u>17.67%</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 2013 is presented.

**CITY AND COUNTY OF SAN FRANCISCO**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION <sup>(1)</sup>**  
Last Ten Fiscal Years

Function	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Protection</b>										
Fire Department.....	1,752	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464
Police.....	2,616	2,664	2,765	2,870	2,949	2,757	2,681	2,665	2,655	2,727
Sheriff.....	929	944	939	951	1,016	1,048	953	1,010	1,013	984
Other.....	930	958	978	1,019	996	981	969	956	1,021	1,032
Total Public Protection.....	6,227	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207
<b>Public Works, Transportation and Commerce</b>										
Municipal Transportation Agency.....	4,386	4,232	4,374	4,358	4,528	4,358	4,160	4,141	4,388	4,484
Airport Commission.....	1,203	1,248	1,220	1,228	1,248	1,233	1,294	1,377	1,443	1,460
Department of Public Works.....	1,059	1,035	1,040	1,060	1,030	822	791	783	808	825
Public Utilities Commission.....	1,513	1,573	1,596	1,609	1,580	1,549	1,584	1,616	1,620	1,621
Other.....	505	532	538	543	565	490	508	536	583	612
Total Public Works, Transportation and Commerce.....	8,666	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002
<b>Community Health</b>										
Public Health.....	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126
Total Community Health.....	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126
<b>Human Welfare and Neighborhood Development</b>										
Human Services.....	1,697	1,663	1,745	1,812	1,810	1,662	1,685	1,691	1,750	1,855
Other.....	312	306	313	312	309	296	284	269	244	244
Total Human Welfare and Neighborhood Development.....	2,009	1,969	2,058	2,124	2,119	1,958	1,969	1,960	1,994	2,099
<b>Culture and Recreation</b>										
Recreation and Park Commission.....	954	916	922	942	919	898	851	834	841	870
Public Library.....	616	606	631	641	649	649	645	628	640	652
War Memorial.....	96	95	96	96	97	63	63	63	63	57
Other.....	149	200	199	204	203	199	201	199	210	213
Total Culture and Recreation.....	1,815	1,817	1,848	1,883	1,868	1,809	1,760	1,724	1,754	1,792
<b>General Administration and Finance</b>										
Administrative Services.....	383	378	438	505	539	647	616	637	723	716
City Attorney.....	308	321	324	327	318	306	300	299	303	308
Telecommunications and Information Services.....	276	261	270	307	265	252	210	196	199	216
Controller.....	170	179	184	188	198	180	194	201	198	204
Human Resources.....	172	151	156	155	144	138	119	123	124	135
Treasurer/Tax Collector.....	197	199	208	208	212	220	211	208	202	211
Mayor.....	51	48	51	57	55	49	42	37	49	49
Other.....	454	491	520	571	547	554	540	567	561	602
Total General Administration and Finance.....	2,011	2,028	2,151	2,318	2,278	2,346	2,232	2,268	2,359	2,441
General City Responsibility.....	4	3	-	-	-	-	-	-	-	-
Subtotal annually funded positions.....	26,660	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667
Capital project funded positions.....	1,597	1,588	1,628	1,750	1,519	1,928	1,885	1,892	1,486	1,569
Total annually funded positions.....	28,257	28,253	28,788	29,635	29,321	28,649	27,994	28,073	28,387	29,236

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									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Public Protection</b>										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile .....	7:59	8:01	8:04	7:36	7:06	7:10	7:19	7:18	7:30	7:57
Police										
Average time from dispatch to arrival on scene for highest priority calls <sup>(1)</sup> .....	3:07	3:09	3:15	4:08	3:49	3:33	4:07	4:15	4:59	4:20
Number of homicides per 100,000 population <sup>(2)</sup> .....	9.8	12.8	9.6	11.8	8.2	5.3	6.3	7.4	6.2	4.7
Percentage of San Franciscans who report feeling safe or very safe crossing the street <sup>(3)</sup> .....	51%	N/A	48%	N/A	56%	N/A	N/A	N/A	N/A	N/A
<b>Public Works, Transportation, and Commerce</b>										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good.....	49%	N/A	49%	N/A	50%	N/A	52%	N/A	N/A	N/A
Number of blocks of City streets repaved.....	186	267	243	334	310	312	427	346	521	323
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) <sup>(3)</sup> .....	3.13	N/A	2.84	N/A	2.98	N/A	3.55	3.02	3.38	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 <sup>(4)</sup> .....	71.0%	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%
Percentage of scheduled service hours delivered <sup>(5)</sup> .....	95.3%	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%
Airport										
Percent change in air passenger volume.....	5.5%	1.5%	2.8%	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%	5.3%
<b>Human Welfare and Neighborhood Development</b>										
Environment										
Percentage of total solid waste materials diverted in a calendar year.....	67%	67%	69%	70%	72%	77%	78%	80%	N/A	N/A
<b>Culture and Recreation</b>										
Recreation and Parks										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good <sup>(3)</sup> .....	60%	N/A	57%	N/A	65%	N/A	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected.....	N/A	83%	86%	88%	89%	91%	90%	91%	91%	91%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good.....	76%	N/A	75%	N/A	79%	N/A	79%	N/A	85%	N/A
Circulation of materials at San Francisco libraries.....	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums <sup>(6)</sup> .....	696,271	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135

Source: Controller, City and County of San Francisco

Notes:

(1) Measure changed from median time to average time in FY 2008. Values for FY 2004 through FY 2007 reflect median time, FY 2008 through FY 2014 reflects average time.

(2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.

(3) Value for FY 2005 has been restated to be consistent with City Survey data.

(4) Values for FY 2003 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.

(5) Values for FY 2003 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.

(6) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

# CITY AND COUNTY OF SAN FRANCISCO

## CAPITAL ASSET STATISTICS BY FUNCTION

Last Ten Fiscal Years

<b>Function</b>	<b>Fiscal Year</b>									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police protection (1)										
Number of stations.....	10	10	10	10	10	10	10	10	10	10
Number of police officers.....	2,180	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164	2,130
Fire protection (2)										
Number of stations.....	45	48	42	42	42	42	46	46	46	46
Number of firefighters.....	1,675	1,333	1,012	978	809	768	778	718	817	896
Public works										
Miles of street (3).....	1,050	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315	1,299
Number of streetlights (4).....	41,431	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655	44,656
Water (4)										
Number of services.....	169,975	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744	173,970
Average daily consumption (million gallons).....	239.7	236.3	247.1	247.5	236.6	219.9	213.6	212.0	215.1	217
Miles of water mains.....	1,453	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488	1,488
Sewers (4)										
Miles of collecting sewers.....	993	993	993	993	993	993	993	959	986	993
Miles of transport/storage sewers....	15	15	15	17	17	17	17	17	24	17
Recreation and cultures										
Number of parks (5).....	210	220	209	222	222	220	220	220	221	221
Number of libraries (6).....	27	27	28	28	28	28	28	28	28	28
Number of library volumes (million) (6).....	2.4	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5	3.6
Public school education (7)										
Attendance centers.....	119	117	112	112	112	115	115	115	115	116
Number of classrooms.....	3,434	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877	3,135
Number of teachers, full-time equivalent.....	3,171	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129	3,129
Number of students.....	57,144	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970	57,620

**Sources:**

- (1) Police Commission, City and County of San Francisco
- (2) Fire Commission, City and County of San Francisco
- (3) Department of Public Works, City and County of San Francisco
- (4) Public Utilities Commission, City and County of San Francisco
- (5) Parks and Recreation Commission, City and County of San Francisco
- (6) Library Commission, City and County of San Francisco
- (7) San Francisco Unified School District