

CITY AND COUNTY OF SAN FRANCISCO

**BASIC FINANCIAL STATEMENTS
AND SINGLE AUDIT REPORTS**

FOR THE YEAR ENDED JUNE 30, 2022



Certified
Public
Accountants

**CITY AND COUNTY OF SAN FRANCISCO
 BASIC FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
 FOR THE YEAR ENDED JUNE 30, 2022**

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Independent Auditor’s Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport (major fund), San Francisco Water Enterprise (major fund), Hetch Hetchy Water and Power (major fund), Municipal Transportation Agency (major fund), and San Francisco Wastewater Enterprise (major fund), which collectively represent the following percentages of the assets, net position/fund balances, and revenues/additions of the following opinion units.

Opinion Unit	Assets	Net Position/ Fund Balances	Revenues/ Additions
Governmental activities	0.9%	2.6%	1.6%
Business-type activities	91.0%	96.9%	71.0%
Aggregate discretely presented component unit and remaining fund information	0.4%	0.2%	1.1%

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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, effective July 1, 2021, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Other Matter

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended June 30, 2021, from which such partial information was derived.

Report on Partial Comparative Information

We have previously audited the City's 2021 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and remaining fund information in our report dated February 2, 2022. In our opinion, the partial comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the City's proportionate share of the net pension liability/(asset), the schedules of changes in net pension liability and related ratios, the schedules of changes in total pension liability and related ratios, the schedules of employer contributions – pension plans, the schedules of changes in net other postemployment benefits liability and related ratios, the schedules of employer contributions – other postemployment healthcare benefits plans, and the budgetary comparison schedule – General Fund, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 the other auditors have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 16, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Walnut Creek, California

February 16, 2023, except for our report on the schedule of expenditures of federal awards,
as to which the date is March 24, 2023

CITY AND COUNTY OF SAN FRANCISCO

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2022

This section of the City and County of San Francisco's (the City) Single Audit Report presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2020-21 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2021-22 basic financial statements.

FINANCIAL HIGHLIGHTS

The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of the fiscal year by approximately \$12.83 billion (net position). Of this balance, \$10.56 billion represents the City's net investment in capital assets, \$4.18 billion represents restricted net position, and unrestricted net position has a deficit of \$1.91 billion. The City's total net position increased by \$2.17 billion, or 20.3 percent, from the previous fiscal year. Of this amount, total net investment in capital assets, restricted net position and unrestricted net position increased by \$0.8 million or 0.01 percent, \$275.1 million or 7.1 percent and \$1.90 billion or 49.8 percent, respectively.

The City's governmental funds reported total revenues of \$8.54 billion, which is a \$90.7 million or 1.1 percent increase from the prior year. Within this, revenues from property taxes, sales and use tax, hotel room tax, real property transfer tax, and intergovernmental sources grew by approximately \$33.4 million, \$59.8 million, \$136.9 million, \$175.7 million and \$283.7 million, respectively. Governmental funds expenditures totaled \$7.76 billion for this period, a \$483.8 million or 6.7 percent increase, reflecting increases in demand for governmental services of \$411.4 million and increases in debt service of \$97.3 million, offset by a decrease in capital outlay of \$24.9 million.

The City's total short-term debt decreased by \$423.9 million in this fiscal year. The increase of \$11.0 million in the governmental activities was due to the issuance of Commercial Paper (CP) to finance the City's projects for the acquisition and development of affordable rental housing, critical repairs and improvements to City-owned buildings, local stimulus projects as part of the City's recovery from the COVID-19 pandemic and purchase of police vehicles. The short-term debt in the business-type activities decreased by \$434.9 million. The San Francisco General Hospital paid off \$7.9 million of CP and the Airport, Hetch Hetchy Water and Power and the Wastewater Enterprise paid off a total of \$527.4 million CP through the issuance of long-term debt. The Water Enterprise increased its outstanding CP by \$100.4 million to finance its capital projects.

The City's governmental activities long-term debt including lease liabilities increased by \$39.8 million. A total of \$468.4 million in general obligation bonds with bond premium of \$71.0 million were issued to provide funds to improve streets, sidewalks and disabled access, Muni service reliability, ease traffic congestion, reduce vehicle travel time, enhance pedestrian and bicycle safety; facilities that deliver services to persons experiencing mental health challenges, substance abuse disorder and/or homelessness; accessibility, safety and quality of the City's parks, open spaces and recreational facilities; low-and middle-income housing programs; certain fire, earthquake and emergency response. The City also issued \$414.2 million in refunding general obligation bonds with bond premium of \$53.4 million to refinance \$463.5 million of outstanding debt for debt service savings. The increase in debt was offset by \$847.4 million due to refunded bonds and scheduled debt service payments and amortization of bond premium of \$92.1 million. In addition, GASB 87 requires recognizing lease liabilities of \$511.3 million with a net decrease of \$27.7 million due to principal payments made exceeded any new leases that commenced during the year.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

The business-type activities long-term debt including lease liabilities increased by \$1.11 billion. The Airport issued \$732.8 million in revenue refunding bonds with bond premium of \$104.6 million to refund certain outstanding revenue bonds and repay outstanding CP notes. The Hetch Hetchy Power Enterprise issued \$124.0 million in revenue bonds with bond premium of \$27.0 million to refinance a portion of the costs of various capital projects benefiting the Power Enterprise through the refunding and retirement of CP notes. The Wastewater Enterprise issued \$297.9 million in revenue bonds with bond premium of \$75.8 million to refinance the CP notes for Wastewater capital projects and issued revenue notes of \$347.5 million with bond premium of \$3.4 million to fund the enterprise's water pollution control projects. The Water and the Wastewater Enterprises also drew down additional loan of \$210.9 million from the State of California to fund various water and sewer system improvement projects. The increase in debt was partially offset by \$666.1 million in refunded bonds and scheduled debt service payments and \$125.2 million of bond premium and discount amortization. In addition, GASB 87 requires recognizing lease liabilities of \$235.9 million with a net decrease of \$19.4 million due to principal payments made exceeded any new leases that commenced during the year.

The City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases* as of July 1, 2021. Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that were previously not reported. The City restated the July 1, 2021, net position of governmental activities and business-type activities to include amounts not previously reported. The net effect of this change was a \$8.7 million increase in the City's beginning net position. The financial statements as of and for the year ended June 30, 2021, have not been restated for the effects of GASB Statement No. 87.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Organization of City and County of San Francisco Basic Financial Statements

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

The following table summarizes the major features of the financial statements. The overview section below also describes the structure and contents of each of the statements in more detail.

	Government - wide Statements	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or custodial capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

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

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

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

Fund Financial Statements

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Combining Statements and Schedules

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

Condensed Statement of Net Position (in thousands)

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets.....	\$ 11,106,323	\$ 8,994,750	\$ 8,664,608	\$ 6,327,864	\$ 19,770,931	\$ 15,322,614
Capital assets.....	7,587,262	6,831,506	24,258,288	23,408,990	31,845,550	30,240,496
Total assets.....	<u>18,693,585</u>	<u>15,826,256</u>	<u>32,922,896</u>	<u>29,736,854</u>	<u>51,616,481</u>	<u>45,563,110</u>
Deferred outflows of resources:	<u>1,146,971</u>	<u>1,252,731</u>	<u>1,035,907</u>	<u>1,191,964</u>	<u>2,182,878</u>	<u>2,444,695</u>
Liabilities:						
Current liabilities.....	2,794,731	2,609,243	2,839,086	2,918,746	5,633,817	5,527,989
Noncurrent liabilities.....	7,668,025	10,205,405	19,802,906	20,791,711	27,470,931	30,997,116
Total liabilities.....	<u>10,462,756</u>	<u>12,814,648</u>	<u>22,641,992</u>	<u>23,710,457</u>	<u>33,104,748</u>	<u>36,525,105</u>
Deferred inflows of resources:	<u>4,046,781</u>	<u>505,142</u>	<u>3,820,651</u>	<u>322,335</u>	<u>7,867,432</u>	<u>827,477</u>
Net position:						
Net investment in capital assets *.....	4,183,166	3,927,209	6,763,452	7,003,396	10,561,965	10,561,206
Restricted *.....	3,185,319	2,965,770	1,168,057	1,055,138	4,174,837	3,899,691
Unrestricted (deficit) *.....	(2,037,466)	(3,133,782)	(435,349)	(1,162,508)	(1,909,623)	(3,805,674)
Total net position.....	<u>\$ 5,331,019</u>	<u>\$ 3,759,197</u>	<u>\$ 7,496,160</u>	<u>\$ 6,896,026</u>	<u>\$ 12,827,179</u>	<u>\$ 10,655,223</u>

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

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was \$12.83 billion at the end of fiscal year 2021-22, a 20.3 percent increase over the prior year. The City's governmental activities account for \$5.33 billion of this total and \$7.50 billion stem from its business-type activities.

The largest portion of the City's net position is the \$10.56 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a \$0.8 million or 0.01 percent increase over the prior year which consisted of the reclassification of \$384.7 million from governmental activities to business-type activities related to the City's general obligation bonds and certificates of participation that fund various enterprise fund department's projects. With that, an increase of \$256.0 million in the governmental activities and a decrease of \$240.0 million in the business-type activities, highlighted by decreases of \$296.9 million at Airport and \$161.1 million at Wastewater Enterprise offset by increases of \$52.6 million at Hetch Hetchy Water and Power Enterprise and \$151.2 million at SFMTA, respectively. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the \$4.18 billion that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is a deficit of \$1.91 billion, which consists of a \$2.04 billion deficit in governmental activities and \$435.3 million deficit in business-type activities less a \$563.2 million reclassification of long-term governmental activities bonds liabilities that fund the LHH rebuild project, certain park facilities and Embarcadero seawall earthquake safety projects at the Port, improvement projects for reliable emergency water supply for the Water

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Enterprise, and road paving and street safety in SFMTA (see Note 10(d)). The governmental activities and business-type activities deficit is largely due to recording liabilities related to net other postemployment benefits (see Note 9), and the business-type activities deficit also includes structural operating losses from SFGH and LHH subsidized by the General Fund.

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

	Governmental activities		Business-type activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues:						
Charges for services.....	\$ 785,299	\$ 731,562	\$ 3,848,186	\$ 3,187,872	\$ 4,633,485	\$ 3,919,434
Operating grants and contributions.....	2,185,343	1,925,539	545,636	710,059	2,730,979	2,635,598
Capital grants and contributions.....	105,459	130,937	185,816	231,890	291,275	362,827
General revenues:						
Property taxes.....	3,004,800	2,972,067	-	-	3,004,800	2,972,067
Business taxes.....	1,326,675	1,894,604	-	-	1,326,675	1,894,604
Sales and use tax.....	293,155	233,393	-	-	293,155	233,393
Hotel room tax.....	174,609	37,698	-	-	174,609	37,698
Utility users tax.....	105,225	81,367	-	-	105,225	81,367
Other local taxes.....	676,304	453,852	-	-	676,304	453,852
Interest and investment income (loss).....	(160,687)	10,688	(108,628)	(3,066)	(269,315)	7,622
Other.....	80,295	67,838	327,454	440,508	407,749	508,346
Total revenues.....	<u>8,576,477</u>	<u>8,539,545</u>	<u>4,798,464</u>	<u>4,567,263</u>	<u>13,374,941</u>	<u>13,106,808</u>
Expenses						
Public protection.....	1,252,725	1,744,103	-	-	1,252,725	1,744,103
Public works, transportation and commerce.....	336,059	530,087	-	-	336,059	530,087
Human welfare and neighborhood development.....	2,332,530	2,384,993	-	-	2,332,530	2,384,993
Community health.....	1,151,847	1,241,282	-	-	1,151,847	1,241,282
Culture and recreation.....	398,314	467,251	-	-	398,314	467,251
General administration and finance.....	335,772	475,428	-	-	335,772	475,428
Distributions to other governments.....	47,296	-	-	-	47,296	-
General City responsibilities.....	129,138	100,077	-	-	129,138	100,077
Unallocated Interest on long-term debt.....	155,467	144,334	-	-	155,467	144,334
Airport.....	-	-	1,175,430	1,294,064	1,175,430	1,294,064
Transportation.....	-	-	1,076,249	1,327,418	1,076,249	1,327,418
Port.....	-	-	110,108	142,126	110,108	142,126
Water.....	-	-	606,409	627,875	606,409	627,875
Power.....	-	-	477,202	411,605	477,202	411,605
Hospitals.....	-	-	1,300,196	1,376,112	1,300,196	1,376,112
Sewer.....	-	-	326,952	318,976	326,952	318,976
Total expenses.....	<u>6,139,148</u>	<u>7,087,555</u>	<u>5,072,546</u>	<u>5,498,176</u>	<u>11,211,694</u>	<u>12,585,731</u>
Increase/(decrease) in net position						
before transfers.....	2,437,329	1,451,990	(274,082)	(930,913)	2,163,247	521,077
Transfers.....	(866,631)	(861,966)	866,631	861,966	-	-
Change in net position.....	<u>1,570,698</u>	<u>590,024</u>	<u>592,549</u>	<u>(68,947)</u>	<u>2,163,247</u>	<u>521,077</u>
Net position at beginning of year, as previously reported.....	3,759,197	3,169,173	6,896,026	6,964,973	10,655,223	10,134,146
Cumulative effect of accounting change.....	1,124	-	7,585	-	8,709	-
Net position at beginning of year, as restated.....	<u>3,760,321</u>	<u>3,169,173</u>	<u>6,903,611</u>	<u>6,964,973</u>	<u>10,663,932</u>	<u>10,134,146</u>
Net position at end of year.....	<u>\$ 5,331,019</u>	<u>\$ 3,759,197</u>	<u>\$ 7,496,160</u>	<u>\$ 6,896,026</u>	<u>\$ 12,827,179</u>	<u>\$ 10,655,223</u>

Analysis of Changes in Net Position

The City's change in net position was \$2.16 billion in fiscal year 2021-22, a 315.1 percent increase from the prior fiscal year after the cumulative effect of \$8.7 million for the adoption of GASB Statement No. 87 effective July 1, 2021, as noted above. The increase in net position was due to increases of \$1.57 billion and \$592.5 million from governmental activities and business-type activities, respectively.

The City's governmental activities experienced a \$36.9 million or 0.4 percent growth in total revenues with a decrease in total expenses of \$948.4 million or 13.4 percent this fiscal year. Business-type activities revenues increased by \$231.2 million or 5.1 percent, and total expenses decreased by \$425.6 million, or

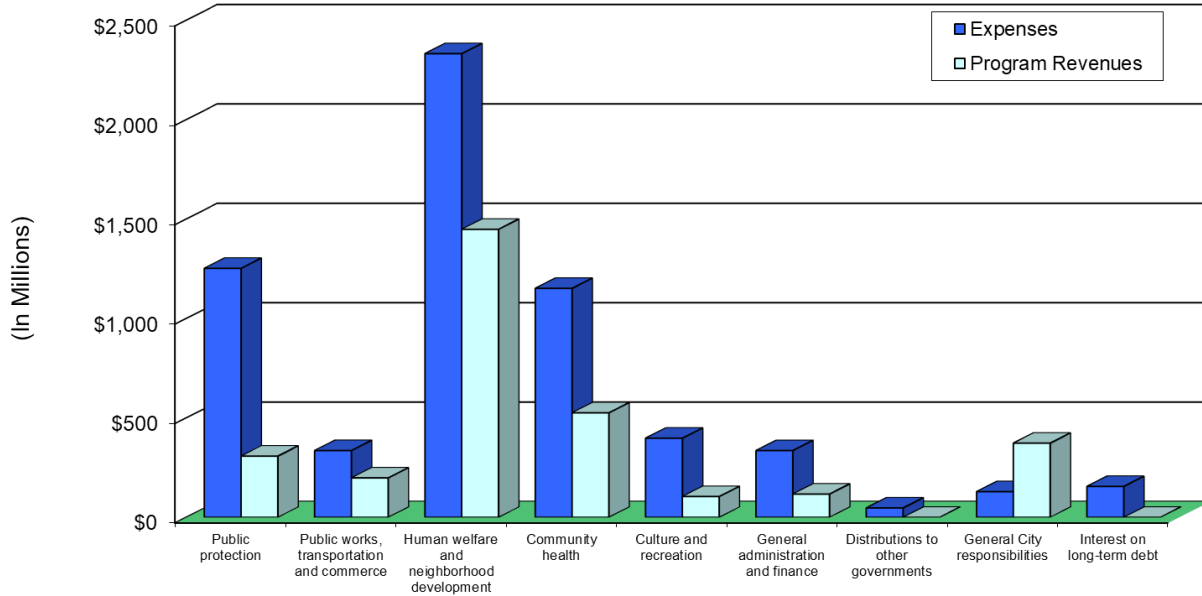
CITY AND COUNTY OF SAN FRANCISCO

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

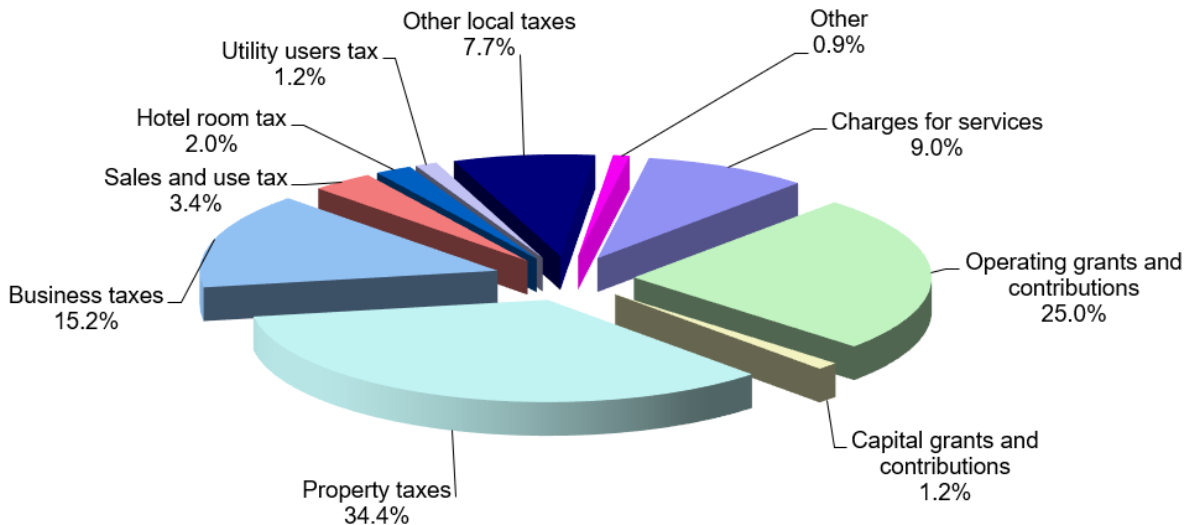
Year Ended June 30, 2022

7.7 percent. The net transfer to business-type activities increased by \$4.7 million. The major components of increased revenue Citywide are increased charges for services of \$714.1 million, hotel room tax of \$136.9 million and other local taxes of \$222.5 million, offset by decrease of capital grants and contribution of \$71.6 million, business taxes of \$567.9 million and interest and investment income of \$276.9 million. Discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues* By Source - Governmental Activities



*Excluding interest and investment loss

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Governmental Activities. Governmental activities increased the City's total net position by \$1.57 billion. Key factors contributing to the changes are discussed below.

Overall, total revenues from governmental activities were \$8.58 billion, a \$36.9 million or 0.4 percent improvement over the prior year. For the same period, expenses totaled \$6.14 billion, a \$948.4 million or 13.4 percent decrease before transfers of \$866.6 million.

Property tax revenues rose by \$32.7 million or 1.1 percent. Business tax revenues, however, fell by \$567.9 million or 30.0 percent primarily because fiscal year 2021 amounts represented over two-year's collections of the Commercial Rent tax and Homelessness Gross Receipts tax, which were recognized when the City prevailed in litigation that challenged the validity of these tax measures following their passage in 2018. Revenue from the two taxes recognized in fiscal year 2021 totaled to \$1.15 billion compared to \$463.7 million in 2022. The decrease was partly offset by a net increase of \$111.2 million from other business taxes fueled by improved business activities, though the underlying economic conditions were still weak.

Other local taxes surged by \$222.5 million, or 49.0 percent, of which the real property transfer tax accounted for \$175.7 million. This revenue is one of the most volatile of all sources and is highly sensitive to economic cycles and interest rates. The spike in fiscal 2022 is partially explained by the implementation of November 2020 Proposition I, which doubled tax rates for transfers of property greater than \$10 million, from 2.75 percent to 5.5 percent in Tier 5 (\$10 million to \$25 million) and from 3 percent to 6 percent in Tier 6 (greater than \$25 million) in January 2021. Because of its highly progressive structure, this source is entirely driven by high-value transfers, primarily commercial properties in the City's downtown core. In addition, fiscal year 2022 included two once-in-a-generation transfers, which together yielded approximately \$88.0 million. Adjusting out both the rate change and these two historic transfers, real property transfer tax revenue would have been at the same levels as fiscal year 2021. As pandemic restrictions eased and economic activity increased, parking tax improved by \$23.6 million, traffic congestion mitigation tax by \$6.8 million and other local taxes made up the remaining growth.

Sales and use tax revenue was up \$59.8 million or 25.6 percent as business rebounded, primarily in fuel and service stations, restaurants and hotels, business and industry, and general consumer goods, a result of leisure tourism recovery and increased daily population from conferences, events, and office workers. There was also stronger online sales and activity in local department stores, as well as larger investments of capital into energy, medical, biotech and electric projects. Inflation boosted revenues through higher prices caused by food, energy, and labor cost increases.

Hotel room tax grew by \$136.9 million owing to a strong rebound in domestic tourism from near total closure during the height of the pandemic in the prior year and the return of some conferences and conventions. Year-to-date enplanements at San Francisco International Airport improved by 151.2 percent over fiscal year 2021 but were still 39.2 percent below fiscal year 2019. Revenue per Available Room (RevPAR), a measurement of hotel tax revenue growth, is a function of occupancy and average daily room rates (ADR). The annual average RevPAR increased from \$42.03 in fiscal year 2021 to \$108.77 in fiscal year 2022, an improvement of \$66.74, or 158.8 percent. Annual average occupancy levels also lifted from 33.3 percent to 53.8 percent, or 20.5 percent over the prior year.

Interest and investment income has declined by \$171.4 million over the past year, principally because of the significant gap of \$208.7 million between unrealized gains at the end of fiscal year 2021 and unrealized losses at the end of fiscal year 2022 in the City Treasury investments pool. The variance is due to the drastic change in the yield curve as the Federal Reserve aggressively increased interest rates to stem surging inflation. The Federal Funds rate target increased from 0%-0.25% at the end of fiscal year 2021 to 1.75 percent as of end of fiscal year 2022. The City's pooled investments with maturities over 12 months also increased from 28.2 percent to 50.9 percent over the prior year. This fiscal year end investment valuation loss was slightly offset by an uptick of \$37.1 million in actual interest earnings during the year.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Total grants and contributions increased by \$234.3 million or 11.4 percent. Operating grants and contributions grew by \$259.8 million or 13.5 percent primarily due to a net increase in federal funding of \$145.6 million to support the City's COVID-19 responses, including food, shelters and community-based organization services, and a \$103.2 million increase in State funding for various welfare, aid and assistance, and temporary shelter services. These raises were partly offset by a decline in capital grants and contribution of \$25.5 million or 19.5 percent mainly due to contributions of real property received by the Mayor's Office of Housing for affordable housing projects in fiscal year 2021 versus none in 2022.

Total charges for services increased \$53.7 million or 7.3 percent owing to rebounded business activity from the economy reopening. Increases including rental and service charges from conventions, performances, stadiums, recreational facilities, and garages, as well as permits, fines, forfeitures and penalties, inspections and other charges this fiscal year compared to prior year.

Net transfers from governmental activities to business-type activities were \$866.6 million, a \$4.7 million or 0.5 percent increase from the prior year. Major changes included \$74.6 million more in General Fund baseline transfers to SFMTA and \$18.2 million more General Fund support to Laguna Honda. This was offset by a \$76.8 million reduction in General Fund transfers to General Hospital due to one-time support for COVID-19 related expenditures made in fiscal year 2021. In addition, the transfer from the San Francisco International Airport to the General Fund increased by \$23.2 million mainly driven by higher concession, parking, and transportation revenues driven by the rise in air travel.

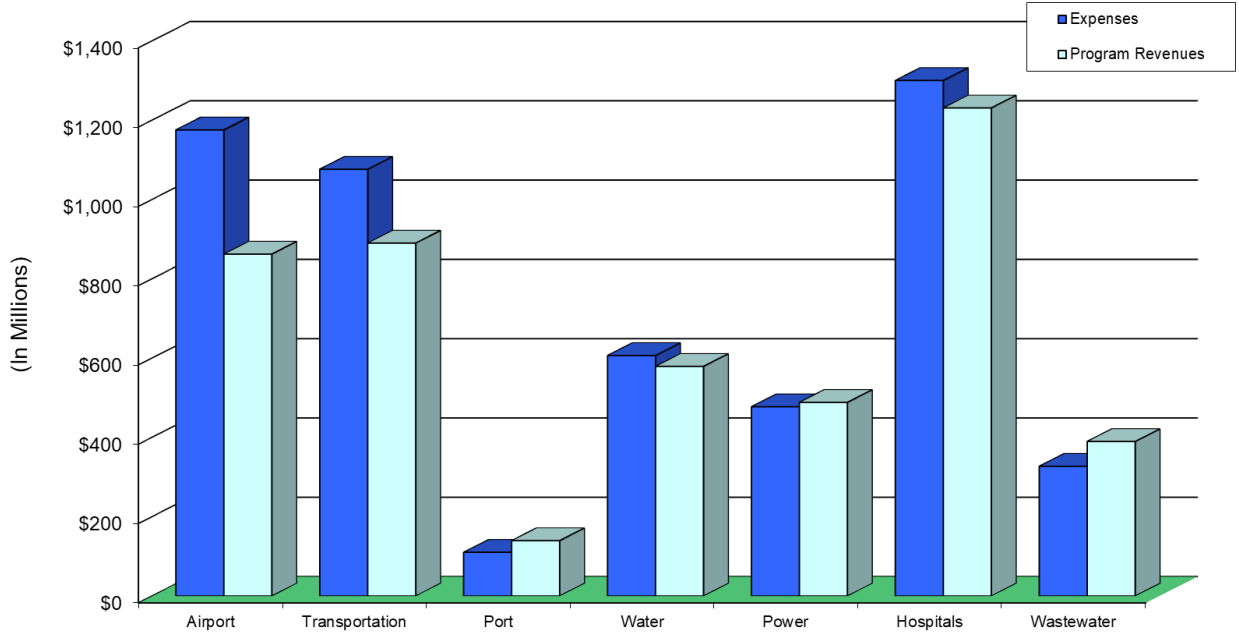
Total governmental expenses declined by \$948.4 million, or 13.4 percent, primarily attributed to the significant reduction of pension liability expenses of \$1,107.9 million resulting from investment gains and changes in economic assumptions. Other postemployment benefit (OPEB) expenses also went down by \$150.3 million primarily due to investment earnings, contributions and experience gains greater than service cost, interest cost, and administrative expenses. Departments in public protection functions had combined decreases in pension and OPEB expenses of \$523.3 million, followed by general administration and finance of \$211.2 million, and human welfare and neighborhood development of \$175.3 million. These declines were partly offset by growth of \$136.9 million in City grants and community organization services, mostly managed by the Department of Homelessness and Supportive Housing, Children, Youth and Families, and Mayor's Office; \$106.8 million in judgment claims and fees, and \$96.3 million in depreciation.

CITY AND COUNTY OF SAN FRANCISCO

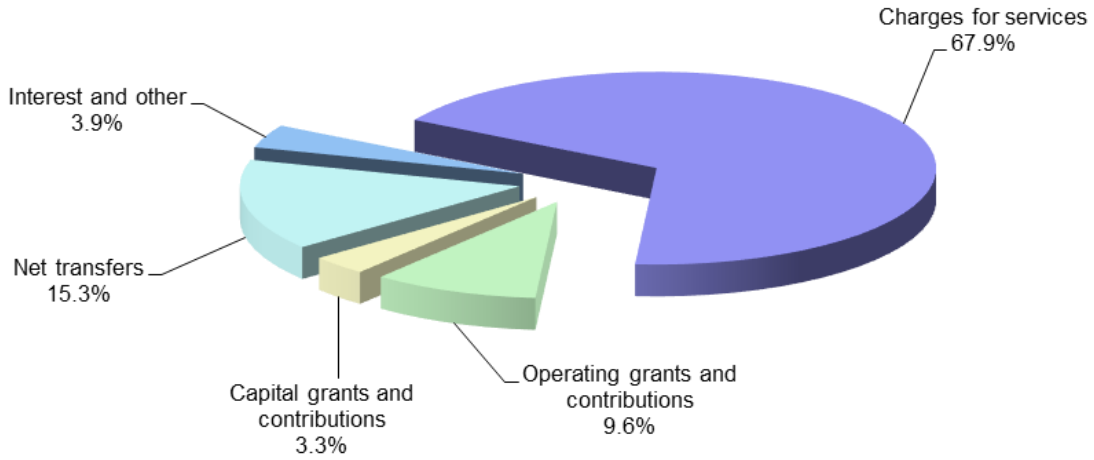
Management's Discussion and Analysis (Unaudited) (Continued)

Year Ended June 30, 2022

Expenses and Program Revenues - Business-Type Activities



Revenues and Transfers By Source - Business-type Activities



CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Business-type activities increased the City's net position by \$592.5 million and key factors contributing to this increase are as follows:

- The San Francisco International Airport had a decrease in net position at fiscal year end of \$165.4 million, compared to a \$402.1 million decrease in the prior year, a \$236.7 million difference. Operating revenues totaled \$821.3 million for fiscal year 2021-22, an increase of \$305.8 million or 59.3 percent over the prior year and included an increase of \$131.6 million in aviation primarily due to passenger traffic beginning to rebound, \$73.4 million in rents and concessions, \$87.4 million in parking and transportation, and \$13.4 million in other revenues due to increased passenger traffic. For the same period, the Airport's operating expenses decreased by \$104.6 million, or 11.4 percent, for a net operating income of \$11.4 million for the period. Net nonoperating activities saw a deficit of \$180.0 million versus \$53.1 million deficit in the prior year, a \$126.9 million increase. The decrease of \$104.6 million in operating expenses is primarily due to a decrease in personal services of \$146.6 million due to a drop in pension expenses as a result of investment gains, offset by increases in depreciation and amortization of \$25.5 million due to the addition of capital assets, and \$10.6 million due to higher hotel operating expenses from significant rise in labor costs and hotel supplies. The increase of \$126.9 million in nonoperating activities is due to a decrease in other nonoperating revenues of \$122.7 million primarily due to the CARES Act grant award being fully expended in fiscal year 2020-21, decrease of interest and investment income of \$61.6 million primarily due to lower interest rates and investment fair value adjustments, and increase in interest expense of \$50.8 million primarily due the adoption of GASB Statement No. 89 that no longer allows construction period interest capitalization, offset by passenger facility charges of \$43.3 million primarily due to increase in passenger traffic from easing of COVID-19 restrictions, write-offs and loss on disposal of \$30.3 million primarily due to the sale of equipment, and other nonoperating expenses of \$34.6 million due to fewer capital improvement projects that did not meet the capitalization requirement. Capital contributions decreased by \$23.7 million primarily due to the decrease in the Airport Improvement Program grant funded expenditures and Checked Baggage Inspection System expenditures attributed to the completion of Terminal 1 and International Terminal project prior to June 2021. Transfers out increased by \$23.2 million due to higher service payments to the City resulting from higher revenues.
- The City's Water Enterprise, the third largest such entity in California, reported a decrease in net position of \$17.9 million at the end of fiscal year 2021-22, compared to an increase of \$8.5 million at the end of the previous year, a \$26.4 million difference. Operating revenues totaled \$573.1 million, operating expenses totaled \$401.8 million, nonoperating activities totaled a net expense of \$173.6 million and the net decrease from transfers was \$15.6 million. Compared to the prior year, operating revenues decreased \$8.5 million which was mainly due to a 4.1 percent decrease in consumption by retail customers. The enterprise reported a total decrease in operating expenses of \$47.1 million in fiscal year 2021-22 mostly due to decrease of \$49.1 million in personnel services mainly due to a reduction in pension expense offset by increase of \$3.1 million in services provided by other departments mainly for higher water assessment fees paid to Hetch Hetchy Water and higher gas and electric charges paid to Hetch Hetchy Power. Net nonoperating activity increased by \$40.8 million of net expense primarily due to increased interest expense of \$29.0 million due to reduced bond interest capitalization resulting from the implementation of GASB Statement No. 89, in fiscal year 2022, and decrease of \$15.0 million in State revolving fund grants recognized in the prior year.
- Hetch Hetchy Water and Power and CleanPowerSF ended fiscal year 2021-22 with a net position increase of \$43.5 million, compared to a \$16.4 million increase the prior year, a difference of \$27.1 million. This change consisted of an increase in operating income of \$27.4 million, a decrease in net nonoperating activities of \$14.3 million, and an increase in net transfers from the City of \$14.0 million. This enterprise consists of three segments: Hetchy Water upcountry operations and water system, which reported a \$24.5 million increase in change in net position, Hetchy Power (also known as the Power Enterprise), which reported a \$21.7 million increase in change in net position, and CleanPowerSF, which reported a \$2.7 million decrease in net position. Hetchy Water operating revenues increased by \$2.2 million mainly due to an increase in water assessment fees from the Water Enterprise and higher consumption from Lawrence Livermore National laboratory, while operating

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

Year Ended June 30, 2022

expenses increased by \$1.8 million mainly due to higher capital spending, offset by lower pension obligations based on actuarial reports. Hetchy Power's operating revenues increased by \$36.9 million mostly due to increased billings to City departments as a result of increased operations from easing of COVID-19 restrictions. On the operating expenses side, Hetchy Power reported an increase of \$10.7 million mainly attributed to increases in purchased electricity and transmission, distribution and other power costs due to volatile and increased pricing in power market. CleanPowerSF's operating revenues increased by \$50.2 million mostly due to increases in electricity sales to retail and commercial customers resulting from a 16 percent average rate increase. Operating expenses for CleanPowerSF increased by \$49.4 million mainly due to increases in purchased electricity and transmission, distribution, and other power costs due to volatile and increased pricing in power market, and higher resource adequacy capacity purchases related to compliance requirements from the California Public Utilities Commission.

- The City's Wastewater Enterprise's net position increased by \$60.1 million, compared to a \$9.6 million increase in the prior year, a \$50.5 million change. Operating revenues increased by \$41.2 million primarily due to an average 8 percent adopted rate increase. Operating expenses decreased by \$35.0 million mainly due to decreases in personnel services related to lower pension expense, and general and administrative and other operating expenses from lower capital project expenses particularly for the Biosolids/digester Project and Southeast Community Center Project. Net nonoperating activities increased by \$28.4 million due principally to \$43.0 million increase in interest expenses from outstanding bond principal balance and the implementation of GASB Statement No. 89, which eliminated the capitalization of interest to capital assets in fiscal year 2021-22, offset by \$9.3 million utility arrearage relief payment received from the State as Federal pass-through from the California Water and Wastewater Arrearages Payment Program and \$8.0 million State Revolving Fund loan principal forgiveness component of the Southeast Plant Biosolids Digester Facilities Project and the Oceanside Plant Digester Gas Handling Utilization Upgrade Project.
- The Port ended fiscal year 2021-22 with a net position increase of \$36.4 million, \$63.8 million more than the \$27.4 million decrease in the previous year. In fiscal year 2021-22, operating revenues increased by \$26.6 million primarily due to the economic recovery resulting in increased commercial and industrial, parking, and cruise activity. Parking revenues increased by \$10.6 million from rents, meter collections and fines due to increased activity along the waterfront, and a parking lot added at Crane Cove Park. Commercial and industrial rent increased by \$10.2 million attributable to income sharing related to the master lease at Historic Pier 70 beginning in 2022 and an increase in percentage rent revenues due to restaurant sales recovery. Cruise revenues increased by \$5.0 million due to the return of cruise activities. Operating expenses decreased \$33.0 million over the prior year. This was primarily due to decreases of \$20.5 million in personal services from decreased pension expense, \$8.1 million mostly due to changes in pollution remediation expense estimates, and \$5.4 million of decreased spending on contractual services primarily due to a decrease in spending from the Waterfront Resilience Program and Mission Bay Ferry Landing project.
- The SFMTA had an increase in net position of \$527.8 million for fiscal year 2021-22, compared to an increase of \$306.0 million in the prior year, a \$221.8 million change. SFMTA's total operating revenues were \$315.5 million, while total operating expenses reached \$1.06 billion. Operating revenues increased by \$108.2 million compared to the prior year and is mainly due to increases in fare collections of \$43.3 million, parking of \$46.3 million, as well as \$11.3 million in other charges for services. Operating expenses decreased by \$256.9 million, primarily due to decreases in personal services by \$265.2 million due to lower pension expense offset by a \$20.1 million increase in depreciation and amortization. Net nonoperating activities decreased by \$205.9 million, mainly from a \$199.5 million decrease in federal grants. Capital contributions decreased by \$20.4 million. Transfers in increased by \$83.0 million.
- LHH, the City's skilled nursing care hospital, had an increase in net position of \$61.4 million at the end of fiscal year 2021-22, compared to an increase of \$13.2 million at the end of the previous year, a \$48.2 million difference. The LHH's loss before transfers for the year was \$26.3 million versus a loss of \$52.2

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

million for the prior year. This change of \$25.9 million was mostly due to a \$5.8 million decrease in operating revenues, a \$50.0 million decrease in operating expenses, and a \$18.3 million decrease in net nonoperating activities. Net transfers increased by approximately \$22.3 million, due to a \$22.5 million increase in transfers in and a \$0.2 million increase in transfers out.

- SFGH, the City's acute care hospital, ended fiscal year 2021-22 with a net position increase of \$46.8 million, compared to an increase of \$6.7 million the prior year, a \$40.1 million change. Operating revenues increased \$103.4 million from prior year, mainly due to a \$98.2 million increase in net patient service revenue. Operating expenses decreased approximately \$36.8 million, mainly due to a \$79.7 million decrease in personal services, offset by a \$17.9 million increase in materials and supplies, \$9.9 million increase in contractual services and \$9.3 million increase in services provided by other departments. Net nonoperating activities decreased \$26.4 million, mainly due to a decrease in federal operating grants. Net transfers decreased by approximately \$73.8 million, due to a \$75.6 million decrease in transfers in and a \$1.8 million decrease in transfers out.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of fiscal year 2021-22, the City's governmental funds reported combined fund balances of \$6.78 billion, an increase of \$502.5 million or 8.0 percent over the prior year. Of the total fund balances, \$2.27 billion is assigned and \$452.0 million is unassigned. Just over 40 percent of combined fund balances, or \$2.72 billion, are either assigned or unassigned, meaning the City could potentially take administrative or legislative action to change prior appropriation decisions to make balances available. Within these fund balance classifications, the General Fund had an assigned fund balance of \$2.01 billion. The remainder of the governmental fund balances includes \$4.3 million of nonspendable balances for items that are not expected to be converted to cash, such as advances and long-term loans, \$3.73 billion restricted for programs at various levels, and \$320.6 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled \$2.47 billion while total fund balance was \$2.91 billion. Combined assigned and unassigned fund balances represent 49.3 percent of total expenditures, while total fund balance represents 58.0 percent of total expenditures. For the year, General Fund's total revenues exceeded expenditures by \$1.32 billion, before transfers and other items of \$1.08 billion, resulting in total fund balance increasing by \$235.0 million. Overall, state grants grew by \$103.9 million, primarily for social services and welfare programs, and federal grants increased by \$90.7 million, mainly in the form of FEMA reimbursement of pandemic emergency response costs. Real property transfer tax spiked \$175.7 million or 51.0 percent due to two once-in-a-generation high value property transfers the implementation of a November 2020 measure that doubled tax rates for sales above \$10 million. Business taxes hiked by \$138.5 million as economic activity resumed, tax rate increases in Proposition F went into effect, and litigation was resolved. With the easing of travel restrictions and wide availability of vaccines and therapeutics, hotel room tax also rebounded by \$125.0 million from the pandemic low in the prior year. Growth in these revenues was partly offset by a sharp decrease in interest

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

and investment income of \$91.8 million due to the unrealized loss valuation of City’s investment pool at fiscal year-end. In addition, net transfers were \$301.9 million less, largely because of a \$306.9 million transfer made in fiscal year 2020-21 to return funds previously advanced by the General Fund to support startup operations in two new Special Revenue Funds pending outcome of litigation, which ended with the City prevailing in the California Supreme Court. The net result of revenues over expenditures and transfers was an increase in fund balance this fiscal year.

Proprietary Funds

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

At the end of fiscal year 2021-22, the unrestricted net position for the proprietary funds was as follows: Airport: \$110.3 million, Water Enterprise: \$81.1 million, Hetch Hetchy Water and Power: \$274.4 million, Wastewater Enterprise: \$149.9 million, and Port: \$143.6 million. In addition, the following funds had net deficits in unrestricted net position: SFMTA: \$379.0 million, San Francisco General Hospital: \$587.4 million, and Laguna Honda Hospital: \$228.2 million.

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City’s proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately \$592.5 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.

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income (Loss)</u>	<u>Non-Operating Revenues (Expense)</u>	<u>Capital Contributions</u>	<u>Interfund Transfers, Net</u>	<u>Change In Net Position</u>
Airport.....	\$ 821,253	\$ 809,830	\$ 11,423	\$ (179,954)	\$ 40,998	\$ (37,907)	\$ (165,440)
Water.....	573,117	401,786	171,331	(173,648)	-	(15,629)	(17,946)
Hetch Hetchy.....	480,447	470,768	9,679	4,332	-	29,469	43,480
Municipal Transportation Agency....	315,543	1,060,176	(744,633)	403,925	140,566	727,972	527,830
General Hospital.....	951,350	1,041,234	(89,884)	61,409	-	75,255	46,780
Wastewater Enterprise.....	368,882	257,171	111,711	(51,436)	-	(161)	60,114
Port.....	120,951	105,218	15,733	16,407	4,252	(32)	36,360
Laguna Honda Hospital.....	216,643	245,052	(28,409)	2,116	-	87,664	61,371
Total.....	<u>\$ 3,848,186</u>	<u>\$ 4,391,235</u>	<u>\$ (543,049)</u>	<u>\$ 83,151</u>	<u>\$ 185,816</u>	<u>\$ 866,631</u>	<u>\$ 592,549</u>

General Fund Budgetary Highlights

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

During the year, actual revenues and other resources were higher than the final budget by \$520.2 million. The City realized \$221.6 million, \$170.2 million, \$127.8 million, \$79.7 million, \$42.6 million, \$27.6 million and \$15.2 million revenues above budget in property tax, real property transfer tax, State subventions, hotel room tax, sales and use tax, utility users tax and parking tax. Property tax was higher primarily because the budget initially assumed \$24.3 billion, or approximately 8 percent, in reductions to taxable assessed values, given the unprecedented uncertainty about the extent of COVID-19 public health emergency shutdown effects on the valuations of apartment buildings, offices, hotels, and retail properties. The Assessor’s Office later determined it did not have adequate data on sales activity or operating income to make proactive reductions for commercial properties and decided to let appeals work their way through the appeals process. As the Assessment Appeals Board (AAB) filing period ended in September 2021, the City adjusted the assumption of assessed value at risk of reduction down to \$11.0 billion. The Assessor reduced initial 2021 values by approximately \$2.0 billion during the year, and the other \$9.0 billion considered at risk was shifted to an AAB reserve account for paying property tax refunds or recognition as revenue in a future

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

fiscal year. Actual current year secured property tax revenues were \$153.3 million above budget. There was also \$120.9 million more excess Educational Revenue Augmentation Fund monies returned to the City as educational entities needed less of the ERAF funds shifted away from the City's property tax allocations to meet their state funding. Real property transfer tax was above budget mainly because of two historic transfers made in fiscal year 2021-22 and the progressive rate structure. As the economy continued to reopen and with easing of pandemic restrictions, actual revenues, including state grant and subventions, and most local taxes, outperformed budget due to a stronger and quicker recovery than projected. Higher prices from inflation also drove some tax revenues to be greater than projected.

These favorable budget variances were partly offset by lower than budgeted revenues of \$96.1 million, \$25.8 million, \$19.0 million, \$14.3 million, and \$ 5.3 million in business tax, federal grants and subventions, charges for services, other resources, and transfers from other funds, respectively. Business taxes were less than anticipated in part because of the unexpected Delta and Omicron waves that interrupted the trend of recovery and continued high rates of remote work. The shortfall in federal public assistance administration and programs was largely due to lower demand for employment services and support, a smaller pool of eligible clients, declining caseloads, and lower costs per case. Similar to business taxes, the rebound in charges for services and other resources was slower than budgeted.

Differences between the final budget and actual (budgetary basis) expenditures resulted in \$194.6 million in expenditure savings. Highlights of the variances include:

- \$67.9 million savings for human welfare and neighborhood development largely due to expenditures below budget for community-based organization services, aid assistance and payments, and salaries and fringe benefits primarily in the Human Service Agency, Homelessness and Supporting Housing, Mayor's Office and Children, Youth and Their Families.
- \$31.5 million savings for general administration and finance, including \$24.9 million in salaries and fringe benefits and \$17.1 million in non-personnel services, partly offset by reduced recoveries from other City departments. Elections had \$8.5 million of spending below budget in election and printing services, and was followed by savings at City Attorney, Planning, General Services Agency, and Treasurer/ Tax Collector with \$5.5 million, \$4.2 million, \$4.2 million, and \$2.6 million, respectively.
- \$14.5 million savings for community health, primarily in non-personnel services and rental payments.
- \$14.1 million savings for public protection for non-personnel services, and salaries and fringe benefits.
- \$45.6 million budgetary reserve and designation for self-insurance funds.
- Remaining savings for public works, transportation and commerce, culture and recreation, and general City responsibilities are largely due to lower than budgeted salary, fringe benefits and overhead, capital outlay and services provided by other departments.

These changes in operating revenues and expenditures, as well as appropriations of reserves, resulted in a net available budgetary fund balance of \$1.02 billion at the end of fiscal year 2021-22. Within unassigned fund balances, the City's fiscal year 2022-23 and 2023-24 Adopted Original Budget assumed \$149.7 million as a source in fiscal year 2023-24 and \$576.6 million in fund balance designated for various purposes, leaving \$39.8 million available for future appropriations (see also Note to the Required Supplementary Information for additional budgetary fund balance details). The Adopted Budget spent \$177.8 million of fund balance, including the entirety of the \$54.8 million Budget Stabilization One Time Reserve, the remaining \$14.0 million balance of the COVID Response and Economic Contingency Reserve, \$99.5 million of the Fiscal Cliff Reserve, and \$9.5 million of all other reserves.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Capital Assets

The City’s capital assets for its governmental and business-type activities as of June 30, 2022, increased by \$1.61 billion, 5.3 percent, to \$31.85 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 \$755.8 million or 47.1 percent to this total while \$849.3 million or 52.9 percent was from business-type activities. Details are shown in the table below (in thousands).

	Governmental Activities		Business-type Activities		Total	
	2022	2021*	2022	2021*	2022	2021*
	Land.....	\$ 774,213	\$ 735,247	\$ 353,558	\$ 340,536	\$ 1,127,771
Construction in progress.....	586,526	723,561	5,821,916	5,756,173	6,408,442	6,479,734
Facilities and improvements....	4,400,210	4,111,281	14,582,595	14,083,637	18,982,805	18,194,918
Machinery and equipment.....	146,321	156,751	1,949,387	2,134,710	2,095,708	2,291,461
Infrastructure.....	1,079,859	1,000,149	1,275,202	1,044,074	2,355,061	2,044,223
Right-to-use assets*.....	502,781	-	228,503	-	731,284	-
Intangible assets.....	97,352	104,517	47,127	49,860	144,479	154,377
Total.....	<u>\$ 7,587,262</u>	<u>\$ 6,831,506</u>	<u>\$ 24,258,288</u>	<u>\$ 23,408,990</u>	<u>\$ 31,845,550</u>	<u>\$ 30,240,496</u>

* See Note 17 to the basic financial statements. FY2021 balances were not restated for GASB Statement No. 87.

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

- Under governmental activities, net capital assets increased by \$755.8 million or 11.1 percent. About \$319.5 million worth of construction in progress work was substantially completed and capitalized as facilities and improvements and infrastructure. Of the completed projects, about \$144.8 million in the Traffic Company and Forensic Services Division Building, \$52.7 million for Fireboat Station 35 at Pier 22 1/2, \$14.9 million in the Maxine Hall Health Center Renovation, \$11.2 million for Jefferson Streetscape Improvement, \$8.2 million in the Earthquake Safety and Emergency Response, and \$6.1 million for the 333 Valencia Tenant Improvement. The remaining completed projects are mainly public works. Right-to-use assets increased by \$502.8 million due to implementation of GASB Statement No. 87.
- Under business-type activities, net capital assets included implementation of GASB Statement No. 87 which led to the recording of right-to-use assets of \$228.5 million. Additional business-type activities are discussed below.
- The Water Enterprise’s net capital assets increased by \$29.8 million or 0.5 percent, reflecting an increase in construction and capital improvement activities. Major additions to construction work in progress included Recycled Water project, Sunol Long Term Improvements and New Water Utility Service Facilities projects. Facilities, improvements, machinery, and equipment increased by \$108.6 million mainly due to Water Main Replacement and Treasure Island Well projects. As of June 30, 2022, Water Enterprise’s Water System Improvement Program was 99.0 percent completed with \$4.8 billion of project appropriations expended. The program consists of 35 local projects located within San Francisco and 52 regional projects spread over seven different counties from the Sierra Foothills to San Francisco. As of June 30, 2022, 35 local projects were completed. For regional projects, 47 projects are completed and for the remaining 5 projects the expected completion date is February 2027.
- SFMTA’s net capital assets increased by \$149.5 million or 2.7 percent mainly from Central Subway Project, Muni Forward Program, and other infrastructure construction in progress projects. Equipment cost included facility upgrades, light rail, motor bus and paratransit vehicles procurement. Infrastructure incurred during the fiscal year primarily for street improvements, rail replacement, facility upgrades, and traffic sign installation.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

- The Wastewater Enterprise net capital assets reported an increase of \$439.5 million or 12.2 percent reflecting an increase in construction and capital improvement activities. The Sewer System Improvement Program (SSIP) includes three phases over 20 years to improve the existing wastewater system. As of June 30, 2022, 38 projects were completed, 7 projects in preconstruction phase, 12 projects in construction phase, and 13 projects in close-out phase. The Southeast Water Pollution Control Plant New Headworks Facility is on-going construction.
- Hetch Hetchy's net capital assets increased by \$117.1 million or 17.5 percent to \$787.0 million primarily from construction and capital improvement activities, and additions of facilities, improvements, machinery, and equipment for the Bay Corridor Project and Mountain Tunnel Improvement Project.
- The Airport's net capital assets decreased by \$94.2 million or 1.3 percent primarily due to the disposal of assets. Due to the COVID-19 pandemic and the reduction in travel demand, the Airport has reprioritized its Capital Improvement Plan to focus on projects that are essential to Airport operations and resiliency priorities given the present-day recovery landscape. Construction activity continues on major projects such as the Terminal 1 (T1) Redevelopment Program, the Courtyard 3 Connector project, and the International Terminal Phase 2 project, which will make improvements to the building and expand both departures level security checkpoints. The T1 Redevelopment Program completed the Harvey Milk Boarding Area B, for a total of 25 operational gates, in May 2021. Construction activity continues in the Terminal 1 North area, and this work is forecasted to complete in fiscal year 2023-24. Notable projects that completed in fiscal year 2021-22 include a post-security passenger connector between Terminal 2 and Terminal 3, portions of the Noise Insulation Program, and the rehabilitation of Runway 10L-28R which improved existing pavement and electrical systems on the airfield.

At the end of the year, the City's business-type activities had approximately \$1.72 billion in commitments for various capital projects. Of this, Water Enterprise had an estimated \$223.9 million, SFMTA had \$316.2 million, Wastewater had \$975.2 million, Airport had \$39.4 million, Hetch Hetchy had \$149.4 million, Port had \$11.1 million, Laguna Honda Hospital had \$1.3 million, and the General Hospital had \$5.5 million.

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

Additional information about the City's capital assets can be found in Note 7 to the basic financial statements.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

Debt Administration

At June 30, 2022, the City had total long-term and commercial paper debt outstanding of \$23.62 billion. Of this amount, \$2.89 billion represents general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City. The remaining \$20.73 billion represents revenue bonds, commercial paper notes, certificates of participation, leases and other debts of the City secured solely by specified revenue sources. As noted previously, the City’s total debt including all bonds, loans, commercial paper notes, leases and other debts increased by \$729.0 million or 3.2 percent during the fiscal year.

For the year ended June 30, 2022, the net increase in the long-term debt in the governmental activities was \$39.8 million and the net increase in business-type activities was \$1.11 billion as discussed in the highlights above.

The City’s Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City - estimated at \$308.31 billion in value as of the close of the fiscal year. As of June 30, 2022, the City had \$2.89 billion in authorized, outstanding general obligation bonds, which is equal to approximately 0.88 percent of gross (0.94 percent of net) taxable assessed value of property. As of June 30, 2022, there were an additional \$1.50 billion in bonds that were authorized but unissued. If all these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.34 percent of gross (1.42 percent of net) taxable assessed value of property.

The City’s underlying ratings on general obligation bonds as of June 30, 2022, were:

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

During the fiscal year, Standard & Poor’s Global Ratings (S&P), Moody’s Investors Service (Moody’s) and Fitch Ratings maintained the City’s general obligation bonds ratings of “AAA”, “Aaa”, and “AA+”, respectively, and revised the rating outlook from negative to stable on all the City’s outstanding general obligation bonds.

The City’s business-type activities carried underlying debt ratings for the SFMTA of “A+” from S&P and “Aa3” from Moody’s. Moody’s, S&P, and Fitch Ratings affirmed their underlying credit ratings on the outstanding debt of the Airport of “A1”, “A”, and “A+”, respectively. In July 2022, S&P raised its rating on the Airport’s outstanding Bonds, except for Series 2022A/B/C (which are not rated by S&P) and the Variable Rate Demand Bonds Series 2010A, Series 2018B/C, from “A” to “A+”. The Water Enterprise carried underlying ratings of “Aa2” and “AA-” from Moody’s and S&P, respectively. The Wastewater Enterprise carried underlying ratings of “Aa2” from Moody’s and “AA” from S&P. The Hetch Hetchy Power Enterprise’s power revenue bonds have been rated “AA-” by Fitch Ratings and “AA” by S&P as of June 30, 2022. Moody’s affirmed the Port of San Francisco’s 2020 revenue bonds credit rating of “Aa3” with a negative outlook in November 2021, and in May 2022, Fitch Ratings affirmed the “A” rating and stable outlook on these bonds.

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, 2022

Economic factors and future budgets and rates

Job creation, tourism and housing in San Francisco during fiscal year 2021-22, though all moving in the direction towards economic recovery, were still below the pre-pandemic level and behind where comparable cities were.

Despite layoffs in the technology industry in the later half of year 2022, the San Francisco and San Mateo counties added 4,400 jobs in December 2022 as job growth in professional and technical services, health care, and retail trade exceeded the net loss in the tech-rich information sector.

The City's unemployment rate in December 2022 fell to 2.0%, a near record low, although the labor force still had 20,000 fewer jobs than at the start of the pandemic.

With remote work persisting, office vacancy continues to rise, to above 25% in the fourth quarter of 2022. Downtown BART ridership recovery remains flat at 30 percent of normal.

In mid-2022, new business formation in neighborhoods appeared to have been making a comeback, but these numbers have slowed near the end of the year 2022. Housing prices continue to decline, although at a slower rate, and building permits showed unusual strength at the end of the year 2022.

Furthermore, due to a significant decline in investment performance and a decrease in discount rate, the San Francisco Employees' Retirement pension plan reported a net pension liability of \$2.69 billion, a change of \$5.28 billion from \$2.59 billion net pension asset as of measurement date June 30, 2022. The City's proportionate share of net pension liability is approximately \$2.55 billion and the adverse impact of the related change will be reflected in the City's Statement of Net Position and the Statement of Activities for the year ending June 30, 2023.

Over the next two years, the City is projecting a budget shortfall of approximately \$728.3 million with a \$200.8 million deficit in the first year and \$527.6 million in the second year. This is out of an annual General Fund budget of approximately \$6.8 billion. The shortfall is the result of slowed revenue growth, specifically the City's largest tax revenues that include property and business tax, and depletion of temporary federal COVID-19 funding. To help address this shortfall, the Mayor instructed departments to propose reductions of approximately 5 percent in the first year and 8 percent in the second year from their General Fund budgets. Additionally, departments are directed to prioritize filling vacant positions for core City services that will support San Francisco's recovery. Top priorities include public safety and police staffing shortages, the City's downtown economic recovery, and supporting homelessness and mental health investments.

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

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

Department and Component Unit Financial Statements

San Francisco International Airport

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

Port of San Francisco

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

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

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

Laguna Honda Hospital

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

Municipal Transportation Agency

SFMTA Chief Financial Officer
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Health Service System

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

Zuckerberg San Francisco General Hospital and Trauma Center

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

San Francisco Employees' Retirement System

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

Successor Agency to the San Francisco Redevelopment Agency

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

Retiree Health Care Trust

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

San Francisco County Transportation Authority

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

San Francisco Finance Corporation

Office of Public Finance
City Hall, Room 338
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position

June 30, 2022

(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
ASSETS				
Current assets:				
Deposits and investments with City Treasury.....	\$ 7,842,185	\$ 3,387,920	\$ 11,230,105	\$ -
Deposits and investments outside City Treasury.....	330,961	22,635	353,596	-
Receivables (net of allowance for uncollectible amounts of \$409,900 for the primary government):				
Property taxes and penalties.....	187,806	-	187,806	-
Other local taxes.....	409,621	-	409,621	-
Federal and state grants and subventions.....	398,604	123,391	521,995	-
Charges for services.....	127,567	391,955	519,522	7,359
Interest and other.....	15,357	192,388	207,745	22
Leases.....	4,303	105,569	109,872	1,540
Due from component units.....	18,037	195	18,232	-
Inventories.....	20,114	116,009	136,123	-
Other assets.....	69,624	18,198	87,822	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	582,966	582,966	-
Deposits and investments outside City Treasury.....	6,407	125,599	132,006	-
Grants and other receivables.....	-	246,871	246,871	-
Total current assets.....	<u>9,430,586</u>	<u>5,313,696</u>	<u>14,744,282</u>	<u>8,921</u>
Noncurrent assets:				
Loan receivables (net of allowance for uncollectible amounts of \$2,187,335).....	175,229	-	175,229	-
Leases receivable.....	86,001	860,508	946,509	16,402
Advance to component units.....	1,124	6,666	7,790	-
Other assets.....	537	29,682	30,219	4,067
Net pension asset.....	1,412,846	1,032,946	2,445,792	-
Restricted assets:				
Deposits and investments with City Treasury.....	-	731,020	731,020	-
Deposits and investments outside City Treasury.....	-	674,986	674,986	-
Grants and other receivables.....	-	15,104	15,104	-
Capital assets:				
Land and other assets not being depreciated/amortized. Facilities, infrastructure and equipment, net of depreciation/amortization.....	1,361,645	6,187,517	7,549,162	47,437
Total capital assets.....	<u>6,225,617</u>	<u>18,070,771</u>	<u>24,296,388</u>	<u>11,185</u>
Total noncurrent assets.....	<u>9,587,262</u>	<u>24,258,288</u>	<u>31,845,550</u>	<u>58,622</u>
Total noncurrent assets.....	<u>9,262,999</u>	<u>27,609,200</u>	<u>36,872,199</u>	<u>79,091</u>
Total assets.....	<u>18,693,585</u>	<u>32,922,896</u>	<u>51,616,481</u>	<u>88,012</u>
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on refunding of debt.....	6,866	180,850	187,716	-
Derivative instruments.....	-	10,192	10,192	-
Pensions.....	810,516	542,187	1,352,703	16
OPEB.....	329,589	302,678	632,267	-
Total deferred outflows of resources.....	<u>\$ 1,146,971</u>	<u>\$ 1,035,907</u>	<u>\$ 2,182,878</u>	<u>\$ 16</u>

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)

June 30, 2022
(In Thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Treasure Island Development Authority
LIABILITIES				
Current liabilities:				
Accounts payable.....	\$ 586,155	\$ 313,158	\$ 899,313	\$ 552
Accrued payroll.....	180,601	128,745	309,346	108
Accrued vacation and sick leave pay.....	121,103	85,998	207,101	-
Accrued workers' compensation.....	71,496	44,684	116,180	-
Estimated claims payable.....	111,046	67,693	178,739	-
Bonds, loans, leases, and other payables.....	334,725	840,502	1,175,227	-
Accrued interest payable.....	22,792	65,557	88,349	-
Unearned grant and subvention revenues.....	204,319	-	204,319	-
Due to primary government.....	-	-	-	13,667
Internal balances.....	56,624	(56,624)	-	-
Unearned revenues and other liabilities.....	1,105,870	983,455	2,089,325	2,272
Liabilities payable from restricted assets:				
Bonds, loans, leases, and other payables.....	-	87,223	87,223	-
Accrued interest payable.....	-	62,264	62,264	-
Other.....	-	216,431	216,431	-
Total current liabilities.....	<u>2,794,731</u>	<u>2,839,086</u>	<u>5,633,817</u>	<u>16,599</u>
Noncurrent liabilities:				
Accrued vacation and sick leave pay.....	122,782	79,037	201,819	-
Accrued workers' compensation.....	288,339	208,610	496,949	-
Estimated claims payable.....	185,873	99,424	285,297	-
Bonds, loans, leases, and other payables.....	4,711,890	17,643,218	22,355,108	-
Advance from primary government.....	-	-	-	6,666
Unearned revenues and other liabilities.....	-	100,257	100,257	-
Derivative instruments liabilities.....	-	10,192	10,192	-
Net pension liability.....	341,625	-	341,625	6
Net other postemployment benefits (OPEB) liability.....	2,017,516	1,662,168	3,679,684	-
Total noncurrent liabilities.....	<u>7,668,025</u>	<u>19,802,906</u>	<u>27,470,931</u>	<u>6,672</u>
Total liabilities.....	<u>10,462,756</u>	<u>22,641,992</u>	<u>33,104,748</u>	<u>23,271</u>
DEFERRED INFLOWS OF RESOURCES				
Unamortized gain on refunding of debt.....	89,457	5,346	94,803	-
Pensions.....	3,451,845	2,510,675	5,962,520	12
OPEB.....	415,909	335,304	751,213	-
Leases.....	89,570	969,326	1,058,896	17,678
Total deferred inflows of resources.....	<u>4,046,781</u>	<u>3,820,651</u>	<u>7,867,432</u>	<u>17,690</u>
NET POSITION				
Net investment in capital assets, Note 10(d).....	4,183,166	6,763,452	10,561,965	58,622
Restricted for:				
Reserve for rainy day.....	114,359	-	114,359	-
Debt service.....	152,808	158,479	311,287	-
Capital projects, Note 10(d).....	299,063	651,052	771,576	-
Community development.....	1,255,903	-	1,255,903	-
Transportation Authority activities.....	56,868	-	56,868	-
Building inspection programs.....	101,447	-	101,447	-
Children and families.....	621,973	-	621,973	-
Culture and recreation.....	277,277	-	277,277	-
Grants.....	172,180	-	172,180	-
Other purposes.....	133,441	358,526	491,967	-
Total restricted.....	<u>3,185,319</u>	<u>1,168,057</u>	<u>4,174,837</u>	<u>-</u>
Unrestricted (deficit), Note 10(d).....	(2,037,466)	(435,349)	(1,909,623)	(11,555)
Total net position.....	<u>\$ 5,331,019</u>	<u>\$ 7,496,160</u>	<u>\$ 12,827,179</u>	<u>\$ 47,067</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, 2022
(In Thousands)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Treasure Island Development Authority
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-Type Activities		
Primary government:								
Governmental activities:								
Public protection.....	\$ 1,252,725	\$ 101,317	\$ 206,154	\$ 586	\$ (944,668)	\$ -	\$ (944,668)	\$ -
Public works, transportation and commerce.....	336,059	102,094	50,012	46,351	(137,602)	-	(137,602)	-
Human welfare and neighborhood development.....	2,332,530	237,611	1,164,531	46,773	(883,615)	-	(883,615)	-
Community health.....	1,151,847	87,248	435,999	2,492	(626,108)	-	(626,108)	-
Culture and recreation.....	398,314	92,549	2,890	9,257	(293,618)	-	(293,618)	-
General administration and finance.....	335,772	108,893	8,189	-	(218,690)	-	(218,690)	-
Distributions to other governments.....	47,296	-	-	-	(47,296)	-	(47,296)	-
General city responsibilities.....	129,138	55,587	317,568	-	244,017	-	244,017	-
Unallocated interest on long- term debt and cost of issuance.....	155,467	-	-	-	(155,467)	-	(155,467)	-
Total governmental activities.....	<u>6,139,148</u>	<u>785,299</u>	<u>2,185,343</u>	<u>105,459</u>	<u>(3,063,047)</u>	<u>-</u>	<u>(3,063,047)</u>	<u>-</u>
Business-type activities:								
Airport.....	1,175,430	821,253	-	40,998	-	(313,179)	(313,179)	-
Transportation.....	1,076,249	315,543	433,966	140,566	-	(186,174)	(186,174)	-
Port.....	110,108	120,951	14,281	4,252	-	29,376	29,376	-
Water.....	606,409	573,117	5,931	-	-	(27,361)	(27,361)	-
Power.....	477,202	480,447	7,798	-	-	11,043	11,043	-
Hospitals.....	1,300,196	1,167,993	62,949	-	-	(69,254)	(69,254)	-
Sewer.....	326,952	368,882	20,711	-	-	62,641	62,641	-
Total business-type activities.....	<u>5,072,546</u>	<u>3,848,186</u>	<u>545,636</u>	<u>185,816</u>	<u>-</u>	<u>(492,908)</u>	<u>(492,908)</u>	<u>-</u>
Total primary government.....	<u>\$ 11,211,694</u>	<u>\$ 4,633,485</u>	<u>\$ 2,730,979</u>	<u>\$ 291,275</u>	<u>(3,063,047)</u>	<u>(492,908)</u>	<u>(3,555,955)</u>	<u>-</u>
Component unit:								
Treasure Island Development								
Authority.....	\$ 20,884	\$ 12,991	\$ 2,534	\$ 19,445				\$ 14,086
General Revenues								
Taxes:								
Property taxes.....					3,004,800	-	3,004,800	-
Business taxes.....					1,326,675	-	1,326,675	-
Sales and use tax.....					293,155	-	293,155	-
Hotel room tax.....					174,609	-	174,609	-
Utility users tax.....					105,225	-	105,225	-
Parking tax.....					71,122	-	71,122	-
Real property transfer tax.....					520,336	-	520,336	-
Other local taxes.....					84,846	-	84,846	-
Interest and investment income (loss).....					(160,687)	(108,628)	(269,315)	511
Other.....					80,295	327,454	407,749	5,068
Transfers - internal activities of primary government.....					(866,631)	866,631	-	-
Total general revenues and transfers.....					<u>4,633,745</u>	<u>1,085,457</u>	<u>5,719,202</u>	<u>5,579</u>
Change in net position.....					<u>1,570,698</u>	<u>592,549</u>	<u>2,163,247</u>	<u>19,665</u>
Net position at beginning of year, as previously reported.....					<u>3,759,197</u>	<u>6,896,026</u>	<u>10,655,223</u>	<u>27,402</u>
Cumulative effect of accounting change.....					<u>1,124</u>	<u>7,585</u>	<u>8,709</u>	<u>-</u>
Net position at beginning of year, as restated.....					<u>3,760,321</u>	<u>6,903,611</u>	<u>10,663,932</u>	<u>27,402</u>
Net position at end of year.....					<u>\$ 5,331,019</u>	<u>\$ 7,496,160</u>	<u>\$ 12,827,179</u>	<u>\$ 47,067</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, 2022

(With comparative financial information as of June 30, 2021)
(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2022	2021	2022	2021	2022	2021
Assets:						
Deposits and investments with City Treasury.....	\$ 3,844,922	\$ 3,549,740	\$ 3,950,950	\$ 3,731,984	\$ 7,795,872	\$ 7,281,724
Deposits and investments outside City Treasury.....	134	132	330,827	344,031	330,961	344,163
Receivables (net of allowance for uncollectible amounts of \$355,155 in 2022; \$337,375 in 2021):						
Property taxes and penalties.....	178,978	174,906	8,828	9,941	187,806	184,847
Other local taxes.....	279,910	249,316	129,711	131,301	409,621	380,617
Federal and state grants and subventions.....	242,717	203,173	155,887	144,701	398,604	347,874
Charges for services.....	109,683	107,488	17,001	16,173	126,684	123,661
Interest and other.....	6,081	4,773	8,900	4,141	14,981	8,914
Leases.....	82,755	-	-	-	82,755	-
Due from other funds.....	2,566	6,687	7,842	9,919	10,408	16,606
Due from component units.....	8,093	8,283	9,944	5,897	18,037	14,180
Advance to component unit.....	-	-	1,124	2,896	1,124	2,896
Loans receivable (net of allowance for uncollectible amounts of \$2,187,335 in 2022; \$1,972,980 in 2021)	657	-	174,572	159,426	175,229	159,426
Inventories.....	20,114	37,954	-	-	20,114	37,954
Other assets.....	52,508	32,136	17,116	25,797	69,624	57,933
Total assets.....	\$ 4,829,118	\$ 4,374,588	\$ 4,812,702	\$ 4,586,207	\$ 9,641,820	\$ 8,960,795
Liabilities:						
Accounts payable.....	\$ 384,793	\$ 317,858	\$ 194,872	\$ 175,049	\$ 579,665	\$ 492,907
Accrued payroll.....	147,811	133,386	29,616	25,976	177,427	159,362
Unearned grant and subvention revenues.....	31,834	23,361	172,485	146,199	204,319	169,560
Due to other funds.....	519	523	66,482	66,055	67,001	66,578
Unearned revenues and other liabilities.....	934,398	898,725	171,435	293,235	1,105,833	1,191,960
Bonds, loans, leases, and other payables.....	-	-	29,771	18,760	29,771	18,760
Total liabilities.....	1,499,355	1,373,853	664,661	725,274	2,164,016	2,099,127
Deferred inflows of resources.....	424,620	330,631	273,514	253,838	698,134	584,469
Fund balances:						
Nonspendable.....	4,134	2,714	124	82	4,258	2,796
Restricted.....	114,539	114,539	3,615,837	3,384,275	3,730,376	3,498,814
Committed.....	320,637	320,637	-	-	320,637	320,637
Assigned.....	2,012,745	1,562,035	259,607	224,658	2,272,352	1,786,693
Unassigned.....	453,088	670,179	(1,041)	(1,920)	452,047	668,259
Total fund balances.....	2,905,143	2,670,104	3,874,527	3,607,095	6,779,670	6,277,199
Total liabilities, deferred inflows of resources and fund balances.....	\$ 4,829,118	\$ 4,374,588	\$ 4,812,702	\$ 4,586,207	\$ 9,641,820	\$ 8,960,795

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, 2022
(In Thousands)

Fund balances – total governmental funds	\$ 6,779,670
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.	7,564,218
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.	(5,799,322)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources and are recognized as revenues in the period the amounts become available in the governmental funds.	616,098
Interest on long-term debt is not accrued in the funds, but rather is recognized as an expenditure when due.	(22,012)
Deferred outflows and inflows of resources in governmental activities related to refunding of debt are not financial resources and, therefore, are not reported in the governmental funds.	(83,046)
Net pension asset/liability and pension related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(1,550,050)
Net OPEB asset/liability and OPEB related deferred outflows and inflows of resources are not due in the current period and therefore are not reported in the governmental funds.	(2,059,570)
Internal service funds are used by management to charge the costs of lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	<u>(114,967)</u>
Net position of governmental activities	<u><u>\$ 5,331,019</u></u>

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

CITY AND COUNTY OF SAN FRANCISCO

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

Year Ended June 30, 2022

(With comparative financial information year ended June 30, 2021)

(In Thousands)

	General Fund		Other Governmental Funds		Total Governmental Funds	
	2022	2021	2022	2021	2022	2021
Revenues:						
Property taxes.....	\$ 2,336,071	\$ 2,332,864	\$ 662,129	\$ 631,889	\$ 2,998,200	\$ 2,964,753
Business taxes.....	861,172	722,642	465,503	1,171,962	1,326,675	1,894,604
Sales and use tax.....	188,337	146,863	104,818	86,530	293,155	233,393
Hotel room tax.....	158,154	33,177	16,455	4,521	174,609	37,698
Utility users tax.....	105,225	81,367	-	-	105,225	81,367
Parking tax.....	71,122	47,555	-	-	71,122	47,555
Real property transfer tax.....	520,359	344,661	-	-	520,359	344,661
Other local taxes.....	72,356	55,395	12,490	6,218	84,846	61,613
Licenses, permits and franchises.....	32,078	12,332	14,756	14,854	46,834	27,186
Fines, forfeitures, and penalties.....	5,755	4,508	38,826	69,765	44,581	74,273
Interest and investment income (loss).....	(93,447)	(1,605)	(67,372)	12,293	(160,819)	10,688
Rents and concessions.....	10,668	5,111	120,782	71,202	131,450	76,313
Intergovernmental:						
Federal.....	795,827	705,120	300,880	202,242	1,096,707	907,362
State.....	996,767	892,897	210,275	212,937	1,207,042	1,105,834
Other.....	2,801	9,786	17,280	17,104	20,081	26,890
Charges for services.....	238,438	230,048	158,832	146,065	397,270	376,113
Other.....	23,265	46,434	163,234	136,392	186,499	182,826
Total revenues.....	<u>6,324,948</u>	<u>5,669,155</u>	<u>2,218,888</u>	<u>2,783,974</u>	<u>8,543,836</u>	<u>8,453,129</u>
Expenditures:						
Current:						
Public protection.....	1,562,797	1,498,514	81,624	77,942	1,644,421	1,576,456
Public works, transportation and commerce.....	232,078	204,973	239,337	253,181	471,415	458,154
Human welfare and neighborhood development.....	1,478,115	1,562,982	1,061,799	776,955	2,539,914	2,339,937
Community health.....	1,002,047	1,056,590	179,664	114,140	1,181,711	1,170,730
Culture and recreation.....	159,056	145,405	305,587	271,701	464,643	417,106
General administration and finance.....	298,742	314,298	78,443	81,494	377,185	395,792
Distributions to other governments.....	-	-	47,296	-	47,296	-
General City responsibilities.....	156,870	113,913	-	-	156,870	113,913
Debt service:						
Principal retirement.....	67,856	-	371,694	356,986	439,550	356,986
Interest and other fiscal charges.....	7,072	338	166,584	154,620	173,656	154,958
Bond issuance costs.....	-	-	3,330	7,864	3,330	7,864
Payment to refunded bond escrow agent.....	-	-	7,768	7,167	7,768	7,167
Capital outlay.....	41,913	-	208,851	275,638	250,764	275,638
Total expenditures.....	<u>5,006,546</u>	<u>4,897,013</u>	<u>2,751,977</u>	<u>2,377,688</u>	<u>7,758,523</u>	<u>7,274,701</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>1,318,402</u>	<u>772,142</u>	<u>(533,089)</u>	<u>406,286</u>	<u>785,313</u>	<u>1,178,428</u>
Other financing sources (uses):						
Transfers in.....	84,107	343,498	673,795	620,149	757,902	963,647
Transfers out.....	(1,209,383)	(1,166,855)	(416,822)	(658,831)	(1,626,205)	(1,825,686)
Issuance of bonds:						
Face value of bonds issued.....	-	-	468,380	823,665	468,380	823,665
Face value of refunding debt issued.....	-	-	414,205	161,870	414,205	161,870
Premium on issuance of bonds.....	-	-	124,411	93,427	124,411	93,427
Payment to refunded bond escrow agent.....	-	-	(463,448)	(193,579)	(463,448)	(193,579)
Inception of lease.....	41,913	-	-	-	41,913	-
Total other financing sources (uses).....	<u>(1,083,363)</u>	<u>(823,357)</u>	<u>800,521</u>	<u>846,701</u>	<u>(282,842)</u>	<u>23,344</u>
Net changes in fund balances.....	<u>235,039</u>	<u>(51,215)</u>	<u>267,432</u>	<u>1,252,987</u>	<u>502,471</u>	<u>1,201,772</u>
Fund balances at beginning of year.....	<u>2,670,104</u>	<u>2,721,319</u>	<u>3,607,095</u>	<u>2,354,108</u>	<u>6,277,199</u>	<u>5,075,427</u>
Fund balances at end of year.....	<u>\$ 2,905,143</u>	<u>\$ 2,670,104</u>	<u>\$ 3,874,527</u>	<u>\$ 3,607,095</u>	<u>\$ 6,779,670</u>	<u>\$ 6,277,199</u>

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

CITY AND COUNTY OF SAN FRANCISCO

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities**
Year Ended June 30, 2022
(In Thousands)

Net changes in fund balances - total governmental funds	\$ 502,471
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/amortization expense. This is the amount by which capital outlays exceeded depreciation/amortization, and the loss on disposal of capital assets.	218,350
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources.	1,916,931
Property taxes are recognized as revenues in the period the amounts become available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds.	6,600
Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds.	25,104
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds.	(75)
Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(996,455)
Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(31,795)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and 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 proceeds exceeded the principal retirement and payments to escrow for refunded debt in the current period.	(21,473)
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.	(124,411)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond premiums and refunding losses and gains.	32,733
The activities of internal service funds are reported with governmental activities.	<u>42,718</u>
Change in net position of governmental activities	<u>\$ 1,570,698</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, 2022
(With comparative financial information as of June 30, 2021)
(In Thousands)

	Business-Type Activities - Enterprise Funds									Total		Governmental Activities - Internal Service Funds	
	Major Funds												
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2022	2021	2022	2021	
ASSETS													
Current assets:													
Deposits and investments with City Treasury.....	\$ 950,880	\$ 460,954	\$ 340,065	\$ 840,113	\$ 319,150	\$ 285,029	\$ 191,729	\$ -	\$ 3,387,920	\$ 3,088,166	\$ 46,313	\$ 43,371	
Deposits and investments outside City Treasury.....	18,282	318	17	3,608	8	397	5	-	22,635	23,301	-	-	
Receivables (net of allowance for uncollectible amounts of \$54,745 and \$72,204 in 2022 and 2021, respectively):													
Federal and state grants and subventions.....	-	-	810	79,515	1,416	25	14,261	27,364	123,391	186,828	-	-	
Charges for services.....	77,457	61,740	59,367	4,708	75,782	40,321	21,270	51,310	391,955	295,629	883	230	
Interest and other.....	2,758	13,470	302	8,643	161,865	316	4,818	216	192,388	90,570	376	352	
Leases.....	47,213	3,325	-	10,003	453	-	44,471	104	105,569	-	13,873	13,005	
Due from other funds.....	-	171	5,138	52,175	-	223	369	-	58,076	51,872	-	-	
Due from component unit.....	-	195	-	-	-	-	-	-	195	713	-	-	
Inventories.....	3,323	6,802	1,877	84,904	11,614	2,958	1,950	2,581	116,009	114,793	-	-	
Other assets.....	4,364	-	12,677	635	-	346	176	-	18,198	10,798	-	2	
Restricted assets:													
Deposits and investments with City Treasury.....	477,480	-	-	-	-	-	31,813	73,673	582,966	577,046	-	-	
Deposits and investments outside City Treasury.....	88,443	11,063	5,228	-	-	15,587	5,278	-	125,599	177,224	6,407	6,272	
Grants and other receivables.....	25,972	11,500	4,303	-	-	205,096	-	-	246,871	182,653	-	-	
Total current assets.....	<u>1,696,172</u>	<u>569,538</u>	<u>429,784</u>	<u>1,084,304</u>	<u>570,288</u>	<u>550,298</u>	<u>316,140</u>	<u>155,248</u>	<u>5,371,772</u>	<u>4,799,593</u>	<u>67,852</u>	<u>63,232</u>	
Noncurrent assets:													
Other assets.....	-	3,967	21,772	-	-	1,498	2,445	-	29,682	8,788	-	-	
Leases receivable.....	241,871	42,840	-	87,989	7,801	-	478,896	1,111	860,508	-	90,977	97,850	
Advance to component unit.....	-	-	6,666	-	-	-	-	-	6,666	6,627	-	-	
Net pension asset.....	153,872	100,407	32,749	355,509	231,995	48,770	20,800	88,844	1,032,946	-	26,149	-	
Restricted assets:													
Deposits and investments with City Treasury.....	360,229	9,299	-	361,492	-	-	-	-	731,020	845,201	-	-	
Deposits and investments outside City Treasury.....	570,169	64,894	8,824	7,086	242	23,771	-	-	674,986	704,287	-	-	
Grants and other receivables.....	310	4	-	352	-	434	-	14,004	15,104	15,240	-	-	
Capital assets:													
Land and other assets not being depreciated/amortized.....													
Facilities, infrastructure, and equipment, net of depreciation/amortization.....	808,605	558,374	323,148	2,570,686	26,244	1,772,035	119,381	9,044	6,187,517	6,108,752	313	313	
equipment, net of depreciation/amortization.....	6,168,468	5,062,032	463,859	3,181,515	74,566	2,278,013	389,191	453,127	18,070,771	17,300,238	22,731	12,884	
Total capital assets.....	<u>6,977,073</u>	<u>5,620,406</u>	<u>787,007</u>	<u>5,752,201</u>	<u>100,810</u>	<u>4,050,048</u>	<u>508,572</u>	<u>462,171</u>	<u>24,258,288</u>	<u>23,408,990</u>	<u>23,044</u>	<u>13,197</u>	
Total noncurrent assets.....	<u>8,303,524</u>	<u>5,841,817</u>	<u>857,018</u>	<u>6,564,629</u>	<u>340,848</u>	<u>4,124,521</u>	<u>1,010,713</u>	<u>566,130</u>	<u>27,609,200</u>	<u>24,989,133</u>	<u>140,170</u>	<u>111,047</u>	
Total assets.....	<u>9,999,696</u>	<u>6,411,355</u>	<u>1,286,802</u>	<u>7,648,933</u>	<u>911,136</u>	<u>4,674,819</u>	<u>1,326,853</u>	<u>721,378</u>	<u>32,980,972</u>	<u>29,788,726</u>	<u>208,022</u>	<u>174,279</u>	
DEFERRED OUTFLOWS OF RESOURCES													
Unamortized loss on refunding of debt.....	40,336	139,481	-	843	-	33	157	-	180,850	209,749	694	787	
Derivative instruments.....	10,192	-	-	-	-	-	-	-	10,192	21,374	-	-	
Pensions.....	82,086	52,852	15,731	184,849	118,979	25,369	12,024	50,297	542,187	646,517	15,517	18,872	
OPEB.....	35,683	32,445	8,069	120,099	58,340	12,898	4,821	30,323	302,678	314,324	8,476	7,689	
Total deferred outflows of resources.....	<u>168,297</u>	<u>224,778</u>	<u>23,800</u>	<u>305,791</u>	<u>177,319</u>	<u>38,300</u>	<u>17,002</u>	<u>80,620</u>	<u>1,035,907</u>	<u>1,191,964</u>	<u>24,687</u>	<u>27,348</u>	

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

June 30, 2022

(With comparative financial information as of June 30, 2021)

(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds		
	Major Funds									Total		2022	2021
	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	2022	2021	2022	2021	
LIABILITIES													
Current liabilities:													
Accounts payable.....	\$ 72,463	\$ 22,852	\$ 48,648	\$ 118,163	\$ 18,277	\$ 22,588	\$ 5,278	\$ 4,889	\$ 313,158	\$ 239,739	\$ 6,490	\$ 10,292	
Accrued payroll.....	17,139	10,495	4,155	43,997	32,144	6,402	2,173	12,240	128,745	120,557	3,174	2,956	
Accrued vacation and sick leave pay.....	11,886	6,888	3,060	29,502	20,420	5,479	1,673	7,090	85,998	86,495	2,452	2,486	
Accrued workers' compensation.....	2,536	1,700	615	27,955	6,369	1,393	495	3,621	44,684	40,621	278	270	
Estimated claims payable.....	220	10,191	601	47,258	-	9,323	100	-	67,693	84,110	-	-	
Due to other funds.....	-	-	380	443	-	629	-	-	1,452	1,900	31	-	
Unearned revenues and other liabilities.....	417,053	67,559	10,143	69,709	363,104	6,137	18,844	30,906	983,455	702,764	2,534	2,499	
Accrued interest payable.....	-	35,443	1,327	5,214	42	21,460	1,365	706	65,557	60,787	780	793	
Bonds, loans, leases, and other payables.....	6,381	338,997	42,654	15,315	6,489	419,150	5,141	6,375	840,502	1,028,759	16,055	13,109	
Liabilities payable from restricted assets:													
Bonds, loans, leases, and other payables.....	87,223	-	-	-	-	-	-	-	87,223	280,317	-	-	
Accrued interest payable.....	62,264	-	-	-	-	-	-	-	62,264	60,859	-	-	
Other.....	65,601	25,353	25,383	10,068	-	89,905	-	121	216,431	263,710	-	-	
Total current liabilities.....	742,766	519,478	136,966	367,624	446,845	582,466	35,069	65,948	2,897,162	2,970,618	31,794	32,405	
Noncurrent liabilities:													
Accrued vacation and sick leave pay.....	12,298	6,841	3,252	26,411	17,284	5,422	1,733	5,796	79,037	84,268	2,880	2,831	
Accrued workers' compensation.....	9,557	7,273	2,863	126,669	34,282	6,153	2,052	19,761	208,610	190,496	1,147	1,179	
Estimated claims payable.....	1,938	25,878	1,081	67,405	-	2,722	400	-	99,424	101,392	-	-	
Unearned revenues and other liabilities.....	60	31,999	9,914	-	-	8,060	50,224	-	100,257	136,484	-	-	
Bonds, loans, leases, and other payables.....	9,078,394	4,948,496	205,240	614,546	10,543	2,573,201	141,029	71,769	17,643,218	16,328,337	95,349	101,519	
Derivative instruments liabilities.....	10,192	-	-	-	-	-	-	-	10,192	21,374	-	-	
Net pension liability.....	-	-	-	-	-	-	-	-	-	2,228,215	-	55,173	
Net other postemployment benefits (OPEB) liability.....	251,367	144,115	33,909	611,518	386,857	49,123	31,617	153,662	1,662,168	1,701,145	43,527	47,383	
Total noncurrent liabilities.....	9,363,806	5,164,602	256,259	1,446,549	448,966	2,644,681	227,055	250,988	19,802,906	20,791,711	142,903	208,085	
Total liabilities.....	10,106,572	5,684,080	393,225	1,814,173	895,811	3,227,147	262,124	316,936	22,700,068	23,762,329	174,697	240,490	
DEFERRED INFLOWS OF RESOURCES													
Unamortized gain on refunding of debt.....	4,178	-	-	-	-	-	-	1,168	5,346	2,137	239	278	
Pensions.....	380,803	248,704	82,029	844,704	571,074	114,670	50,968	217,723	2,510,675	67,477	61,724	1,878	
OPEB.....	50,638	25,348	7,670	106,232	103,017	8,640	7,190	26,569	335,304	252,721	8,678	8,276	
Leases.....	286,045	44,583	-	91,766	8,208	-	537,526	1,198	969,326	-	7,534	-	
Total deferred inflows of resources.....	721,664	318,635	89,699	1,042,702	682,299	123,310	595,684	246,658	3,820,651	322,335	78,175	10,432	
NET POSITION													
Net investment in capital assets.....	(1,327,327)	537,644	553,169	5,117,969	84,136	1,092,705	321,130	384,026	6,763,452	7,003,396	12,475	12,878	
Restricted:													
Debt service.....	61,899	14,671	140	4,728	-	5,391	-	71,650	158,479	242,381	-	-	
Capital projects.....	492,914	-	-	-	13,652	114,657	21,269	8,560	651,052	510,813	-	-	
Other purposes.....	1,978	-	-	354,134	-	-	-	2,414	358,526	301,944	-	-	
Unrestricted (deficit).....	110,293	81,103	274,369	(378,982)	(587,443)	149,909	143,648	(228,246)	(435,349)	(1,162,508)	(32,638)	(62,173)	
Total net position.....	\$ (660,243)	\$ 633,418	\$ 827,678	\$ 5,097,849	\$ (489,655)	\$ 1,362,662	\$ 486,047	\$ 238,404	\$ 7,496,160	\$ 6,896,026	\$ (20,163)	\$ (49,295)	

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, 2022
 (With comparative financial information year ended June 30, 2021)
 (In Thousands)

	Business-Type Activities - Enterprise Funds									Total		Governmental Activities - Internal Service Funds	
	Major Funds								2022	2021	2022	2021	
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital					
Operating revenues:													
Aviation.....	\$ 468,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 468,840	\$ 337,215	\$ -	\$ -
Water and power service.....	-	539,526	480,198	-	-	-	-	-	-	1,019,724	941,230	-	-
Passenger fees.....	-	-	-	61,010	-	-	-	-	-	61,010	17,680	-	-
Net patient service revenue.....	-	-	-	-	938,325	-	-	216,178	-	1,154,503	1,061,504	-	-
Sewer service.....	-	-	-	-	-	356,041	-	-	-	356,041	318,236	-	-
Rents and concessions.....	142,512	13,765	249	14,992	2,607	705	91,113	-	-	265,943	169,955	464	561
Parking and transportation.....	132,253	-	-	183,341	-	-	20,641	-	-	336,235	191,858	-	-
Other charges for services.....	-	-	-	28,883	-	-	-	-	-	28,883	17,544	169,998	161,623
Other revenues.....	77,648	19,826	-	27,317	10,418	12,136	9,197	465	-	157,007	132,650	-	-
Total operating revenues.....	821,253	573,117	480,447	315,543	951,350	368,882	120,951	216,643	-	3,848,186	3,187,872	170,462	162,184
Operating expenses:													
Personal services.....	216,842	83,385	54,449	574,306	562,459	63,456	30,539	175,813	-	1,761,249	2,415,920	39,204	59,176
Contractual services.....	81,424	13,457	19,279	131,016	275,540	19,115	17,736	18,531	-	576,098	565,880	66,214	66,576
Light, heat and power.....	27,554	-	297,990	-	-	-	3,911	-	-	329,455	260,909	-	-
Materials and supplies.....	12,560	15,719	3,665	68,776	128,166	11,844	1,260	23,480	-	265,470	245,708	17,018	13,483
Depreciation and amortization.....	356,649	147,904	24,278	221,279	20,687	77,575	23,284	12,399	-	884,055	823,566	6,276	3,716
General and administrative.....	4,567	68,014	58,104	3,868	1,481	45,536	2,982	-	-	184,552	230,842	287	211
Services provided by other departments.....	26,949	73,307	13,003	85,189	53,808	39,645	25,343	14,829	-	332,073	306,517	12,822	11,414
Other.....	83,285	-	-	(24,258)	(907)	-	163	-	-	58,283	43,465	825	578
Total operating expenses.....	809,830	401,786	470,768	1,060,176	1,041,234	257,171	105,218	245,052	-	4,391,235	4,892,807	142,646	155,154
Operating income (loss).....	11,423	171,331	9,679	(744,633)	(89,884)	111,711	15,733	(28,409)	-	(543,049)	(1,704,935)	27,816	7,030
Nonoperating revenues (expenses):													
Operating grants:													
Federal.....	-	5,933	6,901	256,183	(1,490)	9,302	-	(6,550)	-	270,279	493,448	-	-
State / other.....	-	(2)	897	177,783	70,989	11,409	14,281	-	-	275,357	216,611	768	58
Interest and investment income (loss).....	(64,113)	(10,896)	(8,219)	(27,479)	3,679	(7,087)	7,013	(1,526)	-	(108,628)	(3,066)	1,527	1,578
Interest expense.....	(321,132)	(203,793)	(5,630)	(16,073)	(11,769)	(69,321)	(4,707)	(2,141)	-	(634,566)	(491,836)	(3,318)	(2,286)
Other nonoperating revenues.....	249,759	35,940	11,187	13,511	-	4,721	3	12,333	-	327,454	440,508	667	2,569
Other nonoperating expenses.....	(44,468)	(830)	(804)	-	-	(460)	(183)	-	-	(46,745)	(113,533)	-	-
Total nonoperating revenues (expenses).....	(179,954)	(173,648)	4,332	403,925	61,409	(51,436)	16,407	2,116	-	83,151	542,132	(356)	1,919
Income (loss) before capital contributions and transfers.....	(168,531)	(2,317)	14,011	(340,708)	(28,475)	60,275	32,140	(26,293)	-	(459,898)	(1,162,803)	27,460	8,949
Capital contributions.....	40,998	-	-	140,566	-	-	4,252	-	-	185,816	231,890	-	-
Transfers in.....	-	15,036	30,001	727,972	75,658	-	-	98,564	-	947,231	910,966	1,672	73
Transfers out.....	(37,907)	(30,665)	(532)	-	(403)	(161)	(32)	(10,900)	-	(80,600)	(49,000)	-	-
Change in net position.....	(165,440)	(17,946)	43,480	527,830	46,780	60,114	36,360	61,371	-	592,549	(68,947)	29,132	9,022
Net position (deficit) at beginning of year													
as previously reported.....	(494,803)	649,517	784,209	4,570,019	(536,435)	1,302,583	443,903	177,033	-	6,896,026	6,964,973	(49,295)	(58,317)
Cumulative effect of accounting change.....	-	1,847	(11)	-	-	(35)	5,784	-	-	7,585	-	-	-
Net position (deficit) at beginning of year, as restated.....	(494,803)	651,364	784,198	4,570,019	(536,435)	1,302,548	449,687	177,033	-	6,903,611	6,964,973	(49,295)	(58,317)
Net position (deficit) at end of year.....	\$ (660,243)	\$ 633,418	\$ 827,678	\$ 5,097,849	\$ (489,655)	\$ 1,362,662	\$ 486,047	\$ 238,404	\$ -	\$ 7,496,160	\$ 6,896,026	\$ (20,163)	\$ (49,295)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds
Year Ended June 30, 2022

(With comparative financial information year ended June 30, 2021)
(In Thousands)

	Business-Type Activities - Enterprise Funds										Governmental Activities - Internal Service Funds	
	Major Funds								Total		2022	2021
	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	2022	2021	2022	2021
Cash flows from operating activities:												
Cash received from customers, including cash deposits.....	\$ 1,067,453	\$ 567,991	\$ 477,905	\$ 365,443	\$ 887,991	\$ 361,321	\$ 31,595	\$ 168,828	\$ 3,928,527	\$ 3,577,186	\$ 185,623	\$ 171,991
Cash received from tenants for rent.....	-	15,032	253	4,391	14,894	1,035	72,407	-	108,012	91,063	-	-
Cash paid for employees' services.....	(328,780)	(137,080)	(66,706)	(852,627)	(632,182)	(93,897)	(44,299)	(235,763)	(2,391,334)	(2,322,803)	(61,355)	(61,130)
Cash paid to suppliers for goods and services.....	(260,774)	(159,338)	(402,653)	(318,945)	(460,644)	(103,998)	(52,185)	(56,535)	(1,815,072)	(1,639,641)	(101,723)	(83,660)
Cash paid for judgments and claims.....	-	(2,515)	(3,968)	(6,883)	-	(10,795)	-	-	(24,161)	(15,468)	-	-
Net cash provided by (used in) operating activities.....	477,899	284,090	4,831	(808,621)	(189,941)	153,666	7,518	(123,470)	(194,028)	(309,663)	22,545	27,201
Cash flows from noncapital financing activities:												
Operating grants.....	-	5,947	10,510	424,951	68,654	12,686	2,107	(6,550)	518,305	692,952	768	58
Transfers in.....	-	15,036	30,001	661,998	75,658	-	-	94,238	876,931	861,223	1,672	73
Transfers out.....	(37,907)	(30,665)	(532)	-	(403)	(161)	(32)	(10,900)	(80,600)	(49,220)	-	-
Other noncapital financing sources.....	169,498	6,750	3,333	8,397	-	-	-	-	187,978	291,854	-	-
Other noncapital financing uses.....	(32,796)	(830)	(628)	-	-	(482)	(188)	-	(34,924)	(76,465)	-	(307)
Net cash provided by (used in) noncapital financing activities.....	98,795	(3,762)	42,684	1,095,346	143,909	12,043	1,887	76,788	1,467,690	1,720,344	2,440	(176)
Cash flows from capital and related financing activities:												
Capital grants and other proceeds restricted for capital purposes...	91,633	-	-	190,803	-	-	280	12,561	295,277	273,168	-	-
Transfers in.....	-	-	-	65,974	-	-	-	4,326	70,300	49,743	-	-
Bond sale proceeds and loans received.....	1,090	56,113	151,022	-	-	747,067	-	-	955,292	1,364,874	-	-
Proceeds from sale/transfer of capital assets.....	-	986	16	164	-	22	3	-	1,191	2,932	-	-
Proceeds from commercial paper borrowings.....	167,960	130,221	63,058	-	32,610	80,639	-	-	474,488	838,559	-	-
Proceeds from passenger facility charges.....	72,038	-	-	-	-	-	-	-	72,038	21,468	-	-
Acquisition of capital assets.....	(302,295)	(182,776)	(140,620)	(312,811)	(25,979)	(516,032)	(6,031)	(3,408)	(1,489,952)	(2,097,852)	(2,719)	(2,677)
Retirement of leases, bonds and loans.....	(36,036)	(142,695)	(140,433)	(10,084)	(42,418)	(368,519)	(4,219)	(6,203)	(750,607)	(1,206,635)	(15,944)	(12,461)
Bond issue costs paid.....	-	(10)	(1,118)	-	-	(1,490)	-	-	(2,618)	(4,536)	-	-
Interest paid on debt.....	(372,005)	(214,134)	(4,754)	(17,101)	(11,779)	(73,292)	(4,969)	(3,246)	(701,280)	(662,903)	(2,159)	(2,302)
Federal interest income subsidy from Build America Bonds.....	-	23,590	397	-	-	5,818	-	-	29,805	26,677	-	-
Other capital financing sources.....	-	-	-	13,417	-	-	242	-	13,659	12,404	-	-
Other capital financing uses.....	-	-	-	-	-	-	-	-	-	(10,826)	-	-
Net cash provided by (used in) capital and related financing activities.....	(377,615)	(328,705)	(72,432)	(69,638)	(47,566)	(125,787)	(14,694)	4,030	(1,032,407)	(1,392,927)	(20,822)	(17,440)
Cash flows from investing activities:												
Purchases of investments with trustees.....	(414,043)	(398,825)	(7,118)	-	-	(101,115)	-	-	(921,101)	(1,300,231)	-	-
Proceeds from sale of investments with trustees.....	435,215	398,825	7,118	-	-	101,115	-	-	942,273	1,368,082	-	-
Interest and investment income (loss).....	22,159	2,154	1,739	(29,530)	3,679	1,335	6,273	(1,556)	6,253	47,339	86	-
Other investing activities.....	-	-	-	-	-	-	-	-	-	-	(1,172)	(73)
Net cash provided by (used in) investing activities.....	43,331	2,154	1,739	(29,530)	3,679	1,335	6,273	(1,556)	27,425	115,190	(1,086)	(73)
Net increase (decrease) in cash and cash equivalents.....	242,410	(46,223)	(23,178)	187,557	(69,919)	41,257	984	(44,208)	268,680	132,944	3,077	9,512
Cash and cash equivalents-beginning of year.....	1,620,655	606,589	387,305	1,024,742	409,319	291,906	227,573	117,881	4,685,970	4,553,026	49,643	40,131
Cash and cash equivalents-end of year.....	\$ 1,863,065	\$ 560,366	\$ 364,127	\$ 1,212,299	\$ 319,400	\$ 333,163	\$ 228,557	\$ 73,673	\$ 4,954,650	\$ 4,685,970	\$ 52,720	\$ 49,643

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, 2022

(With comparative financial information year ended June 30, 2021)

(In Thousands)

	Business-Type Activities - Enterprise Funds									Total		Governmental Activities - Internal Service Funds	
	Major Funds												
	San Francisco International Airport	San Francisco Water Enterprise	Hetch Hetchy Water and Power	Municipal Transportation Agency	General Hospital Medical Center	San Francisco Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	2022	2021	2022	2021	
	Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:												
Operating income (loss).....	\$ 11,423	\$ 171,331	\$ 9,679	\$ (744,633)	\$ (89,884)	\$ 111,711	\$ 15,733	\$ (28,409)	\$ (543,049)	\$ (1,704,935)	\$ 27,816	\$ 7,030	
Adjustments for non-cash and other activities:													
Depreciation and amortization.....	356,649	147,904	24,278	221,279	20,687	77,575	23,284	12,399	884,055	823,566	6,276	3,716	
Provision for uncollectibles.....	(19,765)	(1,410)	884	-	-	(781)	2	-	(21,070)	26,624	-	-	
Write-off of capital assets.....	-	4,592	655	-	-	993	-	-	6,240	16,397	-	-	
Other.....	1,283	4,558	7,594	-	-	667	-	-	14,102	1,739	37	2,246	
Changes in assets and deferred outflows of resources/liabilities and deferred inflows of resources:													
Receivables, net.....	(17,891)	(11,277)	(12,520)	894	(83,739)	(6,092)	(6,122)	(17,900)	(154,647)	146,963	12,159	12,152	
Due from other funds.....	-	70	531	-	104	(901)	-	(1,422)	(1,618)	3,681	-	-	
Inventories.....	1,138	(865)	134	(2,376)	2,026	(301)	(75)	(631)	(950)	5,820	-	-	
Other assets.....	(370)	-	(20,726)	289	-	-	483	-	(20,324)	(9,402)	2	(2)	
Accounts payable.....	4,224	6,669	5,618	13,232	(4,582)	7,095	151	935	33,342	31,045	(3,833)	(2)	
Accrued payroll.....	391	650	226	3,943	1,777	255	45	912	8,199	12,977	218	296	
Accrued vacation and sick leave pay.....	(2,295)	(187)	110	(275)	(1,473)	(757)	(306)	(545)	(5,728)	35,537	15	1,145	
Accrued workers' compensation.....	1,765	145	240	15,603	2,694	964	23	743	22,177	(1,379)	(24)	(134)	
Estimated claims payable.....	-	(654)	43	(14,931)	-	(4,668)	(275)	-	(20,485)	41,075	-	-	
Due to other funds.....	-	-	11	318	-	-	(25)	-	304	(3,426)	31	(20)	
Unearned revenues and other liabilities.....	256,864	18,550	1,222	(4,372)	22,883	1,052	(5,326)	(28,475)	262,398	221,873	2,225	2,244	
Related to leases.....	(3,717)	380	-	-	12,287	-	(7,529)	(17)	1,404	-	(15)	-	
Net pension liability/asset and pension related deferred outflows and inflows of resources.....	(115,462)	(61,060)	(13,825)	(258,184)	(101,377)	(35,144)	(16,422)	(59,692)	(661,166)	93,300	(18,121)	(2,597)	
Net OPEB liability and OPEB related deferred outflows and inflows of resources.....	3,662	4,694	677	(39,408)	28,656	1,998	3,877	(1,368)	2,788	(51,118)	(4,241)	1,127	
Total adjustments.....	466,476	112,759	(4,848)	(63,988)	(100,057)	41,955	(8,215)	(95,061)	349,021	1,395,272	(5,271)	20,171	
Net cash provided by (used in) operating activities.....	\$ 477,899	\$ 284,090	\$ 4,831	\$ (808,621)	\$ (189,941)	\$ 153,666	\$ 7,518	\$ (123,470)	\$ (194,028)	\$ (309,663)	\$ 22,545	\$ 27,201	
Reconciliation of cash and cash equivalents to the statement of net position:													
Deposits and investments with City Treasury:													
Unrestricted.....	\$ 950,880	\$ 460,954	\$ 340,065	\$ 840,113	\$ 319,150	\$ 285,029	\$ 191,729	\$ -	\$ 3,387,920	\$ 3,088,166	\$ 46,313	\$ 43,371	
Restricted.....	837,709	9,299	-	361,492	-	-	31,813	73,673	1,313,986	1,422,247	-	-	
Deposits and investments outside City Treasury:													
Unrestricted.....	18,282	318	17	3,608	8	397	5	-	22,635	23,301	-	-	
Restricted.....	658,612	75,957	14,052	7,086	242	39,358	5,278	-	800,585	881,511	6,407	6,272	
Total deposits and investments.....	2,465,483	546,528	354,134	1,212,299	319,400	324,784	228,825	73,673	5,525,126	5,415,225	52,720	49,643	
Less: Investments outside City Treasury not meeting the definition of cash equivalents.....	(602,418)	13,838	9,993	-	-	8,379	(268)	-	(570,476)	(729,255)	-	-	
Cash and cash equivalents at end of year on statement of cash flows.....	\$ 1,863,065	\$ 560,366	\$ 364,127	\$ 1,212,299	\$ 319,400	\$ 333,163	\$ 228,557	\$ 73,673	\$ 4,954,650	\$ 4,685,970	\$ 52,720	\$ 49,643	
Non-cash capital and related financing activities:													
Acquisition of capital assets on accounts payable and via lease.....	\$ 57,316	\$ 25,353	\$ 25,383	\$ -	\$ -	\$ 89,905	\$ 1,363	\$ -	\$ 199,320	\$ 251,619	\$ -	\$ -	
Net capitalized interest.....	-	-	-	-	-	-	-	-	-	101,201	-	-	
Donated inventory.....	-	-	-	-	2,530	-	-	-	2,530	2,863	-	-	
Capital contributions and other noncash capital items.....	23,984	-	-	-	-	-	9,329	-	33,313	36,319	-	-	
Bond refunding through fiscal agent.....	371,352	-	-	-	-	-	-	-	371,352	242,990	-	-	
Commercial paper repaid through fiscal agent.....	-	-	-	-	-	-	-	-	-	230,000	-	-	
Interfund loan.....	-	-	-	-	-	629	-	-	629	1,478	-	-	

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, 2022
(In Thousands)**

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Private- Purpose Trust Fund	Custodial Funds External Investment Pool	Other Custodial Funds
Assets:				
Deposits and investments with City Treasury.....	\$ 141,353	\$ 171,460	\$ 1,252,405	\$ 362,617
Deposits and investments outside City Treasury:				
Cash and deposits.....	131,252	-	-	134,508
Short-term investments.....	372,625	-	-	-
Debt securities.....	1,926,293	-	-	-
Equity securities.....	10,015,936	-	-	-
Real assets.....	5,152,928	-	-	-
Private equity and other alternative investments.....	16,086,836	-	-	-
Foreign currency contracts, net.....	(197)	-	-	-
Invested securities lending collateral.....	541,413	-	-	-
Receivables:				
Employer and employee contributions.....	53,791	-	-	-
Brokers, general partners and others.....	34,026	-	-	-
Federal and state grants and subventions.....	-	2,668	-	-
Taxes.....	-	-	-	154,957
Interest and other.....	13,170	2,286	1,225	9,564
Loans (net of allowance for uncollectible amounts).....	-	1,471	-	-
Net other postemployment benefits (OPEB) asset.....	-	3,523	-	-
Other assets.....	3,876	2,262	-	-
Restricted assets:				
Deposits and investments outside City Treasury.....	-	375,291	-	28,055
Capital assets:				
Land and other assets not being depreciated.....	-	4,152	-	-
Total assets.....	34,473,302	563,113	1,253,630	689,701
Deferred outflows of resources:				
Unamortized loss on refunding of debt.....	-	36,388	-	-
Pensions.....	-	5,614	-	-
OPEB.....	2,092	1,689	-	-
Total deferred outflows of resources.....	2,092	43,691	-	-
Liabilities:				
Accounts payable.....	58,724	53,187	2	2,000
Estimated claims payable.....	32,604	-	-	-
Due to the primary government.....	-	4,565	-	-
Custodial obligations to State of California.....	-	-	-	774
Taxes payable to other governments.....	-	-	-	384,010
Accrued interest payable.....	-	13,688	-	-
Payable to brokers.....	38,573	-	-	-
Payable to borrowers of securities.....	541,557	-	-	-
Other liabilities.....	123,805	1,041	-	-
Advance from primary government.....	-	1,124	-	-
Long-term obligations.....	-	936,540	-	-
Net pension liability.....	-	22,028	-	-
Net OPEB liability.....	11,437	-	-	-
Total liabilities.....	806,700	1,032,173	2	386,784
Deferred inflows of resources:				
Pensions.....	-	21,758	-	-
OPEB.....	2,169	2,775	-	-
Total deferred inflows of resources.....	2,169	24,533	-	-
Net position restricted for:				
Pensions.....	32,798,524	-	-	-
Postemployment healthcare benefits.....	761,285	-	-	-
External pool participants.....	-	-	1,253,628	-
Individuals, organizations, and other governments.....	106,716	(449,902)	-	302,917
Total net position.....	\$ 33,666,525	\$ (449,902)	\$ 1,253,628	\$ 302,917

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, 2022
(In Thousands)

	Pension, Other Employee and Other Post- Employment Benefit Trust Funds	Private- Purpose Trust Fund	Custodial Funds	
			External Investment Pool	Other Custodial Funds
Additions:				
Property taxes.....	\$ -	\$ 133,643	\$ -	\$ 4,930,372
Charges for services.....	-	9,372	-	-
Contributions:				
Employee contributions.....	669,001	-	-	-
Employer contributions.....	1,896,687	-	-	-
Contributions to pooled investments.....	-	-	2,966,490	-
Total contributions.....	<u>2,565,688</u>	<u>143,015</u>	<u>2,966,490</u>	<u>4,930,372</u>
Investment income (expenses):				
Interest.....	55,480	(5,587)	(38,664)	(5,152)
Dividends.....	106,986	-	-	-
Net depreciation in fair value of investments.....	(2,484,917)	-	-	-
Securities lending income.....	4,819	-	-	-
Total investment loss.....	<u>(2,317,632)</u>	<u>(5,587)</u>	<u>(38,664)</u>	<u>(5,152)</u>
Less investment expenses:				
Other investment expenses.....	(83,325)	-	-	-
Net investment loss.....	<u>(2,400,957)</u>	<u>(5,587)</u>	<u>(38,664)</u>	<u>(5,152)</u>
Custodial additions.....	-	-	-	289,216
Other additions.....	-	8,746	-	-
Total additions, net.....	<u>164,731</u>	<u>146,174</u>	<u>2,927,826</u>	<u>5,214,436</u>
Deductions:				
Neighborhood development.....	-	82,605	-	-
Interest on debt.....	-	41,963	-	-
Benefit payments.....	2,996,029	-	-	-
Refunds of contributions.....	27,658	-	-	-
Distribution from pooled investments.....	-	-	2,537,521	-
Property taxes distributed to other governments.....	-	-	-	4,876,609
Custodial distributions to State.....	-	-	-	3,060
Other custodial deductions.....	-	-	-	326,866
Administrative expenses.....	21,363	21,111	-	-
Total deductions.....	<u>3,045,050</u>	<u>145,679</u>	<u>2,537,521</u>	<u>5,206,535</u>
Change in net position.....	<u>(2,880,319)</u>	<u>495</u>	<u>390,305</u>	<u>7,901</u>
Net position at beginning of year.....	<u>36,546,844</u>	<u>(450,397)</u>	<u>863,323</u>	<u>295,016</u>
Net position at end of year.....	<u>\$ 33,666,525</u>	<u>\$ (449,902)</u>	<u>\$ 1,253,628</u>	<u>\$ 302,917</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, 2022

(Dollars in Thousands)

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

Infrastructure Financing Districts and Infrastructure and Revitalization Financing Districts (Tax Increment Financing Districts or "TIFD") – An infrastructure financing district (IFD) and an infrastructure and revitalization financing district (IRFD) are legally constituted government entities formed under California law, and with the approval of the Board of Supervisors. Several TIFDs have been established for the purpose of financing public infrastructure and affordable housing. The Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to allocate tax increments to the TIFDs, issue debt, as well as to appoint, hire, reassign, or dismiss City employees who administrate the TIFDs. There is also a financial burden relationship between the City and these TIFDs due to the allocation of tax increment revenues by the City to the TIFDs. As such, TIFDs are a blended component unit of the City. The TIFDs are reported in a special revenue fund in the City's financial statements. Separate financial statements are not prepared for TIFDs. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

San Francisco City and County Finance Corporation (Finance Corporation) – The Finance Corporation was created in 1990 by a vote of the electorate to allow the City to lease-purchase \$20.0 million (plus 5.0 percent 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 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (Continued)

June 30, 2022

(Dollars in Thousands)

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

Discretely Presented Component Unit

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

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

Fiduciary Component Units

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 (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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

In order to facilitate construction and rehabilitation in the City, seven Community Facilities Districts (CFDs) were formed by the former Agency and Successor Agency. The Successor Agency can impose its will on the CFDs but does not have a financial benefit or burden from the CFDs. The CFDs are fiduciary component units of the Successor Agency and financial activities of the CFDs are included as custodial funds of the City.

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; a Board member of the Bay Area Rapid Transit District; and the Executive Director of Policy and Operations of the San Francisco Unified School District.

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103.

Community Facilities Districts and Special Tax Districts – A community facilities district (CFD) is a legally constituted governmental entity formed under the State's Mello-Roos law and with approval of the Board of Supervisors. A special tax district (STD) is established pursuant to the San Francisco Special Tax Financing Law, which incorporates the Mello-Roos law. Several CFDs and STDs were established for the sole purpose of financing facilities and services. Although there is no financial benefit or burden relation between the City and a CFD or STD, the Board of Supervisors acts as the legislative body as it does for the City and is able to impose its will to authorize the levy of special taxes and issuance of special tax debts, as well as to appoint, hire, reassign, or dismiss City employees who administrate the CFD or STD. CFDs and STDs are fiduciary component units of the City because assets are held by the City for the benefit of the CFD or STD. The combined activities of all CFDs and STDs are presented as a custodial fund. Separate financial statements are not prepared for CFDs and STDs. Further information can be obtained from their administrative offices at City Hall, Room 338, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

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.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

(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 the non-fiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. Likewise, the primary government is reported separately from its legally separate component unit for which the primary government is financially accountable.

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

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

The basic financial statements include certain prior year summarized comparative information. The comparative information has not been restated for the implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of these statements is disclosed in Note 4. This information is presented only to facilitate financial analysis and is not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended June 30, 2021, from which the summarized information was derived.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Property taxes, other local taxes, grants and subventions, licenses, charges for services, rents and concessions, and interest and investment income associated with the current fiscal period are all

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental fund:

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

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

- The **San Francisco International Airport Fund** accounts for the activities of the City-owned commercial service airport in the San Francisco Bay Area.
- The **San Francisco Water Enterprise Fund** accounts for the activities of the San Francisco Water Enterprise (Water Enterprise). The Water Enterprise is engaged in the distribution of water to the City and certain suburban areas.
- The **Hetch Hetchy Water and Power Enterprise Fund** accounts for the activities of Hetch Hetchy Water and Power (Hetch Hetchy) and CleanPowerSF. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City's water supply and in the generation and transmission of electricity. CleanPowerSF aggregates the buying power of customers in San Francisco to purchase renewable energy.
- The **Municipal Transportation Agency Fund** accounts for the activities of the Municipal Transportation Agency (SFMTA). The SFMTA was established by Proposition E, passed by the City's voters in November 1999. The SFMTA includes the San Francisco Municipal Railway (Muni) and the operations of Sustainable Streets, which includes the Parking Authority. Muni was established in 1912 and is responsible for the operations of the City's public transportation system. Sustainable Streets is responsible for proposing and implementing street and traffic changes and oversees the City's off-street parking operations. Sustainable Streets is a separate department of the SFMTA. The parking garages fund accounts for the activities of various nonprofit corporations formed by the Parking Authority to provide financial and other assistance to the City to acquire land, construct facilities, and manage various parking facilities.
- The **General Hospital Medical Center Fund** accounts for the activities of the San Francisco General Hospital (SFGH), a City-owned acute care hospital.
- The **San Francisco Wastewater Enterprise Fund** was created after the San Francisco voters approved a proposition in 1976, authorizing the City to issue \$240.0 million in bonds for the purpose of acquiring, constructing, improving, and financing improvements to the City's municipal sewage treatment and disposal system.
- The **Port of San Francisco Fund** accounts for the operation, development, and maintenance of seven and one-half miles of waterfront property of the Port of San Francisco (Port). This was established in 1969 after the San Francisco voters approved a proposition to accept the transfer of the Harbor of San Francisco from the State of California.
- The **Laguna Honda Hospital Fund** accounts for the activities of Laguna Honda Hospital (LHH), the City-owned skilled nursing facility, which specializes in serving elderly and disabled residents.

Additionally, the City reports the following fund types:

- The **Debt Service Funds** account for the accumulation of property taxes and other revenues for periodic payment of interest and principal on general obligation and certain lease revenue bonds and related authorized costs.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

- The **Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.
- The **Capital Projects Funds** are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.
- The **Permanent Fund** accounts for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.
- The **Internal Service Funds** account for the financing of goods or services provided by one City department to another City department on a cost-reimbursement basis. Internal Service Funds account for the activities of the equipment maintenance services, centralized printing and mailing services, centralized telecommunications and information services, and lease financing through the Finance Corporation.
- The **Pension, Other Employee and Other Postemployment Benefit Trust Funds** reflect the activities of the Employees' Retirement System (Retirement System), the Health Service System and the Retiree Health Care Trust Fund. The Retirement System accounts for employee contributions, City contributions, and the earnings and profits from investments. It also accounts for the disbursements made for employee retirement benefits, withdrawals, disability and death benefits as well as administrative expenses. The Health Service System accounts for contributions from active and retired employees and surviving spouses, City contributions, and the earnings and profits from investments. It also accounts for the disbursements to various health plans and health care providers for the medical expenses of beneficiaries. The Retiree Health Care Trust Fund currently accounts for other postemployment benefit contributions from the City and the San Francisco Community College District, together with the earnings and profits from investments.
- The **Private-Purpose Trust Fund** accounts for the custodial responsibilities that are assigned to the Successor Agency with the passage of the Redevelopment Dissolution Law.
- The **Custodial Funds** account for the external portion of the Treasurer's Office investment pool and resources held by the City in a custodial capacity on behalf of the State of California and other governmental agencies; individuals; and human welfare, community health, and transportation programs. The external portion of the Treasurer's Office investment pool represents funds held for the San Francisco Community College District, San Francisco Unified School District, and the Trial Courts of the State of California.

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/amortization on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

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

(c) Deposits and Investments

Investment in the Treasurer's Pool

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

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

The San Francisco Unified School District (School District), San Francisco Community College District (Community College District), and the City are involuntary participants in the City's investment pool. As of June 30, 2022, involuntary participants accounted for approximately 98.0 percent of the pool. Voluntary participants accounted for 2.0 percent of the pool. Further, the School District, Community College District, and the Trial Courts of the State of California are external participants of the City's pool. At June 30, 2022, \$1.25 billion was held on behalf of these external participants. The total percentage share of the City's pool that relates to these three external participants is 8.7 percent. Internal participants accounted for 91.3 percent of the pool.

Investment Valuation

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

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

The fair values of the partnership interests, which include private equity, real assets, private credit, and some public equity investments are based on net asset values (NAV) provided by the general partners and investment managers.

The Absolute Return Program invests in limited partnerships and other alternative investment vehicles. The most common investment strategies include, but are not limited to equity, credit, macro, emerging markets, quantitative, multi-strategy, special situations/other, co-investments and commodities. These investments are valued using their respective NAV and are audited annually. The most significant input into the NAV of such an entity is the fair value of its investment holdings. These holdings are typically valued on a monthly basis by each fund's independent administrator and for certain illiquid investments,

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where no market exists, the General Partner may provide pricing input. The management assumptions are based upon the nature of the investment and the underlying business. Investments have the potential to become illiquid under stressed market conditions and, in certain circumstances, investors may be subject to redemption restrictions which can impede the timely return of capital. The valuation techniques vary based upon investment type but are predominantly derived from observed market prices.

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

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

Investment Income

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

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

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

(d) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2022, it was determined that \$2,187.3 million of the \$2,362.5 million loan portfolio is not expected to be ultimately collected.

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

(e) Inventories

Inventories recorded in the governmental funds consist of personal protective equipment and supplies related to the COVID-19 pandemic. 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.

(f) Property Held for Resale

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

(g) Capital Assets

Capital assets, which include land, facilities and improvements, machinery and equipment, infrastructure assets, and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary and private-purpose trust funds. Capital assets, except for intangible assets, are defined as assets with an initial individual cost of more than \$5 and have an estimated life that extends beyond a single reporting period or more than a year. Intangible assets have a capitalization threshold of \$100. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation. Capital outlay is recorded as expenditures of the General Fund and other governmental funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of the capital assets of business-type activities prior to July 1, 2021 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 right-to-use assets under 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.

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(h) Accrued Vacation and Sick Leave Pay

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

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

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

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

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

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

(j) Fund Equity

Governmental Fund Balance

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

- *Nonspendable* – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The not in spendable form criterion includes items that are not expected to be converted to cash, such as prepaid amounts, as well as certain long-term receivables that would otherwise be classified as unassigned.
- *Restricted* – includes amounts that can only be used for specific purposes due to constraints imposed by external resource providers, by the City's Charter, or by enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.
- *Committed* – includes amounts that can only be used for specific purposes pursuant to an ordinance passed by the Board of Supervisors and signed by the Mayor. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally.

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- *Assigned* – includes amounts that are not classified as nonspendable, restricted, or committed, but are intended to be used by the City for specific purposes. Intent is expressed by legislation or by action of the Board of Supervisors or the City Controller to which legislation has delegated the authority to assign amounts to be used for specific purposes.
- *Unassigned* – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Other governmental funds may only report a negative unassigned balance that was created after classification in one of the other four fund balance categories.

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

Encumbrances

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

Net Position

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

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

(k) Interfund Transfers

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

- Charges for services are recorded as revenues of the performing fund and expenditures/expenses 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.

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(l) Refunding of Debt

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

(m) Pollution Remediation Obligations

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

(n) Cash Flows

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

(o) Pensions

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

(p) Other Postemployment Benefits (OPEB)

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

(q) Restricted Assets

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

(r) Deferred Outflows and Inflows of Resources

The City records deferred outflows or inflows of resources in its governmental, proprietary, fiduciary, and government-wide financial statements. Deferred outflows of resources represent a consumption of net assets that applies to future periods and deferred inflows of resources represent an acquisition of net assets that applies to future periods.

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

(s) Leases

Leases are defined as the right-to-use an underlying asset for a specified period. The City is a lessee and lessor for various noncancellable leases.

Measurement of Lease Amounts as Lessee

As lessee, the City recognizes a lease liability and an intangible right-to-use lease asset at the beginning of a lease. Right-to-use lease assets are valued based on the net present value of the future lease payments at inception, using the City's incremental borrowing rate. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the City is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Measurement of Lease Amounts as Lessor

As lessor, at the beginning of the lease term, the City recognizes a lease receivable based on the net present value of future lease payments to be received for the lease term and a deferred inflow of resources based on the net present value plus any payments received at or before the commencement of the lease term that relate to future periods with certain exceptions for leases of assets held as investments, certain regulated leases, short-term leases, and leases that transfer ownership of the underlying asset. Amortization of the receivable is reported as lease and interest revenues. Deferred inflows of resources are recognized as inflows on a straight-line basis over the term of the lease.

Remeasurement

The City monitors changes in circumstances that may require remeasurement of a lease. When certain changes occur that are expected to significantly affect the amount of the lease receivable or lease liability, the receivable or liability is remeasured and a corresponding adjustment is made to the deferred inflow of resources or lease asset, respectively.

Short-term Leases

For short-term lease contracts, generally those with a maximum possible term of 12 months or less, the City recognizes revenue or expense based on the payment provisions of the lease contract. Liabilities are only recognized if payments are received in advance, and receivables are only recognized if payments are received subsequent to the reporting period.

(t) Estimates

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

(u) Reclassifications

Certain amounts, presented as 2020-21 Summarized Comparative Financial Information in the basic financial statements, have been reclassified for comparative purposes, to conform to the presentation in the 2021-22 basic financial statements.

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

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

Total fund balances of the City's governmental funds, \$6,779,670, differs from net position of governmental activities, \$5,331,019, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets, Liabilities ⁽¹⁾	Internal Service Funds ⁽²⁾	Reclassi- fications and Eliminations	Statement of Net Position Totals
Assets					
Deposits and investments with City Treasury.....	\$ 7,795,872	\$ -	\$ 46,313	\$ -	\$ 7,842,185
Deposits and investments outside City Treasury.....	330,961	-	6,407	-	337,368
Receivables, net					
Property taxes and penalties.....	187,806	-	-	-	187,806
Other local taxes.....	409,621	-	-	-	409,621
Federal and state grants and subventions.....	398,604	-	-	-	398,604
Charges for services.....	126,684	-	883	-	127,567
Interest and other.....	14,981	-	376	-	15,357
Leases.....	82,755	-	7,549	-	90,304
Due from other funds.....	10,408	-	-	(10,408)	-
Due from component units.....	18,037	-	-	-	18,037
Advance to component unit.....	1,124	-	-	-	1,124
Loans receivable, net.....	175,229	-	-	-	175,229
Inventories.....	20,114	-	-	-	20,114
Capital assets, net.....	-	7,564,218	23,044	-	7,587,262
Net pension asset.....	-	1,386,697	26,149	-	1,412,846
Other assets.....	69,624	537	-	-	70,161
Total assets.....	<u>9,641,820</u>	<u>8,951,452</u>	<u>110,721</u>	<u>(10,408)</u>	<u>18,693,585</u>
Deferred outflows of resources					
Unamortized loss on refunding of debt.....	-	6,172	694	-	6,866
Pensions.....	-	794,999	15,517	-	810,516
OPEB.....	-	321,113	8,476	-	329,589
Total deferred outflows of resources.....	<u>-</u>	<u>1,122,284</u>	<u>24,687</u>	<u>-</u>	<u>1,146,971</u>
Liabilities					
Accounts payable.....	579,665	-	6,490	-	586,155
Accrued payroll.....	177,427	-	3,174	-	180,601
Accrued vacation and sick leave pay.....	-	238,553	5,332	-	243,885
Accrued workers' compensation.....	-	358,410	1,425	-	359,835
Estimated claims payable.....	-	296,919	-	-	296,919
Accrued interest payable.....	-	22,012	780	-	22,792
Unearned grant and subvention revenues.....	204,319	-	-	-	204,319
Due to other funds.....	67,001	-	31	(10,408)	56,624
Unearned revenues and other liabilities.....	1,105,833	-	37	-	1,105,870
Bonds, loans, leases, and other payables.....	29,771	4,905,440	111,404	-	5,046,615
Net pension liability.....	-	341,625	-	-	341,625
Net OPEB liability.....	-	1,973,989	43,527	-	2,017,516
Total liabilities.....	<u>2,164,016</u>	<u>8,136,948</u>	<u>172,200</u>	<u>(10,408)</u>	<u>10,462,756</u>
Deferred inflows of resources					
Unavailable revenue.....	616,098	(616,098)	-	-	-
Unamortized gain on refunding of debt.....	-	89,218	239	-	89,457
Pensions.....	-	3,390,121	61,724	-	3,451,845
OPEB.....	-	407,231	8,678	-	415,909
Leases.....	82,036	-	7,534	-	89,570
Total deferred inflows of resources.....	<u>698,134</u>	<u>3,270,472</u>	<u>78,175</u>	<u>-</u>	<u>4,046,781</u>
Fund balances/ net position					
Total fund balances/ net position.....	<u>\$ 6,779,670</u>	<u>\$ (1,333,684)</u>	<u>\$ (114,967)</u>	<u>\$ -</u>	<u>\$ 5,331,019</u>

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

Cost of capital assets.....	\$10,286,746
Accumulated depreciation/amortization	<u>(2,722,528)</u>
	<u>\$ 7,564,218</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	\$ (238,553)
Accrued workers' compensation.....	(358,410)
Estimated claims payable.....	(296,919)
Bonds, loans, leases, and other payables.....	<u>(4,905,440)</u>
	<u>\$ (5,799,322)</u>

Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. \$ (22,012)

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

Unamortized loss on refunding of debt.....	\$ 6,172
Unamortized gain on refunding of debt	<u>(89,218)</u>
	<u>\$ (83,046)</u>

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

Net pension asset.....	\$1,386,697
Net pension liability.....	(341,625)
Deferred outflows of resources related to pensions	794,999
Deferred inflows of resources related to pensions	<u>(3,390,121)</u>
	<u>\$ (1,550,050)</u>

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

Net OPEB asset	\$ 537
Net OPEB liability	(1,973,989)
Deferred outflows of resources related to OPEB	321,113
Deferred inflows of resources related to OPEB.....	<u>(407,231)</u>
	<u>\$ (2,059,570)</u>

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

Revenue not collected within 60 days of the end of the current fiscal period\$ 616,098

- (2) Internal service funds are used by management to charge the costs of certain activities, such as 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	\$ (20,163)
Adjustments for internal balances with the San Francisco Finance Corporation:	
Receivables from other governmental and enterprise funds.....	(97,301)
Unearned revenues and other liabilities	<u>2,497</u>
	<u>\$ (114,967)</u>

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

The net change in fund balances for governmental funds, \$502,471, differs from the change in net position for governmental activities, \$1,570,698, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

	Total Governmental Funds	Long-term Revenues/ Expenses (3)	Capital- related Items (4)	Internal Service Funds (5)	Long-term Debt Transactions (6)	Statement of Activities Totals
Revenues						
Property taxes.....	\$ 2,998,200	\$ 6,600	\$ -	\$ -	\$ -	\$ 3,004,800
Business taxes.....	1,326,675	-	-	-	-	1,326,675
Sales and use tax.....	293,155	-	-	-	-	293,155
Hotel room tax.....	174,609	-	-	-	-	174,609
Utility users tax.....	105,225	-	-	-	-	105,225
Parking tax.....	71,122	-	-	-	-	71,122
Real property transfer tax.....	520,359	(23)	-	-	-	520,336
Other local taxes.....	84,846	-	-	-	-	84,846
Licenses, permits and franchises.....	46,834	(8,104)	-	-	-	38,730
Fines, forfeitures, and penalties.....	44,581	52	-	-	-	44,633
Interest and investment income (loss).....	(160,819)	-	-	132	-	(160,687)
Rents and concessions.....	131,450	(1,008)	-	-	-	130,442
Intergovernmental:						
Federal.....	1,096,707	10,974	-	-	-	1,107,681
State.....	1,207,042	13,811	-	11	-	1,220,864
Other.....	20,081	(485)	-	757	-	20,353
Charges for services.....	397,270	(3,428)	-	-	-	393,842
Other.....	186,499	13,315	-	37	-	199,851
Total revenues.....	<u>8,543,836</u>	<u>31,704</u>	<u>-</u>	<u>937</u>	<u>-</u>	<u>8,576,477</u>
Expenditures/ Expenses						
Current:						
Public protection.....	1,644,421	(392,447)	2,298	(1,547)	-	1,252,725
Public works, transportation and commerce.....	471,415	(82,863)	(52,493)	-	-	336,059
Human welfare and neighborhood development.....	2,539,914	(132,325)	(75,059)	-	-	2,332,530
Community health.....	1,181,711	(74,178)	44,314	-	-	1,151,847
Culture and recreation.....	464,643	(106,601)	54,491	(14,219)	-	398,314
General administration and finance.....	377,185	(100,276)	58,863	-	-	335,772
Distributions to other governments.....	47,296	-	-	-	-	47,296
General City responsibilities.....	156,870	84	-	(27,816)	-	129,138
Debt service:						
Principal retirement.....	439,550	-	-	-	(439,550)	-
Interest and other fiscal charges.....	173,656	-	-	3,473	(32,733)	144,396
Bond issuance costs.....	3,330	-	-	-	-	3,330
Payment to refunded bond escrow agent.....	7,768	-	-	-	(27)	7,741
Capital outlay.....	250,764	-	(250,764)	-	-	-
Total expenditures.....	<u>7,758,523</u>	<u>(888,606)</u>	<u>(218,350)</u>	<u>(40,109)</u>	<u>(472,310)</u>	<u>6,139,148</u>
Excess (deficiency) of revenues over (under) expenditures.....	<u>785,313</u>	<u>920,310</u>	<u>218,350</u>	<u>41,046</u>	<u>472,310</u>	<u>2,437,329</u>
Other financing sources (uses) / changes in net position						
Net transfers in (out).....	(868,303)	-	-	1,672	-	(866,631)
Issuance of bonds:						
Face value of bonds issued.....	468,380	-	-	-	(468,380)	-
Face value of refunding debt issued.....	414,205	-	-	-	(414,205)	-
Premium on issuance of bonds.....	124,411	-	-	-	(124,411)	-
Payment to refunded bond escrow agent.....	(463,448)	-	-	-	463,448	-
Inception of lease.....	41,913	-	-	-	(41,913)	-
Total other financing sources (uses).....	<u>(282,842)</u>	<u>-</u>	<u>-</u>	<u>1,672</u>	<u>(585,461)</u>	<u>(866,631)</u>
Net change for the year.....	<u>\$ 502,471</u>	<u>\$ 920,310</u>	<u>\$ 218,350</u>	<u>\$ 42,718</u>	<u>\$ (113,151)</u>	<u>\$ 1,570,698</u>

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(3) Property taxes are recognized as revenues in the period the amount becomes available. This is the current period amount by which the deferred inflows of resources increased in the governmental funds. \$ 6,600

Other revenues that were unavailable are reported as deferred inflows of resources in the governmental funds. This is the current period amount by which deferred inflows of resources increased in the governmental funds. 25,104
\$ 31,704

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. \$ 1,916,931

Changes to net pension asset/liability and pension related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. (996,455)

Changes to net OPEB asset/liability and OPEB related deferred outflows and inflows of resources do not provide financial resources and, therefore, are not reported as a reduction in expenditures in governmental funds. (31,795)

Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net revenues reported in the governmental funds. (75)
\$ 888,606

(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/amortization 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	\$ 544,501
Depreciation expense	(325,649)
Loss on disposal of capital assets	(500)
Write off of construction in progress	<u>(2)</u>
Difference	<u>\$ 218,350</u>

(5) Internal service funds are used by management to charge the costs of certain activities, such as lease financing, equipment maintenance services, printing and mailing services, and telecommunications and information systems to individual funds. The adjustments for internal service funds “close” those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds’ costs for the year. \$ 42,718

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(6) Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period. \$ (124,411)

Repayment of bond and lease principal and the payment to escrow for refunding of debt are reported as expenditures in governmental funds and, thus, have the effect of reducing fund balance because current financial resources have been used. For the City as a whole, however, the principal payments and payment to escrow for refunded debt 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.

Bond principal payments made	\$ 370,826
Lease principal payments made	68,724
Payments to escrow for refunded debt.....	<u>463,475</u>
	<u>903,025</u>

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

General obligation bonds	\$ (468,380)
Refunding general obligation bonds	(414,205)
Leases.....	<u>(41,913)</u>
	<u>(924,498)</u>
	<u>\$ (21,473)</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, loans, leases and other payables, and (2) amortization of bond premiums and refunding losses and gains are not expended within the fund statements.

Increase in accrued interest	\$ (213)
Gain on refundings	(63,575)
Amortization of bond premiums.....	91,417
Amortization of bond refunding losses and gains.....	<u>5,104</u>
	<u>\$ 32,733</u>

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(4) EFFECTS OF NEW ACCOUNTING PRONOUNCEMENTS

During fiscal year 2022, the City implemented the following accounting standards:

In June 2017, the GASB issued Statement No. 87, *Leases*. GASB Statement No. 87 establishes a single model for lease accounting and requires reporting of certain lease assets, liabilities, and deferred inflows that were previously not reported. The new standard is effective for periods beginning after June 15, 2021. As a result, the City restated its assets, liabilities, deferred inflows, and net position as of July 1, 2021, as follows:

	Governmental Activities	Business-Type Activities	Total Primary Government
Right-to-use assets, net.....	\$ 539,003	\$ 253,185	\$ 792,188
Leases receivable.....	95,475	967,186	1,062,661
Lease liabilities.....	(539,003)	(255,489)	(794,492)
Change in unearned rents and advance payments.....	1,124	27,576	28,700
Deferred inflows related to leases.....	(95,475)	(984,873)	(1,080,348)
Change in beginning net position.....	<u>\$ 1,124</u>	<u>\$ 7,585</u>	<u>\$ 8,709</u>

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. GASB Statement No. 89 requires that interest costs incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred and no longer included in the historical cost of capital assets. The new standard is effective for periods beginning after December 15, 2020. The City did not record capitalized interest for the year ended June 30, 2022. During the year ended June 30, 2021, the City recorded \$101.2 million of capitalized interest in its business-type activities.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020*. GASB Statement No. 92 addresses a variety of topics related to postemployment benefits and other issues. The new standard is effective for periods beginning after June 15, 2021. Application of this statement did not have a significant impact on the City for the year ended June 30, 2022.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. GASB Statement No. 93 addresses the accounting and financial reporting effects of replacement of interbank offering rates with other reference rates in agreements which reference an interbank offering rate. The new standard is effective for periods beginning after June 15, 2021. Application of this statement did not have a significant impact on the City for the year ended June 30, 2022.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. GASB Statement No. 99 addresses a variety of topics. The requirements related to extension of the use of the London Interbank Offered Rate, accounting for Supplemental Nutrition Assistance Program distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement No. 34, and terminology updates related to Statement No. 53 and Statement No. 63 are effective upon issuance and did not have a significant impact on the City for the year ended June 30, 2022. The requirements related to leases, public-public and public-private partnerships, and subscription-based information technology arrangements are effective for fiscal years beginning after June 15, 2022, and effective for the City's year ending June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and effective for the City's year ending June 30, 2024. The City is currently analyzing its accounting practices to determine the potential impact of the provisions of Statement No. 99 applicable in future years.

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

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. GASB Statement No. 91 clarifies the definition of conduit debt and establishes new recognition, measurement, and disclosure requirements. The new standard is effective for periods beginning after December 15, 2021. Application of this statement is effective for the City's year ending June 30, 2023.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. GASB Statement No. 94 establishes standards for public-private and public-public partnerships (PPPs) and availability payment arrangements. A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. An availability payment arrangement is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The new standard requires reporting of related assets and deferred inflows that currently are not reported and is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. GASB Statement No. 96 defines such arrangements as contracts that convey control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The standard clarifies measurement and recognition of capitalizable costs, intangible assets, and subscription liabilities for such arrangements and also requires additional disclosures related to such arrangements. The new standard is effective for periods beginning after June 15, 2022. Application of this statement is effective for the City's year ending June 30, 2023.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. GASB Statement No. 100 defines various types of accounting changes and prescribes accounting, reporting, and disclosure requirements for accounting changes and error corrections. The new standard is effective for periods beginning after June 15, 2023. Application of this statement is effective for the City's year ending June 30, 2024.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. GASB Statement No. 101 requires that liabilities for compensated absences be recognized if the leave is attributable to services already rendered and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means and establishes definitions, guidance, and disclosure requirements related to compensated absences. The new standard is effective for periods beginning after December 15, 2023. Application of this statement is effective for the City's year ending June 30, 2025.

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(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
Deposits and investments with				
City Treasury.....	\$ 7,842,185	\$ 3,387,920	\$ 1,927,835	\$ 13,157,940
Deposits and investments outside				
City Treasury.....	330,961	22,635	34,361,594	34,715,190
Restricted assets:				
Deposits and investments with				
City Treasury.....	-	1,313,986	-	1,313,986
Deposits and investments outside				
City Treasury.....	6,407	800,585	403,346	1,210,338
Total deposits & investments	\$ 8,179,553	\$ 5,525,126	\$ 36,692,775	\$ 50,397,454
Cash and deposits.....				\$ 306,162
Investments.....				50,091,292
Total deposits and investments.....				\$ 50,397,454

(b) Investment Policies

Treasurer's Pool

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

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The investment policy places maturity limits based on the type of security. Investments held by the Treasurer during the year did not include repurchase agreements or reverse repurchase agreements. The table below identifies the investment types that are authorized by the City's investment policy dated May 2021.

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasuries	5 years	100%	100%
Federal Agencies	5 years	100%	100%
State and Local Government Agency Obligations	5 years	20% *	5% *
Public Time Deposits	13 months *	None	None
Negotiable Certificates of Deposit/Yankee Certificates of Deposit	5 years	30%	None
Bankers Acceptances	180 days	40%	30%
Commercial Paper	270 days	25% *	10%
Medium Term Notes	4-5 years*	5%*	10%*
	3-4 years*	5%*	10%*
	2-3 years*	5%*	10%*
	Up to 2 years*	Up to 30%	10%*
Repurchase Agreements (Government Securities)	1 year	None	None
Repurchase Agreements (Securities permitted by CA Government Code, Sections 53601 and 53635)	1 year	10%	None
Reverse Repurchase Agreements / Securities Lending	45 days *	None	\$75 million *
Money Market (Institutional Government Funds)	N/A	20%	N/A
Supranationals	5 years	30%	None
State of California Local Agency Investment Fund (LAIF)	N/A	Statutory	None

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

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

Other Funds

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

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Notes to Basic Financial Statements (Continued)
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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 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, securities lending, foreign currency contracts, derivative instruments, private equity, real assets, private credit, and absolute return investments, which include investments in a variety of commingled partnership vehicles.

The Retirement Board's asset allocation policies for the year ended June 30, 2022, is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	37.00%
Treasuries	8.00%
Liquid Credit	5.00%
Private Credit	10.00%
Private Equity	23.00%
Real Assets	10.00%
Absolute Return	10.00%
Leverage	-3.00%
	<u>100.00%</u>

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, 2022, \$83,444 (or 15.4% of reinvested cash collateral) consisted of such agreements.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Retiree Health Care Trust Fund (RHCTF)

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

At its May 2021 Board Meeting, for the Community College District's Sub-Trust, the RHCTF Board anticipated that illiquid investments will not be appropriate given the portfolio liquidity needs. Therefore, the RHCTF Board approved a new separate allocation that offers a higher liquidity, lower risk levels profile for the Community College.

The RHCTF Board has established percentage guidelines for types of investments to ensure the portfolio is diversified, as follows:

Asset Class	Target Allocation Since May 2021	
	City and County of San Francisco Sub-Trust	Community College District Sub-Trust
Equities		
U.S. Equity Large Cap	28.0%	31.0%
U.S. Equity Small Cap	3.0%	3.0%
Developed Market Equity (Non-U.S.)	15.0%	18.0%
Emerging Market Equity	13.0%	16.0%
Credit		
Bank Loans/ High Yield Bonds	6.0%	6.0%
Emerging Market Bonds	3.0%	3.0%
Rate Sensitive		
Short-Term Treasury Inflation-Protected Securities (TIPS)	4.0%	3.0%
Investment Grade Bonds	9.0%	15.0%
Long-Term Government Bonds	4.0%	5.0%
Private Markets		
Private Equity	5.0%	-
Private Core Real Estate	5.0%	-
Risk Mitigating Strategies		
Global Macro	5.0%	-
	100.0%	100.0%

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(c) Fair Value Hierarchy

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

The following is a summary of inputs used in valuing the City's investments as of June 30, 2022:

	Fair Value 6/30/2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Primary Government:				
Investments in City Treasury:				
U.S. Treasuries	\$ 4,253,409	\$ 4,253,409	\$ -	\$ -
U.S. Agencies - Discount	24,898	-	24,898	-
U.S. Agencies - Coupon (no call option)	3,812,481	-	3,812,481	-
U.S. Agencies (callable option)	752,721	-	752,721	-
Negotiable Certificates of Deposits	1,953,299	-	1,953,299	-
Supranationals	570,730	-	570,730	-
Commercial Paper	677,945	-	677,945	-
Public Time Deposits	40,000 *	-	-	-
Money Market Mutual Funds	2,440,747 *	-	-	-
Subtotal Investments in City Treasury	14,526,230	\$ 4,253,409	\$ 7,792,074	\$ -
Investments Outside City Treasury:				
U.S. Treasury Notes	463,236	\$ 463,236	\$ -	\$ -
U.S. Agencies	165,337	-	165,337	-
State and Local Agencies	4,155	-	4,155	-
Supranationals	3,614	-	3,614	-
Commercial Paper	1,482 *	-	-	-
Money Market Mutual Funds	831,136 *	-	-	-
Certificates of Deposit	268 *	-	-	-
Subtotal Investments Outside City Treasury	1,469,228	\$ 463,236	\$ 173,106	\$ -

* Not subject to fair value hierarchy

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	Fair Value 6/30/2022	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Employees' Retirement System Investments				
Short-Term Investments	\$ 353,250	\$ 349,997	\$ -	\$ 3,253
Debt Securities:				
U.S. Government and Agency Securities	875,900	874,935	965	-
Other Debt Securities	745,912	88,122	542,813	114,977
Equity Securities:				
Domestic Equity	2,821,840	2,814,575	4,326	2,939
International Equity	1,649,505	1,648,544	961	-
Foreign Currency Contracts, net	(197)	-	-	(197)
Invested Securities Lending Collateral	541,413	-	541,614	(201)
Subtotal	<u>6,987,623</u>	<u>\$ 5,776,173</u>	<u>\$ 1,090,679</u>	<u>\$ 120,771</u>
Investments measured at the net asset value (NAV)				
Short-Term Investments	15,849			
Fixed Income invested in:				
Other Debt Securities	100,784			
Equity Funds invested in:				
Domestic	4,664,059			
International	444,247			
Real Assets	5,113,451			
Private Credit	2,171,037			
Private Equity	10,338,629			
Absolute Return	<u>3,511,019</u>			
Total investments measured at the NAV	<u>26,359,075</u>			
Subtotal Investments in Employees' Retirement System	<u>33,346,698</u>			
Retiree Health Care Trust Investments measured at the NAV				
Short-Term Investments	3,526			
Fixed Income:				
Debt Index Funds	203,697			
Equities:				
Domestic	230,802			
International	205,483			
Private Equity	21,775			
Real estate	39,477			
Risk Mitigating Strategies	<u>44,376</u>			
Subtotal Investments in Retiree Health Care Trust	<u>749,136</u>			
Total Investments	<u>\$ 50,091,292</u>			

Investments Held in City Treasury

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

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

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

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Notes to Basic Financial Statements (Continued)
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Investments Held Outside City Treasury

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

Employees' Retirement System Investments

Investments at Fair Value

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

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

Investments at Net Asset Value (NAV)

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

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

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

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

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

Private credit investment strategies include capital preservation, return maximization and opportunistic. Investments in the asset class are achieved through commingled funds and separate account partnerships. Private credit investments are mostly illiquid and distributions are received over the life of the investments. These investments are not typically redeemed, nor do they have set redemption schedules. There are seventeen public equity investments held in commingled funds valued at NAV. These investments may be subject to varying lock-up provisions and redemption schedules. The real asset holdings are illiquid. Distributions are received over the life of the investments, which could equal or exceed ten years. They are not redeemed, nor do they have set redemption schedules. Private equity investment strategies include buyout, venture capital, growth capital, and special situations. Investments in the asset class are achieved primarily through commingled funds and separate account partnerships but may also include direct and co-investment opportunities. Private equity investments are illiquid and distributions are received over the life of the investments, which could equal or exceed ten years. These investments are not typically redeemed, nor do they have set redemption schedules.

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

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The table below provides a summary of the terms and conditions upon which the Retirement System may redeem its debt and equity funds, and absolute return investments.

Investment Type	NAV as of June 30, 2022	Unfunded Commitment	Redemption Frequency	Redemption Notice Period	NAV Lock Up and Years
Debt securities	\$ 46,798	N/A	Monthly	On a business day (BD) at least 15 days prior to the last BD of the month	
	49,825		Daily	2 business days	
	4,161		N/A	N/A	
	\$ 100,784				
Domestic equity securities	590,616	N/A	Monthly	30 calendar days	
	280,236		Semi-monthly	6 business days	
	757,082		Semi-monthly	9 business days	
	292,413		Quarterly	30 calendar days	
	613,488		Quarterly	45 calendar days	
	54,509		Quarterly	60 calendar days	
	977,076		Quarterly	90 calendar days	
	310,585		Semi-annually	60 calendar days	
	408,389		Semi-annually	90 calendar days	
	379,665		Annually	60 calendar days	
\$ 4,664,059					
International equity securities	444,247	N/A	Monthly	30 calendar days	
Absolute return	1,425,012	55,741	Monthly	5-95 Days	\$1,204,714 / No Lock Up \$61,572 / Less than 1 Year \$102,186 / 1-2 Years \$352,351 / No Lock Up \$54,343 / Less than 1 Year \$226,015 / 1-2 Years
	1,368,472		Quarterly	45-180 Days	
	632,709		Semi-annually	60-180 Days	
	84,826		N/A	N/A	
	\$ 3,511,019				

Retiree Health Care Trust Fund

Investments at Net Asset Value (NAV)

At June 30, 2022, the RHCTF had cash and investments in the City Treasury pool, commingled funds, mutual funds, feeder funds, and money market funds. The funds are priced at net asset value (NAV) by industry vendors and fund families. NAV is the fair value of all securities owned by a fund, minus its total liabilities, divided by the number of shares issued and outstanding. As of June 30, 2022, one debt security investment, valued at \$47.1 million, has quarter-end redemptions with a 90 day advance written notice requirement. In addition, one international equity investment, valued at \$98.3 million, has weekly redemptions with a three-day advance notification requirement. Both investments have 5% holdbacks for a full liquidation. In addition, \$44.4 million of RHCTF's risk mitigating strategies allows redemptions on a weekly basis with four-day notice. There are no redemption restrictions for the remaining commingled funds. The fair value of the RHCTF's investments in private equity and real estate are based on NAV provided by the investment managers and general partners (hereinafter collectively referred to as the "General Partners"). Such value generally represents the RHCTF's proportionate share of the net assets of the limited partnerships. The partnership financial statements are audited annually as of December 31 and the NAV is adjusted by additional contributions to and distributions from the partnership, the RHCTF's share of net earnings and losses, and unrealized gains and losses resulting from changes in fair value, as determined by the General Partners.

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

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

(d) Investment Risks

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The California Government Code requires California banks and savings and loan associations to secure the City's deposits not covered by FDIC insurance by pledging government and/or local agency securities as collateral. The fair value of such pledged securities must equal at least 110% and be of the type authorized in California Government Code, Section 53651 (a) through (i). 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. At June 30, 2022, all banks with funds deposited by the Treasurer secured deposits with sufficient collateral or FDIC insurance.

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Interest Rate Risk

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

	S&P Rating	Fair Value	Investment Maturities	
			Less than 1 year	1 to 5 years
Primary Government:				
Investments in City Treasury:				
U.S. Treasury Notes	AA+	\$ 4,253,409	\$ 939,209	\$ 3,314,200
U.S. Agencies	AA+	4,590,100	913,409	3,676,691
Negotiable Certificates of Deposit	A-1, A-1+	1,953,299	1,953,299	-
Money Market Mutual Funds	AAAm	2,440,747	2,440,747	-
Public time deposits	NR	40,000	40,000	-
Supranationals	AAA	570,730	162,180	408,550
Commercial Paper	A-1,A-1+	677,945	677,945	-
Less: Employees' Retirement System				
Investments with City Treasury	n/a	(15,352)	(15,352)	-
Less: Retiree Health Care Trust				
Investments with City Treasury	n/a	(6,828)	(6,828)	-
Subtotal pooled investments		<u>14,504,050</u>	<u>\$ 7,104,609</u>	<u>\$ 7,399,441</u>
Investments Outside City Treasury:				
U.S. Treasury Notes	AA+	\$ 463,236	\$ 69,462	\$ 393,774
U.S. Agencies	AA+	165,337	37,876	127,461
State and Local Agencies	NR,AA,AA+,AAA	4,155	426	3,729
Supranationals	AAA	3,614	1,204	2,410
Money Market Mutual Funds	A-1+,AAAm	714,949	714,949	-
U.S. Treasury Money Market Funds	AAAm	116,187	116,187	-
Commercial Paper	A-1+,AAAm	1,482	1,482	-
Negotiable Certificates of Deposit	NR, A+,AA-	268	268	-
Subtotal investments outside City Treasury		<u>1,469,228</u>	<u>\$ 941,854</u>	<u>\$ 527,374</u>
Retiree Health Care Trust Investments		755,964		
Employees' Retirement System investments		<u>33,362,050</u>		
Total Investments		<u>\$ 50,091,292</u>		

As of June 30, 2022, the investments in the City Treasury had a weighted average maturity of 569 days.

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Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to pay the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The S&P Global Ratings (S&P) rating for each of the investment types are shown in the table above.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk 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, 2022, the City Treasurer has investments that represent 5.0% or more of the total Pool in the following:

Federal Farm Credit Bank.....	20.6%
Federal Home Loan Bank.....	7.6%

In addition, the following major fund holds investments with trustees that represent 5.0% or more of the funds' investments outside City Treasury as of June 30, 2022:

Airport:	
Federal Home Loan Mortgage Association	10.8%
Federal National Mortgage Association	10.0%

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(e) Treasurer's Pool

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of and for the year ended June 30, 2022:

Statement of Net Position	
Net position held in trust for all pool participants.....	<u>\$ 14,471,926</u>
Equity of internal pool participants.....	\$ 13,219,521
Equity of external pool participants.....	<u>1,252,405</u>
Total equity.....	<u>\$ 14,471,926</u>

Statement of Changes in Net Position	
Net position at July 1, 2021.....	\$ 13,410,639
Net change in investments by pool participants.....	<u>1,061,287</u>
Net position at June 30, 2022.....	<u>\$ 14,471,926</u>

The following provides a summary of key investment information for the Treasurer's Pool as of June 30, 2022:

Type of Investment	Rates	Maturities	Par Value	Carrying Value
Pooled Investments:				
U.S. Treasury Notes.....	0.1% - 2.71%	08/15/2022 - 03/31/2027	\$ 4,475,000	\$ 4,253,409
U.S. Agencies.....	0.12% - 3.31%	09/16/2022 - 04/05/2027	4,760,279	4,590,100
Public Time Deposits.....	0.81% - 2.39%	09/19/2022 - 12/19/2022	40,000	40,000
Negotiable CDs.....	0.18% - 3.71%	07/01/2022 - 06/15/2023	1,960,000	1,953,299
Commercial Paper.....	0.24% - 2.47%	07/01/2022 - 10/26/2022	680,000	677,945
Money Market Mutual Funds.....	0.97% - 1.27%	07/01/2022 - 07/01/2022	2,440,747	2,440,747
Supranationals.....	0.26% - 1.98%	10/07/2022 - 02/27/2026	588,543	570,730
			<u>\$ 14,944,569</u>	<u>14,526,230</u>
Carrying amount of deposits with Treasurer.....				<u>(54,304)</u>
Total cash and investments with Treasurer.....				<u>\$ 14,471,926</u>

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(f) Retirement System's Investments

The Retirement System's investments as of June 30, 2022, are summarized as follows:

Fixed Income Investments:	
Short-term investments	\$ 369,099
City investment pool	15,352
Debt securities:	
U.S. government and agency securities	875,900
Other debt securities	846,696
Subtotal debt securities	<u>1,722,596</u>
Total fixed income investments	<u>2,107,047</u>
Equity securities:	
Domestic	7,485,899
International	2,093,752
Total equities securities:	<u>9,579,651</u>
Real assets	5,113,451
Private credit	2,171,037
Private equity	10,338,629
Absolute return	3,511,019
Foreign currency contracts, net	(197)
Invested securities lending collateral	541,413
Total Retirement System Investments	<u>\$ 33,362,050</u>

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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, 2022:

Investment Type	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Asset-Backed Securities	\$ 8,516	\$ -	\$ 697	\$ 897	\$ 6,922
Bank Loans	111,655	1,835	54,566	55,254	-
City Investment Pool	15,352	7,532	7,820	-	-
Collateralized Bonds	6,576	-	-	1,594	4,982
Commercial Mortgage-Backed	82,457	387	1,762	1,962	78,346
Commingled and Other					
Fixed Income Funds	186,996	(7,406)	-	53,204	141,198
Corporate Bonds	244,913	2,295	80,655	123,347	38,616
Corporate Convertible Bonds	119,864	5,187	97,177	11,966	5,534
Government Bonds	920,331	2,045	589,061	298,137	31,088
Government Mortgage-Backed Securities	2	-	-	-	2
Municipal/Provincial Bonds	963	-	607	356	-
Non-Government Backed					
Collateralized Mortgage Obligations	32,811	-	-	-	32,811
Options	(2)	(12)	10	-	-
Short-Term Investment Funds	374,407	374,407	-	-	-
Swaps*	2,310	2,999	(198)	(370)	(121)
Total	\$ 2,107,151	\$ 389,269	\$ 832,157	\$ 546,347	\$ 339,378

* (\$104) Credit default swaps are excluded because they are not subject to interest rate risk.

Credit Risk

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

Investments are classified and rated using the lower of (1) S&P Global Ratings (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.

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The following table illustrates the Retirement System’s exposure to credit risk as of June 30, 2022. Investments issued or explicitly guaranteed by the U.S. government of \$874,934 as of June 30, 2022, are exempt from the credit rating disclosures and are excluded from the table below.

Credit Rating	Fair Value	Fair Value as a Percentage of Total
AAA	\$ 352,514	28.6%
AA	5,392	0.4%
A	20,668	1.7%
BBB	78,622	6.4%
BB	104,296	8.5%
B	194,604	15.8%
CCC	30,458	2.5%
CC	5,089	0.4%
D	7,053	0.6%
Not Rated	433,417	35.1%
Total	\$ 1,232,113	100.0%

The securities listed as “Not Rated” include short-term investment funds, government mortgage-backed securities, and investments that invest primarily in rated securities, such as commingled funds and money market funds, but do not themselves have a specific credit rating. Excluding these investments, the “not rated” component of credit would be approximately 10.1% for 2022.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Retirement System’s investment in a single issuer. Securities issued or guaranteed by the U.S. government or its agencies are exempt from this limit. As of June 30, 2022, 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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government may not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Retirement System does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the Retirement System or its agent in the Retirement System’s name. As of June 30, 2022, \$210,091 of the Retirement System’s investments were exposed to custodial credit risk because they were not insured or registered in the name of the Retirement System, and were held by the counterparty’s trust department or agent but not in the Retirement System’s name.

Foreign Currency Risk

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

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The Retirement System's net exposures to foreign currency risk as of June 30, 2022, are as follows:

Currency	Cash	Equities	Fixed Income	Private Equities	Real Assets	Private Credit	Foreign Currency Contracts	Total
Argentina peso	\$ -	\$ -	\$ (134)	\$ -	\$ -	\$ -	\$ -	\$ (134)
Australian dollar	-	12,130	97	25,264	-	-	3,869	41,360
Brazil real	-	16,100	768	-	-	-	3,279	20,147
Canadian dollar	-	25,678	170	-	-	-	8,124	33,972
Chilean peso	-	998	1,019	-	-	-	123	2,140
Chinese r yu an HK	-	-	-	-	-	-	(5,674)	(5,674)
Chinese yu an renminbi	3,253	339,021	5,997	-	-	-	(23,261)	325,010
Colombian peso	-	-	4,254	-	-	-	(2,949)	1,305
Czech koruna	-	-	(343)	-	-	-	1,686	1,343
Danish krone	-	45,936	-	-	-	-	-	45,936
Euro	-	411,136	33,248	106,757	419,877	86,851	(32,625)	1,025,244
Hong Kong dollar	-	84,706	-	-	-	-	-	84,706
Hungarian forint	-	1,838	352	-	-	-	625	2,815
Indian rupee	-	20,025	-	-	-	-	-	20,025
Indonesian rupiah	-	4,481	3,931	-	-	-	298	8,710
Israeli shekel	-	-	-	-	-	-	(17)	(17)
Japanese yen	-	67,479	-	-	43,652	-	17,290	128,421
Kazakhstan tenge	-	-	198	-	-	-	-	198
Malaysian ringgit	-	1,990	3,786	-	-	-	14	5,790
Mexican peso	-	1,729	3,096	-	-	-	1,968	6,793
New Taiwan dollar	-	29,109	-	-	-	-	-	29,109
Norwegian krone	-	3,149	-	-	-	-	(44)	3,105
Peruvian sol	-	-	2,618	-	-	-	(1,857)	761
Philippines peso	-	1,151	177	-	-	-	(139)	1,189
Polish zloty	-	3,844	(268)	-	-	-	2,662	6,238
Pound sterling	-	125,915	6,699	73,274	61,717	-	(14,275)	253,330
Romanian leu	-	-	621	-	-	-	460	1,081
New Russian ruble	-	1,525	-	-	-	-	-	1,525
Serbian dinar	-	-	113	-	-	-	-	113
Singapore dollar	-	1,843	-	-	-	-	-	1,843
South African rand	-	5,319	8,361	-	-	-	(4,318)	9,362
South Korean won	-	15,587	-	-	-	-	-	15,587
Swedish krona	-	22,147	-	-	-	-	(43)	22,104
Swiss franc	-	71,783	-	-	-	-	(78)	71,705
Thailand baht	-	6,386	2,100	-	-	-	1,745	10,231
Turkish lira	-	-	-	-	-	-	235	235
Total	\$ 3,253	\$ 1,321,005	\$ 76,860	\$ 205,295	\$ 525,246	\$ 86,851	\$ (42,902)	\$ 2,175,608

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Money Weighted Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on pension plan investments, net of investment expenses, adjusted for the changing amounts actually invested, was -6.24%.

Derivative Instruments

As of June 30, 2022, 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 or by an external pricing service using various proprietary methods.

The table below presents the notional amounts, the fair values, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2022.

<u>Derivative Type / Contracts</u>	<u>Notional Amount</u>	<u>Fair Value</u>	<u>Net Appreciation (Depreciation) in Fair Value</u>
Forwards			
Foreign Exchange Contracts	\$ 204,130	\$ (197)	\$ (266)
Futures			
Bond Futures Long	7,398	(82)	(166)
Equity Index Futures Long	947	(1)	(1,073)
Treasury Futures Long	520,671	(4,894)	(6,368)
Treasury Futures Short	(5,215)	33	80
Options			
Credit Contracts	-	(12)	(13)
Foreign Exchange Contracts	200	10	(2)
Swaps			
Credit Contracts	5,554	(104)	(317)
Currency Contracts	440	309	62
Interest Rate Contracts	87,275	(1,200)	(951)
Total Return Contracts	185,719	3,201	3,201
Rights/Warrants			
Equity Contracts	62,912 shares	147,592	(6,429)
Total		<u>\$ 144,655</u>	<u>\$ (12,242)</u>

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

Counterparty Credit Risk

The Retirement System is exposed to credit risk on non-exchange traded derivative instruments that are in asset positions. The tables below present those investments being classified and rated using the lower of (1) S&P Global Ratings (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.

Credit Rating	Fair Value
AA	\$ 302
A	4,325
BBB	5,907
Total	\$ 10,534

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, 2022, 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, 2022.

Derivative Type / Contracts	Fair Value	Maturities			
		Less than 1 year	1-5 years	6-10 years	10+ years
Futures					
Treasury Futures Long	\$ (4,894)	\$ (4,894)	\$ -	\$ -	\$ -
Treasury Futures Short	33	33	-	-	-
Options					
Foreign Exchange Contracts	10	-	10	-	-
Swaps					
Currency Contracts	309	-	309	-	-
Interest Rate Contracts	(1,200)	(202)	(507)	(370)	(121)
Total Return Contracts	3,201	3,201	-	-	-
Total	\$ (2,541)	\$ (1,862)	\$ (188)	\$ (370)	\$ (121)

CITY AND COUNTY OF SAN FRANCISCO
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The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2022:

Investment Type	Reference Rate	Notional Value	Fair Value
Interest Rate Swap	Receive Fixed 0.25%, Pay Variable 3-Month BBA	\$ 46,800	\$ (1,273)
Interest Rate Swap	Receive Fixed 0.48%, Pay Variable 6-Month PRIBOR	630	(91)
Interest Rate Swap	Receive Fixed 0.57%, Pay Variable 6-Month WIBOR	1,491	(269)
Interest Rate Swap	Receive Fixed 1.48%, Pay Variable 6-Month PRIBOR	1,124	(252)
Interest Rate Swap	Receive Fixed 2.00%, Pay Variable 6-Month BUBOR	903	(93)
Interest Rate Swap	Receive Fixed 2.39%, Pay Variable 6-Month THB	542	(17)
Interest Rate Swap	Receive Fixed 2.42%, Pay Variable 6-Month THB	542	(16)
Interest Rate Swap	Receive Fixed 2.56%, Pay Variable 6-Month BUBOR	622	(128)
Interest Rate Swap	Receive Fixed 2.81%, Pay Variable 6-Month THB	521	5
Interest Rate Swap	Receive Fixed 3.34%, Pay Variable 3-Month KLIBOR	227	(9)
Interest Rate Swap	Receive Fixed 4.10%, Pay Variable 1-Day BIDOR	803	(57)
Interest Rate Swap	Receive Fixed 4.87%, Pay Variable 1-Day BIDOR	1,702	(196)
Interest Rate Swap	Receive Fixed 5.25%, Pay Variable 1-Day BIDOR	3,977	(144)
Interest Rate Swap	Receive Fixed 5.26%, Pay Variable 3-Month JIBAR	702	(48)
Interest Rate Swap	Receive Fixed 5.60%, Pay Variable 1-Day COOVIBR	81	(20)
Interest Rate Swap	Receive Fixed 6.71%, Pay Variable 28-Day MXIBR	649	(77)
Interest Rate Swap	Receive Fixed 7.13%, Pay Variable 28-Day MXIBR	605	(101)
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 1.20%	1,521	147
Interest Rate Swap	Receive Variable 1-Day COOVIBR, Pay Fixed 4.20%	1,033	155
Interest Rate Swap	Receive Variable 3-Month BBA, Pay Fixed 0.36%	22,800	1,284
Total Interest Rate Swaps		<u>\$ 87,275</u>	<u>\$ (1,200)</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
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Foreign Currency Risk

At June 30, 2022, the Retirement System is exposed to foreign currency risk on its derivative investments denominated in foreign currencies. Below is the derivative instruments foreign currency risk analysis as of June 30, 2022:

<u>Currency</u>	<u>Forwards</u>	<u>Options</u>	<u>Rights/ Warrants</u>	<u>Swaps</u>	<u>Futures</u>	<u>Total</u>
Argentina peso	\$ -	\$ -	\$ -	\$ (134)	\$ -	\$ (134)
Australian dollar	3,869	-	-	-	-	3,869
Brazil real	3,279	-	-	(398)	-	2,881
Canadian dollar	8,124	-	-	-	(27)	8,097
Chilean peso	123	-	-	-	-	123
Chinese r y uan HK	(5,674)	-	-	-	-	(5,674)
Chinese yuan renminbi	(23,261)	-	-	-	-	(23,261)
Colombian peso	(2,949)	-	-	282	-	(2,667)
Czech koruna	1,686	-	-	(343)	-	1,343
Euro	(32,625)	(10)	87	(35)	(54)	(32,637)
Hungarian forint	625	-	-	(221)	-	404
Indonesian rupiah	298	-	-	-	-	298
Israeli shekel	(17)	-	-	-	-	(17)
Japanese yen	17,290	-	-	-	-	17,290
Malay sian ringgit	14	-	-	(9)	-	5
Mexican peso	1,968	-	-	(178)	-	1,790
Norwegian krone	(44)	-	-	-	-	(44)
Peruvian sol	(1,857)	-	-	-	-	(1,857)
Philippines peso	(139)	-	-	-	-	(139)
Polish zloty	2,662	-	-	(268)	-	2,394
Pound sterling	(14,275)	-	-	-	-	(14,275)
Romanian leu	460	-	-	-	-	460
South African rand	(4,318)	-	-	(48)	-	(4,366)
Swedish krona	(43)	-	-	-	-	(43)
Swiss franc	(78)	-	4	-	-	(74)
Thailand baht	1,745	-	-	(27)	-	1,718
Turkish lira	235	-	-	-	-	235
Total	\$ (42,902)	\$ (10)	\$ 91	\$ (1,379)	\$ (81)	\$ (44,281)

Contingent Features

At June 30, 2022, the Retirement System held no positions in derivatives containing contingent features.

Securities Lending

The Retirement System lends U.S. government obligations, domestic and international bonds, and equities to various brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. The securities lending agent manages the securities lending program and receives securities and cash as collateral. Cash and non-cash collateral is pledged at 102% to 110% depending on security type. There are no restrictions on the number of securities that can be lent at one 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.

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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, 2022, 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, 2022, the Retirement System has lent \$1,364,036 in securities and received collateral of \$541,557 and \$919,041 in cash and securities, respectively, from borrowers. The cash collateral is invested in a separate account managed by the lending agent using investment guidelines approved by the Retirement Board. Due to the decrease in the fair value of assets held in the separately managed account, the Retirement System's invested cash collateral was valued at \$541,413. The net unrealized loss of \$144 is presented as part of the net appreciation (depreciation) in fair value of investments in the statement of changes in fiduciary net position in the year in which the unrealized gains and losses occur. The Retirement System is exposed to investment risk including the possible loss of principal value in the separately managed cash collateral reinvestment account due to the fluctuation in the fair value of the assets held in the account.

The Retirement System's securities lending transactions as of June 30, 2022, are summarized in the following table.

<u>Investment Type</u>	<u>Fair Value of Loaned Securities</u>	<u>Cash Collateral</u>	<u>Fair Value of Non- Cash Collateral</u>
Securities on Loan for Cash Collateral			
U.S. Corporate Fixed Income	\$ 66,931	\$ 69,333	\$ -
U.S. Equities	197,936	205,922	-
U.S. Government Fixed Income	229,851	232,412	-
International Fixed Income	4,275	5,082	-
International Equities	26,408	28,808	-
Securities on Loan for Non-Cash Collateral			
U.S. Corporate Fixed Income	1,826	-	1,870
U.S. Equities	230,306	-	249,613
U.S. Government Fixed Income	484,796	-	529,252
International Fixed Income	3,973	-	4,334
International Equities	117,734	-	133,972
	<u>\$ 1,364,036</u>	<u>\$ 541,557</u>	<u>\$ 919,041</u>

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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, 2022.

Investment Type	Fair Value	Maturities	
		Less Than 1 Year	
Floating Rate Notes	\$ 338,170	\$	338,170
Money Market Funds	120,000		120,000
Repurchase Agreements	83,444		83,444
Payable/Receivable	(201)		(201)
Total	\$ 541,413	\$	541,413

The Retirement System's exposure to credit risk in its reinvested cash collateral account as of June 30, 2022, is as follows:

Credit Rating	Fair Value	Fair Value as a	
		Percentage of Total	
A-1	\$ 27,646		5.1%
AA	124,312		23.0%
A	186,212		34.4%
Not Rated *	203,243		37.5%
Total	\$ 541,413		100.0%

* This figure includes \$83,444 in repurchase agreements.

Investments in Real Assets

Real assets investments represent the Retirement System's interests in real assets limited partnerships and separate accounts. The changes in these investments during the year ended June 30, 2022, are summarized as follows:

Beginning of the year	\$ 4,182,366
Capital investments	758,934
Equity in net earnings	82,352
Net appreciation in fair value	971,153
Capital distributions	(881,354)
End of the year	\$ 5,113,451

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(g) Retiree Health Care Trust Fund

Interest Rate Risk

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

As of June 30, 2022, the weighted average maturities in years for the RHCTF's fixed income investments were as follows:

Investment Type	Weighted Average Maturity in Years
US Debt Index Fund	8.8
Government Bond Index Fund	23.2
Inflation Protected Debt Index Fund	2.5
Emerging Markets Debt Fund	12.5
Multi-Sector Debt Fund	7.1
City Investment Pool	1.6
Treasury Money Market Fund	0.1

Credit Risk

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

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. Securities issued or explicitly guaranteed by the U.S. government are excluded from this disclosure. As of June 30, 2022, the RHCTF had only commingled funds and a partnership investment that equaled or exceeded 5% of the plan's fiduciary net position. However, there is no position within the funds or partnership investment that has equal and greater than 5% at the issuer level and likely very little, if any, overlap.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the RHCTF would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The RHCTF does not have a specific policy addressing custodial credit risk for investments, but investments are generally insured, registered, or held by the RHCTF's custodial agent in the RHCTF's name. As of June 30, 2022, none of the RHCTF's investments were exposed to custodial credit risk because they were either insured or registered in the name of the RHCTF and were held by the custodian bank's trust department or agent. Investments in the City pool are held by the City's custodial agent and are not subject to custodial credit risk.

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Foreign Currency Risk

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

Rate of Return

For the year ended June 30, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -11.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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(6) PROPERTY TAXES

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

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

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1.0% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55.0% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately \$349.4 million for the year ended June 30, 2022.

Taxable valuation for the year ended June 30, 2022, (net of non-reimbursable exemptions, reimbursable exemptions, and tax increment allocations to the Successor Agency) was approximately \$285.3 billion, an increase of 2.66%. The secured tax rate was \$1.1825 per \$100 of assessed valuation. After adjusting for a State mandated property tax shift to schools, the tax rate is comprised of about \$0.65 for general government, about \$0.35 for other taxing entities including the San Francisco Unified School District, San Francisco County Office of Education, San Francisco Community College District, the Bay Area Air Quality Management District, and the San Francisco Bay Area Rapid Transit District, and \$0.1825 for bond debt service. Delinquencies in the current year on secured taxes and unsecured taxes amounted to 0.75% and 2.15%, respectively, of the current year tax levy, for an average delinquency rate of 0.82% of the current year tax levy.

As established by the Teeter Plan, the Controller allocates to the City and other agencies 100.0% of the secured annual and escape 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 custodial fund. To the extent the custodial 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, 2022, was \$36.0 million, which is included in the custodial fund for reporting purposes. The City has funded payment of accrued and current delinquencies, together with the required reserve, from interfund borrowing.

CITY AND COUNTY OF SAN FRANCISCO
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(7) CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the year ended June 30, 2022, was as follows:

Governmental Activities:	Balance July 1, 2021 ⁽¹⁾	Increases ⁽²⁾	Decreases ⁽²⁾	Balance June 30, 2022
Capital assets, not being depreciated/amortized:				
Land.....	\$ 735,247	\$ 38,966	\$ -	\$ 774,213
Intangible assets.....	906	-	-	906
Construction in progress.....	723,561	182,431	(319,466)	586,526
Total capital assets, not being depreciated/amortized..	<u>1,459,714</u>	<u>221,397</u>	<u>(319,466)</u>	<u>1,361,645</u>
Capital assets, being depreciated/amortized:				
Facilities and improvements.....	5,687,365	429,728	(312)	6,116,781
Machinery and equipment.....	621,693	25,184	(831)	646,046
Infrastructure.....	1,390,529	148,229	-	1,538,758
Right-to-use assets ⁽³⁾	539,003	43,873	(6,053)	576,823
Intangible assets.....	141,991	233	-	142,224
Total capital assets, being depreciated/amortized.....	<u>8,380,581</u>	<u>647,247</u>	<u>(7,196)</u>	<u>9,020,632</u>
Less accumulated depreciation/amortization for:				
Facilities and improvements.....	1,576,084	140,518	(31)	1,716,571
Machinery and equipment.....	464,942	35,395	(612)	499,725
Infrastructure.....	390,380	68,519	-	458,899
Right-to-use assets ⁽³⁾	-	80,095	(6,053)	74,042
Intangible assets.....	38,380	7,398	-	45,778
Total accumulated depreciation/amortization.....	<u>2,469,786</u>	<u>331,925</u>	<u>(6,696)</u>	<u>2,795,015</u>
Total capital assets, being depreciated/amortized, net.	<u>5,910,795</u>	<u>315,322</u>	<u>(500)</u>	<u>6,225,617</u>
Governmental activities capital assets, net.....	<u>\$ 7,370,509</u>	<u>\$ 536,719</u>	<u>\$ (319,966)</u>	<u>\$ 7,587,262</u>

⁽¹⁾ Balance of July 1, 2021, as restated due to implementation of GASB 87 Leases. See Note 17 for additional information.

⁽²⁾ The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.

⁽³⁾ See Note 17 for additional information.

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	<u>Balance July 1, 2021 ⁽¹⁾</u>	<u>Increases ⁽²⁾</u>	<u>Decreases ⁽²⁾</u>	<u>Balance June 30, 2022</u>
Total Business-type Activities:				
Capital assets, not being depreciated/amortized:				
Land.....	\$ 340,536	\$ 13,022	\$ -	\$ 353,558
Intangible assets.....	12,043	-	-	12,043
Construction in progress.....	<u>5,756,173</u>	<u>1,523,457</u>	<u>(1,457,714) ⁽⁶⁾</u>	<u>5,821,916</u>
Total capital assets, not being depreciated/amortized.....	<u>6,108,752</u>	<u>1,536,479</u>	<u>(1,457,714)</u>	<u>6,187,517</u>
Capital assets, being depreciated/amortized:				
Facilities and improvements.....	21,868,710	1,059,094	(49,229)	22,878,575
Machinery and equipment.....	4,133,649	101,468	(127,132)	4,107,985
Infrastructure.....	1,843,042	280,594	-	2,123,636
Right-to-use assets ⁽³⁾⁽⁴⁾	260,367	-	(1,592)	258,775
Intangible assets.....	<u>131,662</u>	<u>2,260</u>	<u>(13,213)</u>	<u>120,709</u>
Total capital assets, being depreciated/amortized.....	<u>28,237,430</u>	<u>1,443,416 ⁽⁶⁾</u>	<u>(191,166)</u>	<u>29,489,680</u>
Less accumulated depreciation/amortization for:				
Facilities and improvements.....	7,785,073	546,810	(35,903) ⁽⁵⁾	8,295,980
Machinery and equipment.....	1,998,939	258,248	(98,589)	2,158,598
Infrastructure.....	798,968	49,181	285 ⁽⁵⁾	848,434
Right-to-use assets ⁽³⁾⁽⁴⁾	7,042	24,822	(1,592)	30,272
Intangible assets.....	<u>93,845</u>	<u>4,994</u>	<u>(13,214)</u>	<u>85,625</u>
Total accumulated depreciation/amortization.....	<u>10,683,867</u>	<u>884,055</u>	<u>(149,013)</u>	<u>11,418,909</u>
Total capital assets, being depreciated/amortized, net.....	<u>17,553,563</u>	<u>559,361</u>	<u>(42,153)</u>	<u>18,070,771</u>
Business-type activities capital assets, net.....	<u>\$ 23,662,315</u>	<u>\$ 2,095,840</u>	<u>\$ (1,499,867)</u>	<u>\$ 24,258,288</u>

- (1) Balance of July 1, 2021, as restated due to implementation of GASB 87 Leases. See Note 17 for additional information.
- (2) The increases and decreases include transfers of categories of capital assets from construction in progress to depreciable categories.
- (3) See Note 17 for additional information.
- (4) Balance of July 1, 2021, included \$498 property held under lease and it was written-off as of June 30, 2022.
- (5) Reclassification between asset categories for accumulated depreciation.
- (6) For fiscal year 2022, decreases in construction in progress were higher than increases to the total capital assets primarily due to \$50.4 million in capital project write-offs.

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

Governmental Activities:	
Public protection.....	\$ 33,344
Public works, transportation and commerce.....	90,187
Human welfare and neighborhood development.....	25,826
Community health.....	53,897
Culture and recreation.....	60,582
General administration and finance.....	61,813
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis.....	6,276
Total depreciation/amortization expense - governmental activities.....	\$ 331,925
Business-type Activities:	
Airport.....	\$ 356,649
Water.....	147,904
Power.....	24,278
Transportation.....	221,279
Hospitals.....	33,086
Wastewater.....	77,575
Port.....	23,284
Total depreciation/amortization expense - business-type activities.....	\$ 884,055

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 \$5.33 billion as of June 30, 2022. 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, 2022. The Airport had \$6.9 million in intangible assets of permanent easements. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled \$6.8 million as of June 30, 2022.

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Component Unit

Capital asset activity of the component unit for the year ended June 30, 2022, was as follows:

Treasure Island Development Authority:	July 1, 2021	Increases	Decreases	June 30, 2022
Capital assets, not being depreciated:				
Land.....	\$ 34,344	\$ -	\$ -	\$ 34,344
Construction in progress.....	502	12,591	-	13,093
Total capital assets, not being depreciated.....	<u>34,846</u>	<u>12,591</u>	<u>-</u>	<u>47,437</u>
Capital assets, being depreciated:				
Facilities and improvements.....	4,844	-	-	4,844
Machinery and equipment.....	36	-	-	36
Infrastructure.....	-	6,854	-	6,854
Total capital assets, being depreciated.....	<u>4,880</u>	<u>6,854</u>	<u>-</u>	<u>11,734</u>
Less accumulated depreciation for:				
Facilities and improvements.....	407	107	-	514
Machinery and equipment.....	32	3	-	35
Total accumulated depreciation.....	<u>439</u>	<u>110</u>	<u>-</u>	<u>549</u>
Total capital assets, being depreciated, net.....	<u>4,441</u>	<u>6,744</u>	<u>-</u>	<u>11,185</u>
Component unit capital assets, net.....	<u>\$ 39,287</u>	<u>\$ 19,335</u>	<u>\$ -</u>	<u>\$ 58,622</u>

During the year ended June 30, 2022, TIDA recorded construction in progress for the Southgate Road project and infrastructure improvements for the sewer force main. For the overall Treasure Island Development Project, construction began in late 2018, with the complete buildout of the project occurring over fifteen to twenty years. For additional information, refer to Note 15.

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(8) BONDS, LOANS, LEASES AND OTHER PAYABLES

The changes in short-term obligations for governmental and business-type activities for the year ended June 30, 2022, are as follows:

<u>Commercial Paper</u>	<u>July 1, 2021</u>	<u>Additional Obligation</u>	<u>Current Maturities</u>	<u>June 30, 2022</u>
Governmental activities:				
Multiple Capital Projects	\$ 18,760	\$ 248,604	\$ (237,593)	\$ 29,771
Governmental activities short-term obligations..	<u>\$ 18,760</u>	<u>\$ 248,604</u>	<u>\$ (237,593)</u>	<u>\$ 29,771</u>
Business-type activities:				
San Francisco General Hospital.....	\$ 7,955	\$ 32,610	\$ (40,565)	\$ -
San Francisco International Airport.....	279,340	167,960	(361,325)	85,975
San Francisco Water Enterprise.....	105,862	206,297	(105,862)	206,297
Hetch Hetchy Water and Power.....	114,671	40,019	(114,671)	40,019
San Francisco Wastewater Enterprise.....	638,518	379,157	(638,518)	379,157
Business-type activities short-term obligations..	<u>\$1,146,346</u>	<u>\$ 826,043</u>	<u>\$(1,260,941)</u>	<u>\$ 711,448</u>

City and County of San Francisco Commercial Paper Program

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

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

The City issues CP in series based on the bank providing the applicable credit facility. The City's CP program has three credit facilities, which includes two RCAs issued by State Street Bank and Trust Company (State Street Bank) and U.S. Bank National Association, that support the issuance of Commercial Paper Certificates of Participation Series 1&2 (Series 1&2). The Series 1&2 State Street and U.S. Bank N.A. RCAs have fees of 0.40% and 0.38% on the total commitment amounts, respectively, and are scheduled to expire in May 2023.

In February 2022, the City's Letter of Credit Agreement (LOC) issued by State Street Bank, which supported the issuance of Commercial Paper Certificates of Participation Series 3 (Series 3) expired. The LOC was replaced in May 2022, by a Revolving Credit Agreement with Bank of the West (BOTW RCA), supporting Series 3, in the maximum principal and interest commitment not to exceed \$100.0 million and \$9.0 million, respectively. The BOTW RCA stipulates a semiannual commitment fee of 0.12%, on the maintenance of ratings at least "AA-" by Fitch, "AA-" by S&P, and "Aa3" by Moody's. The BOTW RCA is scheduled to expire on April 30, 2026.

In fiscal year 2022, the City issued \$248.6 million and retired \$237.6 million of CP, excluding CP issued for San Francisco General Hospital, to provide interim financing for the development, acquisition, construction or rehabilitation of affordable rental housing projects; to fund capital improvement projects including but not limited to projects generally known as the Homeless Services Center, Laguna Honda

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Hospital Wings Reuse Project, AITC Immunization and Travel Clinic Relocation, and San Francisco General Hospital Chiller and Cooling Tower Replacement Project; critical repairs, renovations and improvements to City-owned buildings, facilities and works utilized by various City departments and local stimulus projects designed to help build a more resilient and equitable San Francisco as part of the City's recovery from COVID-19 pandemic; to provide financing for the acquisition of police vehicles; and improvement and equipping of certain existing real property including the existing Hall of Justice facilities located at 850 Bryant Street within the City and adjacent and related facilities. As of June 30, 2022, the outstanding principal of taxable and tax-exempt CP of governmental activities was \$17.8 million and \$12.0 million with an interest rate of 1.88% and 1.18%, respectively.

Events of default under the Revolving Credit Agreements for Series 1&2, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; failure to make payment on any other material debt; City files for bankruptcy; City is downgraded below investment grade; City sustains unsatisfied judgment of \$25.0 million or more. Upon the occurrence of an event of default under the RCA, the Credit Bank may terminate the RCA. Any outstanding Commercial Paper Certificates would be payable from proceeds of a Final Draw.

Events of default under the Revolving Credit Agreement for Commercial Paper Series 3, consist of failure by the City to pay any Reimbursement Obligation to the Bank; failure to perform certain covenants, including the failure to make rental payments under the Sublease, which is an agreement by which the City is obligated to make annual rental payments to a trustee by leasing back City-owned property from the trustee; failure to make payment on any other material debt; City or trustee files for bankruptcy or has certain types of involuntary cases or proceedings filed against it that remain undismissed or unstayed for 60 days; City is downgraded below "BBB+/Baa1"; City sustains unsatisfied judgment of \$25.0 million or more; the IRS declares the interest taxable with respect to any Certificates issued as tax-exempt; any governmental authority of appropriate jurisdiction declares a moratorium with respect to any of the debt of the City. Upon the occurrence of an event of default under the RCA, the Credit Bank may terminate the RCA. No additional Certificates shall be issued, the available RCA shall immediately be reduced to the then outstanding principal amount of Certificates, and the available commitment shall further be reduced in a similar manner as and when the Certificates mature. For any special event of default, the RCA shall automatically and immediately terminate with respect to all outstanding Certificates and the Bank shall have no obligation to make any revolving loan.

San Francisco General Hospital

In July 2014, the Board of Supervisors authorized the execution and delivery of tax-exempt and/or taxable CP in an aggregate principal amount not to exceed \$41.0 million to finance the costs of acquisition of furniture, fixtures, and equipment for the new San Francisco General Hospital. The CP are secured by base rental payments made by the City under a sublease between the City and the Trustee. Base rental payments are payable from the City's General Fund resources. As of June 30, 2022, the San Francisco General Hospital has no CP outstanding.

San Francisco International Airport

In May 1997, the Airport adopted Resolution No. 97-0146, as amended, and supplemented (the 1997 Note Resolution), authorizing the issuance of subordinate CP notes in an aggregate principal amount not to exceed the lesser of \$600.0 million or the stated amount of the letter(s) of credit (LOC) securing the CP.

The Airport issues CP in series based on tax status that are divided into subseries according to the bank providing the applicable direct-pay LOC. In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airport's Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under

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Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the 1991 Master Bond Resolution).

Net Revenues are generally defined in the 1997 Note Resolution as all revenues earned by the Airport from or with respect to its construction, possession, management, supervision, maintenance, extension, operation, use and control of the Airport (not including certain amounts specified in the 1997 Note Resolution), less Operation and Maintenance Expenses (as defined in the 1997 Note Resolution).

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts as provided in the 1997 Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on a parity with any other bonds or other obligations from time to time outstanding under the 1997 Note Resolution.

As of June 30, 2022, the CP program was supported by six direct-pay LOC with a combined maximum stated principal amount of \$600.0 million, from State Street Bank and Trust Company (\$100.0 million, expires May 2, 2024), Sumitomo Mitsui Banking Corporation, acting through its New York Branch (\$100.0 million, expires April 7, 2027), Barclays Bank PLC (\$100.0 million, expires May 24, 2024), U.S. Bank National Association (\$100.0 million, expires November 15, 2023), Barclays Bank PLC (\$125.0 million, expires April 28, 2023), and Bank of America, N.A. (\$75.0 million, expires May 26, 2023). Each of the LOC supports a separate subseries of CP notes.

As of June 30, 2022, there were no obligations other than the CP notes outstanding under the 1997 Note Resolution.

During fiscal year 2022, the Airport issued new money CP notes in the aggregate principal amount of \$131.7 million (AMT), \$27.3 million (Non-AMT), and \$8.9 million (Taxable) to fund capital improvement projects and costs of issuance related to the debt program, and to repay certain monthly bond interest payments.

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

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

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and the Board of Supervisors have authorized the issuance of up to \$500.0 million in CP pursuant to the voter-approved 2002 Proposition E. As of June 30, 2022, the amount outstanding under Proposition E was \$206.3 million. CP interest rates ranged from 0.1% to 2.0%. 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

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Water Enterprise will refinance the CP with long-term, fixed rate debt. The Water Enterprise had \$293.7 million in unused authorization as of June 30, 2022.

Events of default as specified in the Reimbursement Agreements, or Revolving Credit Agreement include payment defaults; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods); and bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amounts plus interest coverage, and/or termination of the respective agreement. As of June 30, 2022, there were no such events described herein.

Hetch Hetchy Water and Power

Effective March 2019, under Charter Sections 9.107(6) and 9.107(8), and 2018 Proposition A, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$250.0 million in CP for the purpose of reconstructing, replacing, expanding, repairing or improving power facilities of Hetchy Power. Interest rates for the CP ranged from 0.1% to 1.1% in fiscal year 2022. Hetch Hetchy Water and Power had \$40.0 million CP outstanding and \$210.0 million in unused authorization as of June 30, 2022.

Events of default as specified in the Reimbursement Agreements include non-payment; material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements; and bankruptcy, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2022, there were no such events described herein.

San Francisco Wastewater Enterprise

Under the voter-approved 2002 Proposition E, the San Francisco Public Utilities Commission and Board of Supervisors authorized the issuance of up to \$750.0 million in CP for the purpose of reconstructing, expanding, repairing, or improving the Wastewater Enterprise's facilities. The Enterprise had \$379.2 million CP outstanding and \$370.8 million in unused authorization as of June 30, 2022.

Significant events of default as specified in the Reimbursement Agreements, Revolving Credit and Term Loan Agreements or Revolving Credit Agreements include payment defaults, material breach of warranty, representation, or other non-remedied breach of covenants as specified in the respective agreements (not cured within applicable grace periods), bankruptcy and insolvency events, which may result in all outstanding obligations to be immediately due and payable (unless waived by the respective Bank, if applicable); or issuance of a No-Issuance Notice, reduction in credit to outstanding amount plus interest coverage, and/or termination of the respective agreement. As of June 30, 2022, there were no such events described herein.

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Long-Term Obligations

The following is a summary of long-term obligations of the City as of June 30, 2022:

GOVERNMENTAL ACTIVITIES

<u>Type Of Obligation and Purpose</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
GENERAL OBLIGATION BONDS ^(a) :			
Affordable housing.....	2046	0.193% - 3.95%	\$ 328,690
Earthquake safety and emergency response.....	2046	2.25% - 5.00%	329,345
Clean and safe neighborhood parks	2037	2.00% - 6.26%	92,660
Health and recovery	2046	4.00% - 5.00%	168,455
Preservation and seismic safety (PASS) program	2060	0.401% - 4.321%	164,905
Public health and safety	2045	3.00% - 5.00%	214,295
Road repaving and street safety	2035	2.25% - 5.00%	32,090
San Francisco General Hospital.....	2030	5.20% - 6.26%	132,565
Seismic safety loan program	2031	3.36% - 5.83%	13,913
Transportation and road improvement	2046	2.00% - 5.00%	317,185
Refunding	2035	4.00% - 5.00%	831,430
General obligation bonds			<u>2,625,533</u>
LEASE REVENUE BONDS:			
San Francisco Finance Corporation ^{(b) & (f)}	2030	0.82% - 5.00% *	96,340
SALES TAX REVENUE BONDS			
SFCTA revenue bonds ^(g)	2034	3.0% - 4.0%	208,310
CERTIFICATES OF PARTICIPATION:			
Certificates of participation ^{(c), (d) & (e)}	2050	2.00% - 5.00%	1,140,925
OTHER LONG TERM OBLIGATIONS:			
Loans ^{(d), (f)}	2045	4.50%	20,418
Lease Purchase - Public Safety Radio Replacement ^(d)	2027	1.6991%	16,089
Governmental activities total long-term obligations.....			<u>\$ 4,107,615</u>

* 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, 2022 for Series 2008 -1 & 2 averaged to 0.82%.

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 and Special Revenue 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 and Special Revenue Funds.
- (g) Sales tax revenues by the San Francisco County Transportation Authority.

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

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Notes to Basic Financial Statements (Continued)
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BUSINESS-TYPE ACTIVITIES

<u>Entity and Type of Obligation</u>	<u>Final Maturity Date</u>	<u>Remaining Interest Rates</u>	<u>Amount</u>
San Francisco International Airport:			
Revenue bonds *	2058	0.06% - 5.50%*	\$ 8,099,275
San Francisco Water Enterprise:			
Revenue bonds	2051	0.26% - 6.95%	4,584,650
Certificates of participation	2042	2.00% - 6.49%	95,623
State Revolving fund loans	2051	1.00%	121,761
Hetch Hetchy Water and Power:			
Energy and revenue bonds	2052	3.00% - 5.00%	164,956
Certificates of participation	2042	2.00% - 6.49%	13,018
Municipal Transportation Agency:			
Revenue bonds	2051	0.249% - 5.00%	439,230
Loans	2047	3.30%	11,238
San Francisco General Hospital:			
Certificates of participation	2026	5.55%	7,345
San Francisco Wastewater Enterprise:			
Revenue bonds	2052	1.00% - 5.82%	1,740,060
Revenue notes	2027	1.00%	347,465
Certificates of participation	2042	2.00% - 6.49%	25,284
State Revolving fund loans	2056	0.80% - 1.80%	302,659
Port of San Francisco:			
Revenue bonds	2044	1.67% - 5.0%	40,235
Certificates of participation	2043	4.75% - 5.25%	26,175
Loans	2037	4.50%	6,695
Laguna Honda Hospital:			
Certificates of participation	2031	3.00% - 5.00%	69,495
Business-type activities total long-term obligations ..			<u>\$ 16,095,164</u>

* Includes Second Series Revenue Bonds Issue 2010A and 2018B/C, which were issued as variable rate bonds in a weekly mode. For the year ended June 30, 2022, the average interest rates on Issue 2010A1 and 2 were 0.23% and 0.23%, respectively. For Issue 2018B and 2018C, the average interest rates were 0.20% and 0.20%, respectively.

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

Debt Compliance

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

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Notes to Basic Financial Statements (Continued)
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Legal Debt Limit and Legal Debt Margin

As of June 30, 2022, the City's general obligation bond debt limit (3% of valuation subject to taxation) was \$9.25 billion. The total amount of debt applicable to the debt limit was \$2.89 billion. The resulting legal debt margin was \$6.36 billion.

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986, is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the actual earnings from the investment of tax-exempt bond proceeds, which exceed related interest earnings if such investments were invested at a rate equal to the yield of the bonds, must be remitted to the Federal government on every fifth anniversary of each bond issuance. The City has evaluated each series of tax-exempt general obligation bonds, lease revenue bonds, and certificates of participation, and other direct loans issued by the City and the Finance Corporation. The City and the Finance Corporation do not have rebatable arbitrage liability as of June 30, 2022. Each enterprise fund has performed similar analysis of its debt, which is subject to arbitrage rebate requirements and does not have rebatable arbitrage liability as of June 30, 2022.

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency has issued various mortgage revenue bonds for the financing of multifamily rental housing and below-market rate mortgages for first-time homebuyers and to facilitate affordable housing construction and rehabilitation in the City. These obligations were issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt. These bonds are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2022, the total obligation outstanding was \$2.22 billion.

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

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) as of June 30, 2022:

<u>Bonds</u>	<u>Remaining Interest Rates</u>	<u>Final Maturity Date</u>	<u>Amount</u>
Special Tax Bond Series 2017A	2.50% - 4.00%	2049	\$ 35,090
Special Tax Bond Series 2017B	2.50% - 4.00%	2049	166,670
Special Tax Bond Series 2019A	2.944% - 4.25%	2050	32,765
Special Tax Bond Series 2019B	2.934% - 4.371%	2050	153,230
Special Tax Bond Series 2020B	1.479% - 3.572%	2051	80,990
Special Tax Bond Series 2021B	0.445% - 3.482%	2051	33,880
Total Obligations			<u>\$ 502,625</u>

In November 2021, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1), issued Special Tax Bonds, Series 2021B (the 2021 Bonds) in the par amount of \$33.9 million, in order to facilitate the planning, design, engineering, and construction of the Downtown Rail Extension for the Transbay Project and adjacent infrastructure. The 2021 Bonds bear interest rates ranging from 0.445% to 3.482% with principal amortizing from September 2022 through September 2050.

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The Special Tax Bonds of CFD 2014-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on the Special Tax Bonds of CFD 2014-1.

Community Facilities District No. 2016-1 (Treasure Island)

The following is a summary of long-term obligations of the City and County of San Francisco Community Facilities District No. 2016-1 (CFD 2016-1) as of June 30, 2022:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Improvement Area No.1 Special Tax Bonds Series 2020	3.00% - 4.00%	2051	\$ 16,935
Improvement Area No.1 Special Tax Bonds Series 2021	4.00%	2052	41,340
Improvement Area No.2 Special Tax Bonds Series 2022A	4.00%	2053	25,130
Total Obligations			<u>\$ 83,405</u>

In August 2021, the City, on behalf of Improvement Area No. 1 of the City and County of San Francisco Community Facilities District No. 2016-1 (IA No. 1), issued Special Tax Bonds, Series 2021 (the 2021 Bonds) in the par amount of \$41.3 million, in order to finance infrastructure and development costs for the Treasure Island/Yerba Buena Island Development Project. The 2021 Bonds bear a 4.00% interest rate with principal amortizing from September 2024 through September 2051.

In February 2022, the City, on behalf of Improvement Area No. 2 of the City and County of San Francisco Community Facilities District No. 2016-1 (IA No. 2), issued Special Tax Bonds, Series 2022A (the 2022A Bonds) in the par amount of \$25.1 million, in order to finance infrastructure and development costs for the Treasure Island/Yerba Buena Island Development Project. The 2022A Bonds bear a 4.00% interest rate with principal amortizing from September 2023 through September 2052.

The Special Tax Bonds of CFD 2016-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from Special Tax Revenues and funds pledged under that agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of CFD 2016-1.

Special Tax District No. 2020-1 (Mission Rock Facilities and Services)

The following is a summary of long-term obligations of the City and County of San Francisco Special Tax District No. 2020-1 as of June 30, 2022:

Bonds	Remaining Interest Rates	Final Maturity Date	Amount
Development Special Tax Bonds, Series 2021A	4.00%	2052	\$ 41,950
Development Special Tax Bonds, Series 2021B	4.00% - 5.25%	2050	54,280
Development Special Tax Bonds, Series 2021C	4.00%	2052	10,000
Total Obligations			<u>\$ 106,230</u>

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In November 2021, the City, on behalf of the City and County of San Francisco Special Tax District No. 2020-1 (STD 2020-1), issued Development Special Tax Bonds, Series 2021B and 2021C (the 2021B and 2021C Bonds) in par amounts of \$54.3 million and \$10.0 million, respectively, in order to finance infrastructure and development costs for the Mission Rock Development Project. The 2021B Bonds bear interest rates ranging from 4.00% to 5.25% with principal amortizing from September 2024 through September 2049 and the 2021C Bonds bear an interest rate of 4.00% with principal amortizing from September 2050 through September 2051.

The Development Special Tax Bonds of STD 2020-1 are secured under the provisions of a Fiscal Agent Agreement and will be payable solely from the Revenues and funds pledged under that agreement. Revenues generally consist of Special Tax Revenues and certain tax increment of the City's Infrastructure Financing District No. 2, Project Area I pledged to the bonds under a Pledge Agreement. These bonds are not payable from any revenues or assets of the City. Neither the faith and credit nor the taxing power of the City, the State, or any political subdivision thereof are pledged for the payment of the principal or interest on Special Tax Bonds of STD 2020-1.

Changes in Long-Term Obligations

The changes in long-term obligations for the year ended June 30, 2022, are as follows:

	Restated July 1, 2021 *	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2022	Amounts Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 2,526,691	\$ 882,585	\$ (783,743)	\$ 2,625,533	\$ 173,545
Lease revenue bonds.....	109,130	-	(12,790)	96,340	13,255
Sales tax revenue bonds.....	222,020	-	(13,710)	208,310	14,125
Certificates of participation	1,173,865	-	(32,940)	1,140,925	38,920
Subtotal.....	4,031,706	882,585	(843,183)	4,071,108	239,845
Issuance premiums:					
Add: unamortized premiums	365,602	124,411	(92,101)	397,912	-
Total bonds payable, net.....	4,397,308	1,006,996	(935,284)	4,469,020	239,845
Loans.....	20,914	-	(496)	20,418	518
Others.....	19,820	-	(3,731)	16,089	3,471
Accrued vacation and sick leave pay.....	250,404	146,305	(152,824)	243,885	121,103
Accrued workers' compensation.....	305,822	121,379	(67,366)	359,835	71,496
Estimated claims payable.....	204,853	138,423	(46,357)	296,919	111,046
Lease liabilities *.....	539,003	43,873	(71,559)	511,317	61,120
Governmental activities long-term obligations..	<u>\$ 5,738,124</u>	<u>\$ 1,456,976</u>	<u>\$ (1,277,617)</u>	<u>\$ 5,917,483</u>	<u>\$ 608,599</u>

* Restated 7/1/2021 balance due to implementation of GASB 87 - Leases

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	Restated July 1, 2021 *	Additional Obligations, and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2022	Amounts Due Within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 14,519,970	\$ 1,154,700	\$ (647,220)	\$ 15,027,450	\$ 177,730
Revenue notes	-	347,465	-	347,465	-
Clean renew able energy bonds.....	42,884	-	(1,928)	40,956	1,972
Certificates of participation	250,363	-	(13,423)	236,940	14,117
Subtotal.....	14,813,217	1,502,165	(662,571)	15,652,811	193,819
Issuance premiums / discounts:					
Add: unamortized premiums	1,443,036	210,785	(125,265)	1,528,556	-
Less: unamortized discounts	(153)	-	23	(130)	-
Total bonds payable, net	16,256,100	1,712,950	(787,813)	17,181,237	193,819
Notes, loans, and other payables.....	234,967	210,937	(3,551)	442,353	6,557
Accrued vacation and sick leave pay.....	170,763	62,166	(67,893)	165,036	85,998
Accrued workers' compensation.....	231,117	74,362	(52,185)	253,294	44,684
Estimated claims payable.....	185,502	29,883	(48,268)	167,117	67,693
Lease liabilities *.....	255,349	27	(19,471)	235,905	15,901
Business-type activities long-term obligations.	<u>\$ 17,333,798</u>	<u>\$ 2,090,325</u>	<u>\$ (979,181)</u>	<u>\$ 18,444,942</u>	<u>\$ 414,652</u>

* Restated 7/1/2021 balance due to implementation of GASB 87 - Leases

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

Annual debt service requirements to maturity for all bonds and loans outstanding as of June 30, 2022, for governmental and business-type activities are as follows:

Fiscal Year Ending June 30	Governmental Activities ⁽¹⁾							
	General Obligation		Lease Revenue		Other Long-Term		Total	
	Bonds		Bonds		Obligations			
	Principal	Interest ⁽²⁾	Principal	Interest ⁽³⁾	Principal	Interest	Principal	Interest
2023.....	\$ 173,545	\$ 107,145	\$ 13,255	\$ 2,376	\$ 57,034	\$ 55,007	\$ 243,834	\$ 164,528
2024.....	175,056	97,944	14,455	2,008	59,601	52,652	249,112	152,604
2025.....	177,481	89,887	13,105	1,601	62,484	50,039	253,070	141,527
2026.....	165,757	81,804	13,730	1,271	63,499	47,331	242,986	130,406
2027.....	172,636	74,369	14,375	925	64,434	44,510	251,445	119,804
2028-2032...	834,193	260,197	27,420	1,016	355,489	179,656	1,217,102	440,869
2033-2037..	464,535	125,870	-	-	315,475	114,261	780,010	240,131
2038-2042..	220,230	65,476	-	-	274,921	58,696	495,151	124,172
2043-2047...	166,010	29,168	-	-	91,535	18,498	257,545	47,666
2048-2052...	27,705	11,712	-	-	41,270	3,345	68,975	15,057
2053-2057...	33,110	6,320	-	-	-	-	33,110	6,320
2058-2061...	15,275	883	-	-	-	-	15,275	883
Total.....	<u>\$ 2,625,533</u>	<u>\$ 950,775</u>	<u>\$ 96,340</u>	<u>\$ 9,197</u>	<u>\$ 1,385,742</u>	<u>\$ 623,995</u>	<u>\$ 4,107,615</u>	<u>\$ 1,583,967</u>

CITY AND COUNTY OF SAN FRANCISCO
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June 30, 2022
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Business-Type Activities ⁽¹⁾								
Fiscal Year Ending June 30	Revenue Bonds and Revenue Notes ^{(4) (5)}		Certificates of Participation ⁽⁵⁾		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2023.....	\$ 179,702	\$ 689,029	\$ 14,117	\$ 13,043	\$ 6,557	\$ 3,333	\$ 200,376
2024.....	305,975	682,806	14,073	12,289	7,541	3,646	327,589	698,741
2025.....	360,644	670,755	14,754	11,502	9,496	4,233	384,894	686,490
2026.....	632,443	653,071	14,297	10,681	9,641	4,089	656,381	667,841
2027.....	557,156	632,066	13,775	9,918	13,239	5,732	584,170	647,716
2028-2032...	2,028,877	2,863,859	68,625	38,722	68,609	25,621	2,166,111	2,928,202
2033-2037..	2,403,049	2,361,166	42,600	24,032	72,562	20,394	2,518,211	2,405,592
2038-2042..	3,063,430	1,745,544	52,799	9,218	75,959	15,128	3,192,188	1,769,890
2043-2047...	2,985,815	1,063,179	1,900	95	80,862	9,636	3,068,577	1,072,910
2048-2052...	2,806,370	335,227	-	-	71,583	4,329	2,877,953	339,556
2053-2057...	75,530	10,287	-	-	26,304	812	101,834	11,099
2058-2061...	16,880	549	-	-	-	-	16,880	549
Total.....	<u>\$ 15,415,871</u>	<u>\$ 11,707,538</u>	<u>\$ 236,940</u>	<u>\$ 129,500</u>	<u>\$ 442,353</u>	<u>\$ 96,953</u>	<u>\$ 16,095,164</u>	<u>\$ 11,933,991</u>

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

(2) The interest is before the federal subsidy for the General Obligation Bonds Series 2010C and Series 2010D. The subsidy is approximately \$12.8 million and \$2.6 million, respectively, through the year ending 2030. The federal sequester reduction was 5.7% in fiscal year 2022. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2 which bear interest at a weekly rate. An assumed rate of 0.8200%, together with liquidity fee of 0.2700% and remarketing fee of 0.0500% were used to project the interest rate payment in this table.

(4) Debt service for the Airport is per debt service requirement. In the event the letters of credit securing the Airport's outstanding variable rate bonds had to be withdrawn upon to pay such bonds and the amount drawn had to be repaid by the Airport pursuant to the terms of the related agreement with banks providing such letters of credit, the total interest would be \$211.2 million less.

(5) The interest is before the federal subsidy for the Revenue Bonds, Certificates of Participation, Clean Renewable Energy, and Energy Conservation Bonds by the San Francisco Water, San Francisco Wastewater and Hetch Hetchy Water and Power. Federal subsidy was reduced by 5.7% or a total reduction of \$20.2 million, \$2.7 million, and \$227, respectively, over the life of the bonds, assuming the sequestration rate will remain the same.

Governmental Activities Long-term Liabilities

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition or improvement of real property and construction of affordable housing. General obligation bonds have been issued for both governmental and business-type activities. The net authorized and unissued governmental activities general obligation bonds for the year ended June 30, 2022, are as follows:

Governmental Activities - General Obligation Bonds	
Authorized and unissued as of June 30, 2021	\$ 1,964,495
Bonds issued:	
Series 2021C Transportation and Road Improvement.....	(122,785)
Series 2021D Health and Recovery	(258,505)
Series 2021E Earthquake Safety and Emergency Response	(87,090)
Net authorized and unissued as of June 30, 2022.....	<u>\$ 1,496,115</u>

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In August 2021, the City issued General Obligation Bonds Series 2021C (Transportation and Road Improvement), Series 2021D (Health and Recovery) and Series 2021E (Earthquake Safety and Emergency Response). Each series is composed of Sub-series 1 (Tax-Exempt) and Sub-series 2 (Taxable). The Sub-series 2021C-1, Sub-series 2021D-1 and Sub-series 2021E-1 bonds with the par value of \$104.8 million, \$194.3 million, and \$74.1 million, respectively bear interest rates of 4.0% and 5.0% and with maturities from June 2022 through June 2046. The Sub-series 2021C-2 and Sub-series 2021E-2 in the amounts of \$18.0 million and \$13.0 million, respectively, bear an interest rate of 0.08% and finally matured in October 2021. The Sub-series 2021-D2 with the par value of \$64.2 million bear interest rates of 0.08% and 0.25% and finally matured in June 2022. The proceeds of the Series 2021C bonds will be used to construct, redesign, and rebuild streets and sidewalks, make infrastructure repairs and improvements that increase Muni service reliability, ease traffic congestion, reduce vehicle travel times, enhance pedestrian and bicycle safety, and improve disabled access. The proceeds of the Series 2021D bonds will be used finance the acquisition or improvement of real property, including to stabilize, improve, and make permanent investments in supportive housing facilities, shelters, and/or facilities that deliver services to persons experiencing mental health challenges, substance use disorder, and/or homelessness; improve the accessibility, safety and quality of parks, open spaces and recreation facilities; improve the accessibility, safety and condition of the City's streets and other public right-of-way and related assets. The proceeds of the Series 2021E bonds will be used to improve fire, earthquake, and emergency response by improving, constructing and/or replacing deteriorating cisterns, pipes, and tunnels and related facilities to ensure firefighters a reliable water supply for fires and disasters; neighborhood fire and police stations and supporting facilities; the City's 911 Call Center; and other disaster response and public safety facilities. The proceeds of Series 2021C, 2021D and 2021E bonds will also be used to pay certain costs related to the issuance of the respective series.

In September 2021, the City issued General Obligation Bonds Series 2021-R2 (Forward Delivery) (the Series 2021-R2) in the amount of \$86.9 million with interest rate of 5.0% and principal maturing from June 2022 through June 2028 to refund outstanding General Obligation Bonds Series 2011-R1 (the Series 2011-R1) and to pay certain costs related to the issuance of the Series 2021-R2.

General Obligation Bonds, Series 2021-R2 (Forward Delivery)				
Description of Bonds	Principal Refunded	Maturities Refunded	Redemption Price	Redemption Date
Refunding Bonds S2011-R1	\$ 94,125	2022-2030	100%	12/15/2021

On the date of delivery of the Series 2021-R2 bonds, a portion of the proceeds of the bonds in the amount of \$96.4 million were deposited with the US Bank, N. A. as escrow agent. The funds deposited and held with the escrow agent, together with investment earnings thereon, were enough to pay the principal and interest on the Series 2011-R1 on December 15, 2021, and the cost of issuance on the Series 2021-R2 bonds.

The refunding resulted in the recognition of a deferred accounting gain of \$23.9 million for the year ended June 30, 2022. The City in effect, reduced its aggregate debt service payments by \$10.5 million and obtained a net present value savings of \$9.7 million or 10.3% of the refunded bonds.

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In May 2022, the City issued General Obligation Bonds Series 2022-R1 (the Series 2022-R1) in the amount of \$327.3 million with interest rate of 5.0% and principal maturing from June 2023 through June 2034 to refund certain outstanding general obligation bonds described below and to pay certain costs related to the issuance of the Series 2022-R1 bonds.

General Obligation Bonds, Series 2022-R1				
Description of Bonds	Principal Refunded	Maturities Refunded	Redemption Price	Redemption Date
San Francisco General Hospital Improvement S2012D	\$ 121,115	2023-2032	100%	6/17/2022
Earthquake Safety and Emergency Response S2012E	23,260	2023-2032	100%	6/17/2022
San Francisco General Hospital Improvement S2014A	128,575	2023-2033	100%	6/17/2022
Earthquake Safety and Emergency Response S2014C	34,045	2023-2034	100%	6/17/2022
Earthquake Safety and Emergency Response S2014D	<u>62,355</u>	2023-2034	100%	6/17/2022
Total	<u>\$ 369,350</u>			

On the date of delivery of the Series 2022-R1 bonds, a portion of the proceeds of the bonds in the amount of \$369.3 million plus funds transferred from the debt service fund related to the refunded bonds in the amount of \$7.8 million were deposited with the Bank of New York Mellon Trust Company, N. A. as escrow agent. The funds deposited and held with the escrow agent, together with investment earnings thereon, were enough to pay the principal and interest on the refunded bonds on the respective redemption dates specified on the table above and the cost of issuance on the Series 2022-R1 bonds.

The refunding resulted in the recognition of a deferred accounting gain of \$39.8 million for the year ended June 30, 2022. The City in effect reduced its aggregate debt service payments by \$30.6 million and obtained a net present value savings of \$25.8 million or 7.0% of the refunded bonds.

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

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

Certificates of Participation

As of June 30, 2022, the City has a total of \$1.14 billion of certificates of participation, excluding business-type activities, payable by pledged revenues from the base rental payments payable by the City. A Reserve Fund has been established for payment of certain COP issuances, equivalent to either 50% or 100% of the lesser of maximum annual debt service, 125% of average annual debt service, or 10% of the original principal amount of the COPs. The total debt service requirement on the certificates of participation is \$1.70 billion payable through April 1, 2050. For the year ended June 30, 2022, principal and interest paid by the City totaled \$32.9 million and \$49.0 million, respectively.

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

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Lease Revenue Bonds

The changes in governmental activities - lease revenue bonds for the year ended June 30, 2022, were as follows:

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2021.....	\$ 200,594
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program...	4,322
Authorized and unissued as of June 30, 2022.....	\$ 204,916

Finance Corporation

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

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

The lease revenue bonds are payable by pledged revenues from the base rental payments payable by the City, pursuant to a Master Lease Agreement between the City and the Finance Corporation for the use of equipment and facilities acquired, constructed and improved by the Finance Corporation. The total debt service requirement remaining on the lease revenue bonds is \$105.5 million payable through June 2030. For the year ended June 30, 2022, principal and interest paid by the Finance Corporation in the form of lease payments by the City totaled \$12.8 million and \$2.1 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 nonprofit 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, 2022, all the previously issued equipment lease revenue bonds have been repaid. \$90.8 million of unused authorization is still available for new issuance.

Events of Default and Remedies

Moscone Lease Revenue Refunding Bonds, Series 2008-1 and 2008-2 - Events of default as specified in the Letter of Credit Agreements include: (i) the City fails to pay when due the amounts of any drawing, the principal or interest on any Liquidity Advance, or otherwise fails to pay the Credit Bank when due; (ii) the City fails to observe any covenant under Credit Agreement; (iii) the San Francisco Finance Corporation fails to observe covenant or warranty under Credit Agreement; (iv) the City defaults on any appropriation debt; (v) the City files for bankruptcy; (vi) downgrade of the City's rating on the Bonds or any other Lease Obligation Debt below "BBB" (or its equivalent). Upon the occurrence of an Event of Default, the bank's remedies are as follows: (i) by notice require the City to post collateral up to the Available Amount of the letter of credit (except the City has no such right upon bankruptcy event), (ii) declare all Obligations due and payable (except such declaration is automatic upon bankruptcy event), (iii) by notice to Trustee declare Event of Default and cause a mandatory tender of bonds, thereby

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causing the letter of credit to expire 15 days thereafter; (iv) pursue other rights under the Indenture and otherwise available under equity and law.

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

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

San Francisco County Transportation Authority Long-Term Debt

In November 2017, the San Francisco County Transportation Authority (SFCTA) issued Senior Sales Tax Revenue Bonds, Series 2017 (the Series 2017 Bonds) with a par value of \$248.3 million to finance the cost of construction, acquisition and improvement of certain transit, street, and traffic facilities and other transportation projects, repay a portion of the outstanding amount of a revolving credit agreement, pay capitalized interest on a portion of the Series 2017 Bonds and pay cost of issuance of the Series 2017 Bonds. The Series 2017 Bonds bear interest rates ranging from 3.0% to 4.0% and have final maturity date of February 1, 2034. The outstanding principal on June 30, 2022, is \$208.3 million. The Series 2017 Bonds are repaid and secured by a pledge of Prop K half-cent sales tax and other legally available revenues of the SFCTA. Based on the total sales tax revenue of \$104.8 million for the year ended June 30, 2022, the total debt service payments of \$21.5 million on the Series 2017 Bonds, the SFCTA's senior debt service coverage ratio was 487% or 4.87x. Events of default for the bonds include nonpayment events, bankruptcy events, and noncompliance with covenants. The Series 2017 Bonds are not subject to acceleration.

In October 2021, the SFCTA entered into a Revolving Credit Agreement (RCA) with U.S. Bank National Association for \$125.0 million. The RCA is secured by a lien on the SFCTA's sales tax revenues subordinate to the lien on the sales tax revenues securing the Series 2017 Bonds and will expire in October 2024. The SFCTA will use the RCA to fund the capital projects and programs included in the Prop K Expenditure Plan. As of June 30, 2022, the SFCTA has no outstanding balance in the RCA. Events of Default under the RCA include nonpayment events, noncompliance with covenants, default on other specified debt, bankruptcy events, specified litigation events, or a ratings downgrade below "Baa2" by Fitch, "BBB" by Moody's or "BBB" by S&P. Remedies include acceleration (subject in some, but not all, circumstances to a 270-day notice period) and the termination of the right of the SFCTA to borrow under the RCA.

Events of Default and Remedies - Other Long-Term Obligations

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

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

Business-Type Activities Long-Term Liabilities

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

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions adopted between fiscal years 2008 and 2022, as of June 30, 2022, the Airport has authorized the issuance of up to \$10.8 billion of San Francisco International Airport Second Series Revenue Bonds (Capital Plan Bonds) to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, funding capitalized interest, and for paying costs of issuance. As of June 30, 2022, \$4.2 billion of the authorized capital plan bonds remained unissued.

Second Series Revenue Refunding Bonds

Pursuant to resolutions adopted between fiscal years 2005 and 2021, as of June 30, 2022, the Airport has authorized the issuance of up to \$11.1 billion of San Francisco International Airport Second Series Revenue Refunding Bonds for the purposes of refunding outstanding 1991 Master Bond Resolution Bonds and outstanding CP, funding debt service reserves, and paying costs of issuance, including any related bond redemption premiums. As of June 30, 2022, \$1.4 billion of the authorized refunding bonds remained authorized but unissued.

During fiscal year 2022, the Airport issued the following bonds for refunding and other purposes under the 1991 Master Bond Resolution:

In February 2022, the Airport issued its fixed rate Second Series Revenue Bonds, Series 2022A (AMT), Second Series Revenue Bonds, Series 2022B (Non-AMT/Governmental Purpose), and Second Series Revenue Bonds, 2022C (Federally Taxable), in aggregate principal amount of \$732.8 million to refund a combined \$474.2 million of its Series 2012A, Series 2012B, Series 2013A, Series 2016A, Series 2016D, Series 2017D, Series 2018A, Series 2019C, Series 2019D, Series 2019G and Series 2019H Bonds, to repay outstanding CP, to finance capitalized interest, and to pay costs of issuance.

The proceeds of the Series 2022A, Series 2022B, and Series 2022C, (consisting of \$732.8 million par amount and original issue premium of \$104.6 million, less underwriters' discount of \$1.2 million), together with \$26.5 million accumulated in the debt service fund and reserve fund relating to the refunded bonds were used to deposit \$491.4 million into redemption accounts and escrow funds with the Senior Trustee to refund \$474.2 million in revenue bonds as described below, \$361.3 million to repay outstanding CP, \$8.8 million to fund capitalized interest, and \$1.1 million to pay costs of issuance.

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Notes to Basic Financial Statements (Continued)
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	<u>Amount refunded</u>	<u>Interest rate</u>
Second Series Revenue Bonds Issue:		
Series 2012A (AMT)	\$ 208,020	5.00%
Series 2012B (Non-AMT/Governmental Purpose)	107,465	4.00 - 5.00%
Series 2013A (AMT)	8,290	5.00%
Series 2016A (Non-AMT/Governmental Purpose)	32,680	4.00 - 5.00%
Series 2016D (Non-AMT/Governmental Purpose)	19,380	5.00%
Series 2017D (AMT)	24,175	5.00%
Series 2018A (AMT)	28,055	5.00%
Series 2019C (Taxable)	13,445	3.15%
Series 2019D (Non-AMT/Private Activity)	5,205	5.00%
Series 2019G (Taxable)	7,935	1.87%
Series 2019H (Non-AMT/Governmental Purpose)	19,520	5.00%
Total	<u>\$ 474,170</u>	

The refunded bonds were redeemed on February 8, 2022.

In aggregate, the Series 2022A/B/C refundings resulted in the recognition of a deferred accounting gain of \$3.8 million for the year ended June 30, 2022. Notably, the Series 2022A/B/C refundings decreased the Airport's aggregate gross debt service payments by approximately \$26.1 million over the life of the bonds and obtained an economic gain (the difference between the present values of the debt service on the old debt and the new debt) of \$40.5 million.

Variable Rate Demand Bonds

As of June 30, 2022, the Airport had outstanding aggregate principal amount of \$396.1 million, consisting of Second Series Variable Rate Revenue Refunding Bonds, Series 2010A, Series 2018B and Series 2018C, (collectively, the "Variable Rate Bonds") with final maturity dates of May 1, 2030 (Series 2010A), and May 1, 2058 (Series 2018B and 2018C). The Variable Rate Bonds are long-term, tax-exempt bonds that currently bear interest at a rate that is adjusted weekly, and that are subject to tender at par at the option of the holder thereof on seven days' notice. Any tendered Variable Rate Bonds are remarketed by the applicable remarketing agent in the secondary market to other investors. The interest rate on the Variable Rate Bonds can be converted to other interest rate modes, including a term rate or fixed rates to maturity, upon appropriate notice by the Airport.

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

Amounts drawn under a letter of credit that are not reimbursed by the Airport constitute "Repayment Obligations" under the 1991 Master Bond Resolution and are accorded the status of other outstanding bonds to the extent provided in the Resolution. The commitment fees for the letters of credit range between 0.28% and 0.39% per annum. As of June 30, 2022, there were no unreimbursed draws under these facilities.

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The letters of credit securing the Variable Rate Bonds included in long-term debt as of June 30, 2022, are as follows:

	Series 2010A	Series 2018B	Series 2018C
Principal amount	\$ 119,745	\$ 138,170	\$ 138,170
Expiration date	April 14, 2023	June 3, 2026	April 5, 2027
Credit provider	Bank of America ⁽¹⁾	Barclays ⁽²⁾	SMBC ⁽³⁾

(1) Bank of America, N.A.

(2) Barclays Bank PLC

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

Hotel Special Facility Bonds

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

The Hotel Special Facility Bonds are issued pursuant to a Trust Agreement (the “Hotel Trust Agreement”). In February 2021, the Hotel Special Facility Bonds and the trust agreement pursuant to which they were issued were amended and restated, including to delay the initial principal repayment until April 1, 2025 (instead of April 1, 2022) and temporarily reduce the interest rate on the Hotel Special Facility Bonds from 3.00% to 0.086% from April 1, 2020, through September 30, 2023. The interest rate will then increase incrementally until it is restored to 3.00% beginning on April 1, 2029. In addition, the amendments provided that October 1, 2020, is no longer an interest payment date, and there is no requirement to pay interest accrued on the Hotel Special Facility Bonds until October 1, 2023. The maximum principal amount of the Hotel Special Facility Bonds is not limited by the Hotel Trust Agreement, but the Airport must satisfy an additional bonds test prior to the issuance of any such bonds.

The Hotel Special Facility Bonds are limited obligations of the Airport. Under the Hotel Trust Agreement, the Airport has pledged the Revenues of the on-Airport Hotel, together with other assets, to the payment of the principal of and interest on the Hotel Special Facility Bonds. Revenues are generally defined in the Hotel Trust Agreement as all revenue and income of any kind derived directly or indirectly from operations at the on-Airport Hotel (not including certain amounts specified in the Hotel Trust Agreement). Operating expenses of the on-Airport Hotel are payable prior to payment of principal of and interest on the Hotel Special Facility Bonds. The Airport does not maintain a reserve account for the Hotel Special Facility Bonds. The Hotel Special Facility Bonds are subject to acceleration upon the occurrence of an event of default. Events of default include nonpayment events, bankruptcy events, noncompliance with covenants, condemnation of the hotel, or a failure by the Airport to maintain a third-party manager for the hotel. The Hotel Special Facility Bonds are not payable from or secured by the Airport’s Net Revenues (as defined under the 1991 Master Bond Resolution). However, because the Airport is the owner of the on-Airport Hotel, the Airport is obligated to repay the Hotel Special Facility Bonds from the net revenues of the hotel. As of June 30, 2022, the Airport had \$260.0 million of outstanding Hotel Special Facility Bonds.

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Interest Rate Swaps

As of June 30, 2022, the Airport's derivative instrument comprised of one interest rate swap that the Airport entered into to hedge the interest payments on its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A. The Airport determined the hedging relationship between the variable rate bonds and the related interest rate swap continued to be effective as of June 30, 2022.

No.	Current bonds	Initial notional amount	Notional amount June 30, 2022	Effective date
1	2010A*	\$ 143,947	\$ 119,730	2/1/2010
	Total	<u>\$ 143,947</u>	<u>\$ 119,730</u>	

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

Fair Value

The fair value takes into consideration the prevailing interest rate environment and the specific terms and conditions of the swap. The value was 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 swap to arrive at the so-called "settlement amount", i.e., the approximate amount a party would have to pay or would receive if the swap was terminated.

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

As of June 30, 2022, the fair value of the Airport's outstanding swap, counterparty credit ratings, and fixed rate payable by the Airport is shown in the following table. Since the swap is guaranteed, the guarantor ratings are shown. The ratings provided are S&P's Long-Term Local Issuer Credit Rating, Moody's Long-Term Senior Unsecured Rating, and Fitch's Long-Term Issuer Default Rating.

No.	Current bonds	Counterparty/guarantor*	Counterparty credit ratings (S/M/F)	Fixed rate payable by Airport	Fair value to Airport
1	2010A**	Goldman Sachs Bank USA/ Goldman Sachs Group, Inc.	BBB+/A2/A*	3.925%	\$ (10,192)
		Total			<u>\$ (10,192)</u>

* Reflects ratings of the guarantor.

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

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Fair Value Hierarchy

	Fair Value June 30, 2022	Fair value measurements using significant other observable inputs (Level 2)
Interest rate swaps	\$ (10,192)	\$ (10,192)

Change in Fair Value

The impact of the interest rate swaps on the financial statements for the year ended June 30, 2022, is as follows:

	Deferred outflows on derivative Instruments	Derivative instruments
Balance as of June 30, 2021	\$ 21,374	\$ 21,374
Change in fair value to year-end	(11,182)	(11,182)
Balance as of June 30, 2022	\$ 10,192	\$ 10,192

The fair value of the interest rate swap is recorded as a liability (since the Airport would owe a termination payment to the counterparty) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflow asset (if a termination payment would be due to the counterparty) or inflow liability (if a termination payment would be due to the Airport). Any off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflow/outflow values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis.

Basis Risk – During the year ended June 30, 2022, the Airport paid a total of \$0.3 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, 2022, the Airport is not exposed to credit risk because the swaps have a negative fair value to the Airport.

Counterparty Risk – As of June 30, 2022, the fair value of the Airport's swap was negative to the Airport (representing an amount payable by the Airport to the counterparty in the event the relevant swap was terminated).

Termination Risk – The Airport has not secured municipal swap insurance for its outstanding swap.

As of June 30, 2022, the fair value of the swap was negative to the Airport as shown above.

Debt Service Reserves and Requirements

Issue 1 Reserve Account - As of June 30, 2022, the reserve requirement for the Issue 1 Reserve Account was \$535.0 million, which was satisfied by \$536.3 million of cash and investment securities, and reserve fund surety policies in the initial principal amount of \$108.6 million. All of the providers of such reserve policies have one or more credit ratings below the Airport's rating or are no longer rated. In addition, \$27.5 million of such surety policies have likely experienced a reduction in value in accordance with their terms.

2017 Reserve Account - As of June 30, 2022, the reserve requirement for the 2017 Reserve Account was \$41.6 million, which was satisfied by \$56.6 million in cash and investment securities.

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Series Not Secured by Reserve Accounts - The Airport does not maintain reserve accounts for its Second Series Variable Rate Revenue Refunding Bonds, Series 2010A and Series 2018B/C, all of which are secured by letters of credit.

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

Payment of principal, interest and purchase price of bonds that bear interest at variable interest rates are supported by letters of credit. Events of default with respect to the letters of credit supporting the bonds include nonpayment events, bankruptcy events, noncompliance with covenants, default on debt in excess of a specified threshold amount, default under the 1991 Master Bond Resolution, or a determination of taxability of interest on tax-exempt bonds supported by the letter of credit. A downgrade of the Airport's Senior Bonds to below "Baa1" or "BBB+" or withdrawal or suspension of a bond rating for credit-related reasons by any rating agency is an event of termination under the letters of credit supporting the bonds. Remedies include the letter of credit bank's ability to cause a mandatory tender of the supported bonds or to accelerate amounts due and payable to the bank; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution. If there are no default events pending, drawings under the respective letters of credit supporting the bonds are amortized over a three- or five-year period; provided that payments made on a parity with the bonds are capped based on provisions in the 1991 Master Bond Resolution.

San Francisco Water Enterprise

Drinking Water State Revolving Fund (DWSRF) Loan

In April 2022, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Drinking Water State Revolving Fund (DWSRF) Loan to fund the Enterprise's Mountain Tunnel Improvement Project. The DWSRF loan is in the amount of \$238.2 million. It will bear an interest rate of 1.1% for a 30-year term, with interest payments beginning annually after the initial loan proceed draw occurs and loan principal repayment beginning one year after substantial completion of project construction. Power Enterprise is responsible for repayment for its share of SRF Loan debt service costs representing up to its allocable share of the cost of the Mountain Tunnel Project by a Memorandum of Understanding that will be executed with the Water Enterprise. The DWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2022, was \$0.

Clean Water State Revolving Fund (CWSRF) Loan and Grant

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan and Grant to fund the Water Enterprise's SF Westside Recycled Water Project. The CWSRF loan is in the amount of \$186.2 million, which includes \$15.0 million of principal forgiveness, or a grant. It will bear an interest rate of 1.0% for a 30-year term, with loan repayment beginning one year after substantial completion of project construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The principal outstanding as of June 30, 2022, was \$121.8 million. In addition, there was \$15.0 million of principal forgiveness.

Events of Default and Remedies

Water Revenue Bonds, and State Revolving Fund Loans - Events of default as specified in the Water Enterprise Indenture, include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners, by aggregate amount of the bond obligations or of a credit provider), declaring the principal and the interest accrued thereon, to be due and payable immediately. As of June 30, 2022, there were no such events described herein.

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Hetch Hetchy Water and Power

Power Revenue Bonds 2021 Series A (Green) and Series B

In December 2021, Hetchy Power issued tax-exempt revenue bonds, 2021 Series A (Green) in the amount of \$74.3 million with interest rates ranging from 4.0% to 5.0% and 2021 Series B in the amount of \$49.7 million with interest rates ranging from 4.0% to 5.0%. Proceeds from the bonds were used to refinance a portion of the costs of various capital projects benefiting Hetchy Power to fund capitalized interest on the 2021 Series AB Bonds, and to pay costs of issuance. The bonds were rated “AA” and “AA-” by S&P and Fitch, respectively. Final maturity for the 2021 Series AB is November 2051.

Events of Default and Remedies

Power Revenue Bonds and Energy Bonds - Significant events of default as specified in the Power Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants (not cured within applicable grace periods), and bankruptcy and insolvency events, which may result in the Trustee (upon written request by the majority of the owners by aggregate amount of the bond obligations) declare the principal and the interest accrued thereon to be due and payable immediately. As of June 30, 2022, there were no such events described herein.

San Francisco Municipal Transportation Agency

Portsmouth Plaza Parking Corporation and Japan Center Garage Corporation Loan

In October 2016, the Portsmouth Plaza Parking Corporation entered into a loan agreement with First Republic Bank in a total principal amount of up to \$12.5 million for the garage renovation project. The loan agreement was amended in February 2019 to reduce the maximum loan amount to \$12.0 million. The drawdowns are limited to once a month for a minimum of \$0.25 million each disbursement. The loan has a term of 30 years at 3.3% per annum and is secured with the collateral of all the garage’s business assets. The loan agreement requires the corporation to maintain a reserve account restricted for repayment of the loan. As of June 30, 2022, the reserve account held by the lender totaled \$0.8 million.

In fiscal year 2022, the two remaining nonprofit parking garage corporations obtained Small Business Administration’s (SBA) Paycheck Protection Program (PPP) loans. PPP loans have a fixed interest rate of 1.0% per annum with no collateral requirement, and five-year maturity. The program allows borrowers to apply for loan forgiveness to cover eligible expenses incurred. Loan payments shall be deferred until SBA remits the loan forgiveness amount to the lender. For any amount of the loan that is not forgiven, the borrowers shall be responsible for the payment of principal and accrued interest within the term of the loan. Portsmouth Plaza Parking Corporation obtained its second PPP loan through First Republic Bank of \$0.2 million in April 2021. Japan Center Garage Corporation obtained its second PPP loan through California Bank & Trust of \$0.1 million in February 2021. Portsmouth’s and Japan Center’s outstanding PPP loans were forgiven on April 5, 2022, and August 6, 2021, respectively.

The SFMTA is not responsible for loan repayments and any aspect of loan performance other than reporting on behalf of another government entity. The total loan balances of the two nonprofit parking garage corporations were \$11.2 million as of June 30, 2022.

Events of Default and Remedies

Revenue Bonds – Events of default under the indenture of trust include failure to pay the principal amount and any installment of interest, failure to pay the purchase price of any bond tendered for optional or mandatory purchase, failure to comply with certain covenants, or either the SFMTA or the City files for bankruptcy. In an event of default, the trustee may declare the principal amount of all the bonds outstanding and interest accrued thereon to be due and payable immediately. In case any proceeding taken by the trustee on account of an event of default is discontinued, the SFMTA, trustee,

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and bondholders shall be restored to their former positions and rights as if no such proceeding had been taken.

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

Wastewater Enterprise

Wastewater Revenue Bonds 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue bonds, 2021 Series AB in the aggregate amount of \$297.9 million. The purpose of the 2021 Series AB Bonds was to refund approximately \$340.0 million aggregate principal amount of CP notes which funded various capital projects of the Wastewater Enterprise.

The \$260.9 million 2021 Series A Bonds were issued as tax-exempt Green Bonds to refund approximately \$296.0 million of CP notes for SSIP capital projects. The Series A bonds were issued as serial bonds with coupons of 4.0% and 5.0% and a final maturity of October 2051.

The \$37.0 million 2021 Series B bonds were issued as tax-exempt bonds to refund approximately \$44.0 million of CP notes for Wastewater capital projects. The Series B bonds were issued as serial bonds with coupons of 5.0% and have a final maturity of October 2051.

Wastewater Revenue Notes 2021 Series AB

In November 2021, the Wastewater Enterprise issued tax-exempt revenue (Green) notes, 2021 Sub-Series A and Sub-Series B together with an aggregate principal of \$347.5 million to finance a portion of the design, acquisition and construction of the Biosolids Digester Facility Project and Southeast Water Pollution Control Plant improvements. The SFPUC intends to pay principal of the 2021A Notes and 2021B Notes from the proceeds of one or more draws under WIFIA Loan Agreements for the Biosolids Digester Facility Project and Southeast Treatment Plant Improvements, respectively, or from the proceeds of future obligations.

The \$218.4 million 2021 Series A Notes were issued as tax-exempt Green Notes to fund a portion of the Biosolids Digester Facilities Project. The Series A Notes were issued with 1.0% coupons and a final maturity of October 2025.

The \$129.1 million 2021 Series B Notes were issued as tax-exempt Green Notes to fund a portion of Southeast Water Pollution Control Plant improvements. The Series B Notes were issued with 1.0% coupons and a final maturity of October 2026.

Lake Merced Green Infrastructure Project CWSRF Loan

In January 2016, then amended in May 2016, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a Clean Water State Revolving Fund (CWSRF) Loan to fund the Lake Merced Green Infrastructure Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$7.4 million. The loan bears an interest rate of 1.6% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; completion was in October 2020. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received loan disbursements to date totaling \$6.1 million and a construction period interest of \$0.17 million transferred to principal. As of June 30, 2022, the principal amount outstanding of the loan was \$6.1 million.

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

In September 2017, then amended in December 2017 and May 2018, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP 521/522 and Disinfection Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$40.0 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in July 2019. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$39.7 million. As of June 30, 2022, the principal amount outstanding of the loan was \$37.5 million.

North Point Facility Outfall Rehabilitation Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the North Point Facility Outfall Rehabilitation Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$20.2 million. The loan bears an interest rate of 1.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in February 2018. The CWSRF loans is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$17.7 million. As of June 30, 2022, the principal amount outstanding of the loan was \$15.7 million.

Southeast Plant (SEP) Primary/Secondary Clarifier Upgrade Project CWSRF Loan

In September 2017, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Primary/Secondary Clarifier Upgrade Project of the Sewer System Improvement Program. The aggregate amount of the CWSRF loans is \$34.4 million. The loan bears an interest rate of 0.8% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion occurred in June 2018. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$29.2 million. As of June 30, 2022, the principal amount outstanding of the loan was \$26.0 million.

Oceanside (OSP) Digester Gas Utilization Upgrade Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the OSP Digester Gas Utilization Upgrade Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of \$54.4 million, which includes \$4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. As of June 30, 2022, the principal amount outstanding of the loan was \$24.7 million.

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Southeast Plant (SEP) Biosolids Digester Facilities Project

In May 2020, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP Biosolids Digester Facilities Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of \$132.0 million, which includes \$4.0 million of principal forgiveness, or a grant. The loan bears an interest rate of 1.4% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in May 2026. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$0 and a receivable for reimbursement of \$132.0 million, which includes a \$4.0 million loan forgiveness grant. As of June 30, 2022, the principal amount outstanding of the loan was \$128.0 million.

Southeast Plant (SEP) New Headworks (Grit) Replacement Project

In May 2021, the SFPUC entered into an Installment Sale Agreement with the State Water Resources Control Board for a CWSRF Loan to fund the SEP New Headworks (Grit) Replacement Project of the Sewer System Improvement Program. The CWSRF loan is in the amount of \$112.0 million. The loan bears an interest rate of 1.1% which was equal to one-half of the State of California's most recent 30-year General Obligation Bond true interest cost at the time the agreement was executed. The CWSRF loan will have a 30-year term, with loan repayment beginning one year after substantial completion of each project's construction; substantial completion is expected in March 2024. The CWSRF loan is secured on a parity lien basis with the Enterprise's outstanding revenue bonds. The SFPUC has received proceeds from loan disbursements to date totaling \$0 and a receivable for reimbursement of \$64.7 million. As of June 30, 2022, the principal amount outstanding of the loan was \$64.7 million.

WIFIA Loan Agreement-Southeast Treatment Plant Improvements

In June 2020, the SFPUC entered into a Water Infrastructure Finance and Innovation Act (WIFIA) Loan Agreement (WIFIA Loan) with the United States Environmental Protection Agency in the amount of \$513.9 million. The WIFIA Loan was entered into pursuant to the WIFIA statute authorized by Congress in 2014. The WIFIA Loan will fund 49% of the costs of the Wastewater Enterprise's SEP New Headworks Replacement Project and additional costs of the revised Biosolids Digester Facility Project plus certain eligible expenses. Payment of the WIFIA Loan will be secured by a senior lien pledge of the Wastewater Enterprise's net revenues and is on a parity lien basis with the SFPUC's outstanding Wastewater Revenue Bonds and Clean Water State Revolving Fund (CWSRF) Loans entered into with the California State Water Resources Control Board. The loan will bear a fixed interest rate of 1.45% for a 35-year term, with loan repayment expected to begin in fiscal year 2025, after substantial completion of project construction. The SFPUC has not submitted any requests for loan disbursements to date and there is no outstanding loan principal as of June 30, 2022.

Events of Default and Remedies

Wastewater Revenue Bonds, SRF Loans, and WIFIA Loan - Events of default as specified in the Wastewater Enterprise Indenture include non-payment, material breach of warranty, representation, or indenture covenants which are not cured within applicable grace periods, and bankruptcy and insolvency events. The trustee, upon written request, by majority of the owners (by aggregate amount of the bond obligations or of a credit provider), shall declare the principal and interest accrued thereon, to be due and payable immediately. As of June 30, 2022, there were no such events described herein.

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(9) EMPLOYEE BENEFIT PROGRAMS

(a) Retirement Plans

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

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

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

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

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Benefits

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

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

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

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

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

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

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

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

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retiring) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

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

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

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

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

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

Death benefit prior to retirement generally, upon death of the active member who is eligible for a service retirement, qualified surviving spouse and qualified domestic partner receive continuation benefits equal to 50% to 100% of the member's retirement allowance that the member would have received had he or she retired on the date of death. The qualified surviving spouses and qualified domestic partners of Safety members who die prior to becoming eligible for service retirement and whose death is due to an injury received in or illness caused by the performance of duty, salary continuation is provided to the qualified survivor until such time as the member would have qualified for service retirement had he or she lived at which time a continuation benefit equal to 100% of the member's service retirement allowance is provided to the qualified survivor. A lump sum death payment equal to 6 months' earnable salary plus the member's accumulated contributions is provided upon the death of an active employee not yet eligible for a service retirement to the member's named beneficiary or estate.

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

All retired members receive a benefit adjustment each July 1, which is the Basic COLA. The majority of adjustments are determined by changes in Consumer Price Index (CPI) with increases capped at 2%. The SFERS Plan provides for a Supplemental COLA in years when there are sufficient "excess" investment earnings in the Plan. The maximum benefit adjustment each July 1 is 3.5% including the Basic COLA. Effective July 1, 2012, voters approved changes in the criteria for payment of the Supplemental COLA benefit, so that Supplemental COLAs would only be paid when the Plan is also fully funded on a market value of assets basis. Certain provisions of this voter-approved proposition were challenged in the Courts. A decision by the California Courts modified the interpretation of the

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proposition. Effective July 1, 2012, members who retired before November 6, 1996, will receive a Supplemental COLA only when the Plan is also fully funded on a market value of assets basis. However, the “full funding” requirement does not apply to members who retired on or after November 6, 1996, and were hired before January 7, 2012. For all members hired before January 7, 2012, all Supplemental COLAs paid to them in retirement benefits will continue into the future even when an additional Supplemental COLA is not payable in any given year. For members hired on and after January 7, 2012, a Supplemental COLA will only be paid to retirees when there are sufficient “excess” investment earnings in the Plan and the Plan is also fully funded on a market value of asset basis and in addition for these members, Supplemental COLAs will not be permanent adjustments to retirement benefits. That is, in years when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire.

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

The CalPERS’ provisions and benefits in effect at June 30, 2022, are summarized as follows:

CalPERS’ Provisions and Benefits

	City Miscellaneous Plan		City Safety Plan	
	Prior to January 1, 2013	On or after January 1, 2013*	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 60		2% @ 50, 2% @ 55, or 3% @ 55	2% @ 57 or 2.7% @ 57
Benefit vesting schedule	5 years of service		5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	5.00%		7.00% to 9.00%	11.50% to 14.50%
Required employer contribution rates	11.78%		23.83%	23.83%

* For the City Miscellaneous Plan there are no current active employees hired on or after January 1, 2013. For the Treasure Island Miscellaneous Plan there are no current active employees.

	Transportation Authority Miscellaneous Plan		Successor Agency Miscellaneous Plan	
	Prior to January 1, 2013	On or after January 1, 2013	Prior to January 1, 2013	On or after January 1, 2013
Hire date				
Benefit formula	2% @ 55	2% @ 62	2% @ 55	2% @ 62
Benefit vesting schedule	5 years of service	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life		Monthly for life	Monthly for life
Required employee contribution rates	7.00%	6.75%	6.91%	7.25%
Required employer contribution rates	10.88%	7.59%	74.75%	8.64%

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At June 30, 2022, the following current and former employees were covered by the benefit terms under each pension plan:

	SFERS Plan	City CalPERS Miscellaneous Plan	City CalPERS Safety Plan	Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans	Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans	Treasure Island Development Authority CalPERS Miscellaneous Plan
Inactive employees or beneficiaries currently receiving benefits.....	31,719	63	1,228	16	188	1
Inactive employees entitled to but not yet receiving benefits.....	12,085	-	266	64	120	-
Active employees.....	33,199	-	707	38	45	-
Total.....	<u>77,003</u>	<u>63</u>	<u>2,201</u>	<u>118</u>	<u>353</u>	<u>1</u>

Contributions

For the year ended June 30, 2022, the City's actuarial determined contributions were as follows:

SFERS Plan.....	\$ 729,578
City CalPERS Miscellaneous Plan.....	-
City CalPERS Safety Plan.....	49,808
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	628
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	2,611
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	9
Total.....	<u>\$ 782,634</u>

SFERS – Contributions are made to the basic SFERS Plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2022 varied from 7.5% to 13.0% as a percentage of gross covered salary. For the year ended June 30, 2022, 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, 2020, actuarial report, the required employer contribution rates for fiscal year 2022 were 19.91% to 24.41%.

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

Replacement Benefits Plan – The RBP is and will remain unfunded and the rights of any participant and beneficiary are limited to those specified in the RBP. The RBP constitutes an unsecured promise by the City to make benefit payments in the future to the extent funded by the City. The City paid \$4.1 million replacement benefits in the year ended June 30, 2022.

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

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Net Pension Liability (Asset)

The table below shows how the net pension liability (NPL) or (net pension asset) (NPA) as of June 30, 2022, is distributed.

	<u>Net Pension Asset</u>	<u>Net Pension Liability</u>	<u>Total</u>
Governmental activities.....	\$ (1,412,846)	\$ 341,625	\$ (1,071,221)
Business-type activities.....	(1,032,946)	-	(1,032,946)
Fiduciary funds.....	-	22,028	22,028
Component Unit - Treasure Island Development Authority..	-	6	6
Total.....	<u>\$ (2,445,792)</u>	<u>\$ 363,659</u>	<u>\$ (2,082,133)</u>

As of June 30, 2022, the City's NPL/(NPA) is comprised of the following:

	<u>Proportionate Share</u>	<u>Share of Net Pension Liability (Asset)</u>
SFERS Plan.....	94.6421%	\$ (2,446,565)
City CalPERS Miscellaneous Plan.....	-0.4126%	(22,316)
City CalPERS Safety Plan.....	N/A	144,272
Transportation Authority CalPERS Classic & PEPRAs Miscellaneous Plans.	0.0160%	868
Successor Agency CalPERS Classic & PEPRAs Miscellaneous Plans.....	0.4073%	22,028
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0001%	6
Replacement Benefits Plan.....	N/A	219,574
Total.....		<u>\$ (2,082,133)</u>

The City's NPL/(NPA) for each of its cost-sharing plans is measured as a proportionate share of the plans' NPL/(NPA). The City's NPL/(NPA) for each of its cost-sharing plans is measured as of June 30, 2021, and the total pension liability for each cost-sharing plan used to calculate the NPL/(NPA) was determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2021, using standard update procedures. The City's proportion of the NPL/(NPA) for the SFERS Plan was based on the City's long-term share of contributions to SFERS relative to the projected contributions of all participating employers, actuarially determined. The City's proportions of the NPL/(NPA) for the CalPERS plans were actuarially determined as of the valuation date.

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The City's proportionate share and NPL/(NPA) of each of its cost-sharing plans as of June 30, 2021 and 2020 were as follows:

	June 30, 2021 (Measurement Date)		June 30, 2020 (Measurement Date)	
	Proportionate Share	Share of Net Pension Liability (Asset)	Proportionate Share	Share of Net Pension Liability (Asset)
SFERS Plan.....	94.6421%	\$ (2,446,565)	94.3903%	\$ 5,107,273
City CalPERS Miscellaneous Plan.....	-0.4126%	(22,316)	-0.1489%	(16,206)
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans.....	0.0160%	868	0.0244%	2,659
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	0.4073%	22,028	0.2967%	32,279
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	0.0001%	6	0.0002%	21
Total.....		<u>\$ (2,445,979)</u>		<u>\$ 5,126,026</u>

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

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2020 (MD).....	\$ 1,524,757	\$ 1,189,665	\$ 335,092
Change in year:			
Service cost.....	27,940	-	27,940
Interest on the total pension liability.....	107,607	-	107,607
Differences between expected and actual experience.....	2,028	-	2,028
Contributions from the employer.....	-	51,620	(51,620)
Contributions from employees.....	-	8,342	(8,342)
Net investment income.....	-	269,621	(269,621)
Benefit payments, including refunds of employee contributions.....	(71,533)	(71,533)	-
Administrative expense.....	-	(1,188)	1,188
Net changes during measurement period.....	<u>66,042</u>	<u>256,862</u>	<u>(190,820)</u>
Balance at June 30, 2021 (MD)	<u>\$ 1,590,799</u>	<u>\$ 1,446,527</u>	<u>\$ 144,272</u>

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

		<u>Increase (Decrease)</u>
		<u>Total Pension Liability</u>
Balance at June 30, 2020 (MD).....	\$	185,203
Change in year:		
Service cost.....		2,571
Interest.....		4,076
Differences between expected and actual experience.....		24,547
Assumption changes.....		7,274
Benefit payments.....		(4,097)
Net changes during measurement period.....		<u>34,371</u>
Balance at June 30, 2021 (MD).....	<u>\$</u>	<u>219,574</u>

The following significant changes to City's net pension liability/(asset) have arisen between the measurement date June 30, 2021, and City's reporting date June 30, 2022:

SFERS – As of the measurement date June 30, 2022, the Plan reports a total collective net pension liability of \$2.69 billion, a change of approximately \$5.28 billion from \$2.59 billion net pension asset in prior measurement period, is primarily due to significant decrease in investment performance. Furthermore, the impact of the assumption changes on the total pension liability of \$786.1 million is due to the decrease in discount rate from 7.40% to 7.20%, slightly offset by the decrease in the supplemental COLA assumptions. City's proportionate share of net pension liability is approximately \$2.55 billion.

CalPERS – City anticipates a substantial increase in CalPERS Safety Plan's net pension liability resulting from investment losses.

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

For the year ended June 30, 2022, the City recognized pension expense/(benefit) including amortization of deferred outflows/inflows related to pension items as follows:

	<u>Primary Government</u>			<u>Component Unit</u>	<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Treasure Island Development Authority</u>	
SFERS Plan.....	\$ (541,603)	\$ (410,111)	\$ -	\$ -	\$ (951,714)
City CalPERS Miscellaneous Plan.....	(25,331)	-	-	-	(25,331)
City CalPERS Safety Plan.....	486	-	-	-	486
Transportation Authority CalPERS Classic & PEPRA Miscellaneous Plans...	(368)	-	-	-	(368)
Successor Agency CalPERS Classic & PEPRA Miscellaneous Plans.....	-	-	11,984	-	11,984
Treasure Island Development Authority CalPERS Miscellaneous Plan.....	-	-	-	(1)	(1)
Replacement Benefits Plan.....	17,340	11,395	-	-	28,735
Total pension expense/(benefit).....	<u>\$ (549,476)</u>	<u>\$ (398,716)</u>	<u>\$ 11,984</u>	<u>\$ (1)</u>	<u>\$ (936,209)</u>

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At June 30, 2022, the City's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	SFERS Plan		CaIPERS City Miscellaneous Plan		CaIPERS Transportation Authority Miscellaneous Plan		CaIPERS Successor Agency Miscellaneous Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 729,578	\$ -	\$ -	\$ -	\$ 628	\$ -	\$ 2,611	\$ -
Change in assumptions.....	165,530	429,516	-	-	-	-	-	-
Difference between expected and actual experience.....	224,673	8,025	-	2,502	97	-	2,470	-
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	77,316	59,280	2,398	2,225	293	-	533	2,529
Net differences between projected and actual earnings on plan investments.....	-	5,314,916	19,480	-	-	757	-	19,229
Total.....	\$ 1,197,097	\$ 5,811,737	\$ 21,878	\$ 4,727	\$ 1,018	\$ 757	\$ 5,614	\$ 21,758
CaIPERS Treasure Island Development Authority								
	Miscellaneous Plan		City CaIPERS Safety Plan		Replacement Benefits Plan		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date.....	\$ 9	\$ -	\$ 49,808	\$ -	\$ -	\$ -	\$ 782,634	\$ -
Change in assumptions.....	-	-	-	-	40,961	-	206,491	429,516
Difference between expected and actual experience.....	1	-	1,146	293	29,865	-	258,252	10,820
Change in employer's proportion and differences between the employer's contributions and the employer's proportionate share of contributions.....	6	7	-	-	10,930	10,930	91,476	74,971
Net differences between projected and actual earnings on plan investments.....	-	5	-	134,076	-	-	19,480	5,468,983
Total.....	\$ 16	\$ 12	\$ 50,954	\$ 134,369	\$ 81,756	\$ 10,930	\$ 1,358,333	\$ 5,984,290

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At June 30, 2022, the City reported \$782.6 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net pension liability/(asset) in the reporting year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the reporting year as follows:

Year Ending June 30	SFERS Plan	CalPERS City Miscellaneous Plan	CalPERS Transportation Authority Miscellaneous Plan	CalPERS Successor Agency Miscellaneous Plan	CalPERS Treasure Island Development Authority Miscellaneous Plan	CalPERS Safety Plan	Replacement Benefits Plan	Total
2023.....	\$ (1,368,305)	\$ 3,311	\$ 10	\$ (4,391)	\$ (1)	\$ (33,188)	\$ 25,178	\$ (1,377,386)
2024.....	(1,229,759)	3,894	(45)	(4,423)	(1)	(30,809)	23,957	(1,237,186)
2025.....	(1,271,216)	4,561	(122)	(4,627)	(1)	(32,198)	15,326	(1,288,277)
2026.....	(1,474,938)	5,385	(210)	(5,314)	(2)	(37,028)	6,365	(1,505,742)
Total	\$ (5,344,218)	\$ 17,151	\$ (367)	\$ (18,755)	\$ (5)	\$ (133,223)	\$ 70,826	\$ (5,408,591)

Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2021 is provided below, including any assumptions that differ from those used in the July 1, 2020 actuarial valuation.

	SFERS Plan	CalPERS Miscellaneous and Safety Plans
Valuation date.....	June 30, 2020 updated to June 30, 2021	June 30, 2020 rolled forward to June 30, 2021
Measurement date.....	June 30, 2021	June 30, 2021
Actuarial cost method.....	Entry-age normal cost method	Entry-age normal cost method
Investment rate of return.....	7.40%, net of pension plan investment expenses	7.15%, net of pension plan investment expenses, includes inflation
Municipal bond yield.....	2.16% as of June 30, 2021 Bond Buyer 20-Bond GO Index, June 24, 2021	
Inflation.....	2.50%	2.50%
Projected salary increases.....	3.25% plus merit component based employee classification and years of service	Varies by Entry Age and Service
Discount rate.....	7.40% as of June 30, 2021	7.15% as of June 30, 2021
Basic COLA.....	Old Miscellaneous and All New Plans..... 2.00% Old Police and Fire: Pre 7/1/75 Retirements..... 1.90% Chapters A8.595 and A8.596..... 2.50% Chapters A8.559 and A8.585..... 3.60%	Miscellaneous Contract COLA up to 2.50% until Purchasing Protection Allowance Floor on Purchasing Power applies. Safety standard COLA 2.0%

For SFERS, mortality rates for healthy Miscellaneous members were based upon adjusted PubG-2010 Employee and Retiree tables for non-annuitants and retirees, respectively. Mortality rates were then projected generationally from the base year using the MP-2019 projection scale.

The actuarial assumptions used in the SFERS valuation at the June 30, 2021, measurement date were based upon the results of an experience study for the period July 1, 2014, through June 30, 2019, and an economic experience study as of July 1, 2020.

For CalPERS, the mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP-2016. All other actuarial assumptions used in the CalPERS June 30, 2020, valuation were based on the results of an actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website.

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GASB Statement No. 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The CalPERS discount was 7.15% as of the June 30, 2021, measurement date.

For the Replacement Benefits Plan beginning of the year measurement is also based on the census data used in the actuarial valuation as of July 1, 2020.

Discount Rates

SFERS – The discount rate used to measure SFERS’s total pension liability as of June 30, 2021, was 7.40%. The projection of cash flows used to determine the discount rate assumed that plan members and employers contributions will continue to be made at the rates specified in the Charter. Employer contributions were assumed to be made in accordance with the contribution policy in effect for July 1, 2020, actuarial valuation.

While the contributions and measure of the Actuarial Liability in the valuation do not anticipate any future Supplemental COLAs, the projected contributions for the determination of the discount rate include the anticipated future amortization payments on future Supplemental COLAs for current members when they are expected to be granted. For members who worked after November 6, 1996, and before Proposition C passed (Post 97 Retirees), a Supplemental COLA is granted if the actual investment earnings during the year exceed the expected investment earnings on the Actuarial Value of Assets. For members who did not work after November 6, 1996, and before Proposition C passed, the Market Value of Assets must also exceed the Actuarial Liability at the beginning of the year for a Supplemental COLA to be granted. When a Supplemental COLA is granted, the amount depends on the amount of excess earnings and the basic COLA amount for each membership group. The large majority of members receive a 1.50% Supplemental COLA when granted.

Because the probability of a Supplemental COLA depends on the current funded level of the Retirement System, the Retirement System developed an assumption as of June 30, 2021, of the probability and amount of Supplemental COLA for each future year. A full Supplemental COLA will be paid to all retired members, and their beneficiaries, who were retired effective July 1, 2021.

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

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

<u>Year Ending June 30</u>	<u>96 - Prop C</u>	<u>Before 11/6/96 or After Prop C</u>
2023	0.75%	0.70%
2025	0.75%	0.70%
2027	0.75%	0.60%
2029	0.75%	0.60%
2031	0.75%	0.60%
2033+	0.75%	0.50%

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

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Based on these assumptions, the Retirement System’s fiduciary net position was projected to be available to make projected future benefit payments for current members. Projected benefit payments are discounted at the long-term expected return on assets of 7.40% to the extent the fiduciary net position is available to make the payments and at the municipal bond rate of 2.16% to the extent they are not available. The single equivalent rate used to determine the total pension liability as of June 30, 2021, is 7.40%.

The long-term expected rate of return on pension plan investments was 7.40%. It was set by the Retirement Board after consideration of both expected future returns and historical returns experienced by the Retirement System. Expected future returns were determined by using a building-block method in which best-estimate ranges of expected future real rates of return were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	37.0%	4.2%
Treasuries	8.0%	0.0%
Liquid Credit	5.0%	2.3%
Private Credit	10.0%	5.1%
Private Equity	23.0%	7.9%
Real Assets	10.0%	5.1%
Absolute Return	10.0%	2.9%
Leverage	-3.0%	0.1%

CalPERS - The discount rate used to measure each of the CalPERS Miscellaneous Rate Plans and the Safety Plan total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

<u>Asset Class⁽¹⁾</u>	<u>Target Allocation</u>	<u>Real Return Years 1 - 10^{(2),(4)}</u>	<u>Real Return Years 11+^{(3),(4)}</u>
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real estate	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

- (1) In the CalPERS basic financial statements. Liquidity is included in Short-Term Investments; Inflation Assets are included in both Public Equity and Fixed Income.
(2) An expected inflation of 2.00% used for this period.
(3) An expected inflation of 2.92% used for this period.
(4) Figures are based on the previous Asset Liability Management of 2017.

Replacement Benefits Plan – The discount rate was 2.16% as of June 30, 2021. This reflects the yield for a 20-year, tax-exempt general obligation municipal bond with an average rating of AA/Aa or higher. The Municipal Bond Yield is the Bond Buyer 20-Year GO Index as of June 24, 2021. This is the rate used to determine the total pension liability as of June 30, 2021.

The inflation assumption of 2.50% compounded annually was used for projecting the annual IRC Section 415(b) limitations. However, the actual IRC Section 415(b) limitations published by the IRS of \$230 was used for the 2021 measurement date.

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

At June 30, 2022, the membership in the RBP had a total of 350 active members and 135 retirees and beneficiaries currently receiving benefits.

Sensitivity of Proportionate Share of the Net Pension Liability/(Asset) to Changes in the Discount Rate

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

<u>Cost-Sharing Pension Plans</u> <u>Proportionate Share of Net Pension Liability</u>	<u>1% Decrease Share of NPL/(NPA) @ 6.40%</u>	<u>Current Share of NPL/(NPA) @ 7.40%</u>	<u>1% Increase Share of NPL/(NPA) @ 8.40%</u>
SFERS.....	\$ 1,630,565	\$ (2,446,565)	\$ (5,812,568)
	<u>1% Decrease Share of NPL/(NPA) @ 6.15%</u>	<u>Current Share of NPL/(NPA) @ 7.15%</u>	<u>1% Increase Share of NPL/(NPA) @ 8.15%</u>
City CalPERS Miscellaneous Plan.....	\$ (19,895)	\$ (22,316)	\$ (24,316)
Transportation Authority CalPERS Classic & PEPR Miscellaneou Plans...	2,957	868	(860)
Successor Agency CalPERS Classic & PEPR Miscellaneou Plans.....	36,561	22,028	10,013
Treasure Island Development Authority CalPERS Miscellaneou Plan.....	16	6	(3)

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

Agent Pension Plan	1% Decrease @ 6.15%	Measurement Date @ 7.15%	1% Increase @ 8.15%
City CalPERS Safety Plan.....	\$ 350,153	\$ 144,272	\$ (26,480)

Single Employer Plan	1% Decrease @ 1.16%	Measurement Date @ 2.16%	1% Increase @ 3.16%
Replacement Benefits Plan.....	\$ 264,673	\$ 219,574	\$ 184,657

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

Deferred Compensation Plan

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

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

Health Service System

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately \$861.0 million in fiscal year 2022. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California and the contribution models negotiated with the unions. Included in this amount is \$253.0 million to provide postemployment health care benefits for 30,432 retired participants, of which \$211.0 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or from the City's website.

(b) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

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

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

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San Francisco Health Service System OPEB Plan

Valuation Date (VD)	June 30, 2020, updated to June 30, 2021
Measurement Date (MD)	June 30, 2021
Measurement Period (MP)	July 1, 2020 to June 30, 2021

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

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

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

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

California Public Employees' Retirement System (CalPERS)

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

¹ Age 53 with 20 years of credited service, age 60 with 10 years of credited service, or age 65 for Miscellaneous members hired on or after January 7, 2012 under Charter Section 8.603.

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

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

- Medical: PPO – City Health Plan (self-insured) and UHC Medicare Advantage (fully-insured)
 The City Health Plan was replaced with the Blue Shield of California PPO – Accolade plan effective July 1, 2022.
 HMO – Kaiser (fully-insured) and Blue Shield (flex-funded)
- Dental: Delta Dental, DeltaCare USA and UnitedHealthcare Dental
- Vision: Vision benefits are provided under the medical insurance plans and are administered by Vision Service Plan.

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

As of the June 30, 2021, valuation date, the following current and former employees were covered by the benefit terms under the healthcare plan:

	City Plan
Active plan members.....	32,879
Inactive employees entitled to but not yet receiving benefit payments.....	2,211
Inactive employees or beneficiaries currently receiving benefit payments...	22,728
Total.....	57,818

San Francisco County Transportation Authority and Successor Agency

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

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

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

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

As of the June 30, 2021, actuarial valuation, the following current and former employees were covered by the benefit terms under the healthcare plan:

	Transportation Authority	Successor Agency
Active plan members.....	39	43
Inactive employees entitled to but not yet receiving benefit payments.....	-	1
Inactive employees or beneficiaries currently receiving benefit payments..	6	105
Total.....	45	149

Contributions

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

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shall cease, and officers and employees will each contribute 50% of the maximum 2% of pre-tax compensation.

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

For the year ended June 30, 2022, the City's funding was based on "pay-as-you-go" plus a contribution of \$41.8 million to the RHCTF. The "pay-as-you-go" portion paid by the City was \$211.0 million for a total contribution subsequent to the measurement date of \$252.8 million for the year ended June 30, 2022.

The Transportation Authority's contribution requirements are established and may be amended by the Board. The Transportation Authority makes contributions on an actuarial basis, funding the full actuarially determined contributions (ADC). The Transportation Authority's employees are not required to contribute to the OPEB plan. For the year ended June 30, 2022, the Transportation Authority contributed \$63.9 million to the CERBT plan. The Successor Agency's OPEB funding policy is to contribute 100% or more of the ADC annually by contributing to the CERBT. For the year ended June 30, 2022, the Successor Agency contributed \$1.7 million to the plan. There are no employee contributions to the Successor Agency's plan. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Net OPEB Liability/(Asset)

The table below shows how the net OPEB liability/(asset) as of June 30, 2022, is distributed.

	<u>Net OPEB Asset</u>	<u>Net OPEB Liability</u>	<u>Total</u>
Governmental activities.....	\$ (537) *	\$ 2,017,516	\$ 2,016,979
Business-type activities.....	-	1,662,168	1,662,168
Fiduciary funds.....	(3,523)	11,437	7,914
Total.....	<u>\$ (4,060)</u>	<u>\$ 3,691,121</u>	<u>\$ 3,687,061</u>

* Amount is reported in other assets on the statement of net position.

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As of June 30, 2022, the City's net OPEB liability (asset) is comprised of the following:

	Share of Net OPEB Liability (Asset)
City defined benefit healthcare plan.....	\$ 3,691,121
Transportation Authority defined benefit healthcare plan.....	(537)
Successor Agency defined benefit healthcare plan.....	(3,523)
Total.....	\$ 3,687,061

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance at June 30, 2020 (MD).....	\$ 4,312,325	\$ 488,990	\$ 3,823,335
Changes during the measurement period.....			
Service cost.....	155,840	-	155,840
Interest.....	300,122	-	300,122
Differences between expected and actual experience...	(151,949)	-	(151,949)
Changes of assumptions.....	-	-	-
Contributions - employer.....	-	245,994	(245,994)
Contributions - member.....	-	61,582	(61,582)
Net investment income.....	-	128,916	(128,916)
Benefit payments, including refunds of member contributions.....	(206,439)	(206,439)	-
Administrative expense.....	-	(265)	265
Net changes during the measurement period.....	97,574	229,788	(132,214)
Balance at June 30, 2021 (MD).....	\$ 4,409,899	\$ 718,778	\$ 3,691,121

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

	Transportation Authority			Successor Agency		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability (Asset)
Balance at June 30, 2020 (MD).....	\$ 1,622	\$ 1,956	\$ (334)	\$ 12,419	\$ 10,328	\$ 2,091
Changes during the measurement period.....						
Service cost.....	90	-	90	348	-	348
Interest.....	124	-	124	831	-	831
Differences between expected and actual experience...	183	-	183	(1,337)	-	(1,337)
Changes of assumptions.....	-	-	-	(164)	-	(164)
Contributions from the employer.....	-	63	(63)	-	2,259	(2,259)
Benefit payments.....	(63)	(63)	-	(880)	(880)	-
Administrative expense.....	-	(1)	1	-	(6)	6
Net investment income.....	-	538	(538)	-	3,039	(3,039)
Net changes during the measurement period.....	334	537	(203)	(1,202)	4,412	(5,614)
Balance at June 30, 2021 (MD).....	<u>\$ 1,956</u>	<u>\$ 2,493</u>	<u>\$ (537)</u>	<u>\$ 11,217</u>	<u>\$ 14,740</u>	<u>\$ (3,523)</u>

OPEB Expenses/(Benefits) and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended June 30, 2022, the City recognized OPEB expense/(benefit) including amortization of deferred outflows/inflows related to OPEB items as follows:

	Primary Government			Total
	Governmental Activities	Business-type Activities	Fiduciary Funds	
City defined benefit healthcare plan.....	\$ 102,282	\$ 169,126	\$ 593	\$ 272,001
Transportation Authority defined benefit healthcare plan...	(40)	-	-	(40)
Successor Agency defined benefit healthcare plan.....	-	-	(441)	(441)
Total OPEB expense.....	<u>\$ 102,242</u>	<u>\$ 169,126</u>	<u>\$ 152</u>	<u>\$ 271,520</u>

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As of June 30, 2022, the City reported deferred outflows/inflows of resources related to OPEB from the following sources:

	City Plan		Transportation Authority	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 252,866	\$ -	\$ 64	\$ -
Differences between expected and actual experience.....	110,894	568,353	172	486
Changes in assumptions.....	155,998	-	-	51
Changes in proportion.....	114,365	114,365	-	-
Net difference between projected and actual earnings on plan investments.....	-	69,869	-	258
Total.....	\$ 634,123	\$ 752,587	\$ 236	\$ 795

	Successor Agency		Total	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date.....	\$ 1,689	\$ -	\$ 254,619	\$ -
Differences between expected and actual experience.....	-	919	111,066	569,758
Changes in assumptions.....	-	207	155,998	258
Changes in proportion.....	-	-	114,365	114,365
Net difference between projected and actual earnings on plan investments.....	-	1,649	-	71,776
Total.....	\$ 1,689	\$ 2,775	\$ 636,048	\$ 756,157

At June 30, 2022, the City reported \$254.6 million as deferred outflows of resources related to contributions subsequent to the measurement date, which will be recognized as an adjustment to net OPEB liability/(asset) in the reporting year ending June 30, 2023.

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

Year ending June 30:	City	Transportation Authority	Successor Agency	Total
2023.....	\$ (83,444)	\$ (91)	\$ (945)	\$ (84,480)
2024.....	(83,736)	(89)	(882)	(84,707)
2025.....	(82,741)	(94)	(488)	(83,323)
2026.....	(45,111)	(109)	(460)	(45,680)
2027.....	(54,592)	(31)	-	(54,623)
Thereafter.....	(21,706)	(209)	-	(21,915)
Total	\$ (371,330)	\$ (623)	\$ (2,775)	\$ (374,728)

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Actuarial Assumptions

A summary of the actuarial assumptions and methods used to calculate the City Plan's total OPEB liability as of June 30, 2021 (measurement date) is provided below:

Key Actuarial Assumptions

Valuation Date	June 30, 2020, updated to June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.74% trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 5.50% trending down to ultimate rate of 4.04% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ending June 30, 2019.

Non-Annuitants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

The mortality rates in the base tables are projected generationally from the base year using the modified version of the MP-2019 projection scale.

The Transportation Authority net OPEB asset was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB asset was determined using an actuarial valuation as of June 30, 2021. The Successor Agency's net OPEB asset was measured as of June 30, 2021, and the total pension liability used to calculate the net OPEB asset was determined by an actuarial valuation as of June 30, 2021. A summary of the actuarial assumptions and methods used to calculate the total OPEB liability are as follows:

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Key Actuarial Assumptions	June 30, 2021 Measurement Date	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2021	June 30, 2021
Discount Rate	7.59%	6.25%
General Inflation	2.75% per annum	2.50%
Salary Increases	2.75% per annum, in aggregate	2.75%; Merit based on 2017 CalPERS Experience Study
Investment Rate of Return	7.59%	6.25%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS 2017 Experience Study for the period from 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Cost Trend Rate	Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0%	Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076

Sensitivity of Net OPEB Liability (Asset) to Changes in the Healthcare Cost Trend Rate

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

Plan	June 30, 2021 (measurement year)		
	1% Decrease	Healthcare Trend	1% Increase
City Defined Benefit Plan	\$ 3,141,794	\$ 3,691,121	\$ 4,375,898
Transportation Authority	(829)	(537)	(166)
Successor Agency	(4,565)	(3,523)	(2,289)

Discount Rate

City OPEB Plan - The discount rate used to measure the total OPEB liability as of June 30, 2021 was 7.0%. The projection of cash flows used to determine the discount rate assumed that plan member and employer contributions will continue to be made at the rates specified in the Charter, and disbursements from the RHCTF will continue to be limited by the Charter until it is fully funded. Based on those assumptions, it was determined that the OPEB Plan's fiduciary net position was projected to be available to make all future benefit payments of current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
U.S. Large Cap	28.0%	8.15%
U.S. Small Cap	3.0%	9.52%
Developed Market Equity (non-U.S.)	15.0%	8.91%
Emerging Market Equity	13.0%	10.98%
Credit		
Bank Loans	3.0%	4.41%
High Yield Bonds	3.0%	4.41%
Emerging Market Bonds	3.0%	4.31%
Rate Securities		
Investment Grade Bonds	9.0%	1.88%
Long-term Government Bonds	4.0%	3.22%
Short-term Treasury Inflation-Protected Securities (TIPS)	4.0%	1.53%
Private Markets		
Private Equity	5.0%	13.04%
Core Private Real Estate	5.0%	6.22%
Risk Mitigating Strategies		
Global Macro	5.0%	4.43%
Total	100.0%	

Transportation Authority and Successor Agency - The discount rates used to measure the total OPEB liability of the Transportation Authority and the Successor Agency were 7.59% and 6.25%, respectively. The projections of cash flows used to determine the discount rates assumed that Transportation Authority and Successor Agency contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plans' fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees and beneficiaries. Therefore, the long-term expected rate of return on the OPEB plans' investments was applied to all periods of projected benefit payments to determine the total OPEB liability of each plan.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	
		<u>Transportation Authority</u>	<u>Successor Agency</u>
Global Equity	59.00%	4.56%	4.82%
Fixed Income	25.00%	1.47%	1.47%
Treasury Inflation Protection Securities	5.00%	-0.08%	1.29%
Real Estate Investment Trusts	8.00%	4.06%	3.76%
Commodities	3.00%	1.22%	0.84%
Total	<u>100.00%</u>		

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

<u>Plan</u>	<u>June 30, 2021 (measurement year)</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>6.00%</u>	<u>7.00 %</u>	<u>8.00%</u>
City Defined Benefit Plan	\$ 4,316,212	\$ 3,691,121	\$ 3,180,565
	<u>June 30, 2021 (measurement year)</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>6.59%</u>	<u>7.59%</u>	<u>8.59%</u>
Transportation Authority	\$ (234)	\$ (537)	\$ (785)
	<u>June 30, 2021 (measurement year)</u>		
	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
	<u>5.25%</u>	<u>6.25%</u>	<u>7.25%</u>
Successor Agency	\$ (2,377)	\$ (3,523)	\$ (4,495)

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(10) FUND EQUITY

(a) Governmental Fund Balance

Fund balances for all the major and nonmajor governmental funds as of June 30, 2022, were distributed as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Imprest Cash, Advances, and Long-Term Receivables..	\$ 4,134	\$ 124	\$ 4,258
Restricted			
Rainy Day.....	114,539	-	114,539
Public Protection			
Police.....	-	13,442	13,442
Sheriff.....	-	1,185	1,185
Other Public Protection.....	-	38,264	38,264
Public Works, Transportation & Commerce.....	-	259,216	259,216
Human Welfare & Neighborhood Development.....	-	1,903,227	1,903,227
Affordable Housing.....	-	232,372	232,372
Community Health.....	-	67,505	67,505
Culture & Recreation.....	-	300,772	300,772
General Administration & Finance.....	-	36,267	36,267
Capital Projects.....	-	539,585	539,585
Debt Service.....	-	224,002	224,002
Total Restricted.....	<u>114,539</u>	<u>3,615,837</u>	<u>3,730,376</u>
Committed			
Budget Stabilization.....	<u>320,637</u>	-	<u>320,637</u>
Assigned			
Public Protection			
Police.....	8,058	5,508	13,566
Sheriff.....	8,072	564	8,636
Other Public Protection.....	54,386	-	54,386
Public Works, Transportation & Commerce.....	111,540	81,609	193,149
Human Welfare & Neighborhood Development.....	262,026	128,088	390,114
Affordable Housing.....	287,325	-	287,325
Community Health.....	258,969	-	258,969
Culture & Recreation.....	22,516	23,314	45,830
General Administration & Finance.....	99,415	20,524	119,939
General City Responsibilities.....	59,806	-	59,806
Self-Insurance.....	45,567	-	45,567
Capital Projects.....	230,768	-	230,768
Litigation and Contingencies.....	238,633	-	238,633
Subsequent Year's Budget.....	325,664	-	325,664
Total Assigned.....	<u>2,012,745</u>	<u>259,607</u>	<u>2,272,352</u>
Unassigned.....	<u>453,088</u>	<u>(1,041)</u>	<u>452,047</u>
Total.....	<u>\$ 2,905,143</u>	<u>\$ 3,874,527</u>	<u>\$ 6,779,670</u>

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(b) General Fund Stabilization and Other Reserves

Rainy Day Reserve

The City maintains a “Rainy Day” or economic stabilization reserve under Charter Section 9.113.5, with separate accounts for the benefit of the City (the “City Reserve”) and the San Francisco Unified School District (the “School Reserve”). In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than five percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the “excess revenues” in the Rainy Day Reserve. Seventy-five percent of the deposit is placed in the City Reserve and twenty-five percent is placed in the School Reserve. The total amount of money in the Rainy Day Reserve may not exceed ten percent of the City’s actual total General Fund revenues. The City may spend money from the City Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year’s total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the City Reserve, but no more than is necessary to bring the City’s total available General Fund revenues up to the level of the current year. The School District may withdraw up to half the money in the School Reserve when it expects to collect less money per student than the previous fiscal year and would have to lay off a significant number of employees. The School District’s Board can override those limits and withdraw any amount in the School Reserve by a two-thirds vote. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2023-24 through 2027-28.

Budget Stabilization Reserve

The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its most recent update to the Five-Year Financial Plan covering fiscal years 2023-24 through 2027-28.

(c) Encumbrances

At June 30, 2022, encumbrances recorded in the General Fund and nonmajor governmental funds were \$462.7 million and \$515.1 million, respectively.

(d) Restricted Net Position

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 seismic strengthening and repair of the Embarcadero Seawall managed by the Port and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the SFMTA. These capital assets are reported in the City’s business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City’s governmental activities. In accordance with GASB guidance, the City reclassified \$563.2 million of unrestricted net position of governmental activities, of which \$384.7 million reduced net investment in capital assets and \$178.5 million reduced net position

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restricted for capital projects to reflect the total column of the primary government as a whole perspective.

(e) Deficit Fund Balances and Net Position

The Senior Citizens Program Fund had a deficit of \$1.0 million as of June 30, 2022. The deficit relates to unavailable revenue in various programs, which is expected to be collected beyond 60 days of the end of fiscal year 2022.

The Central Shops and Telecommunications and Information Internal Service Funds had deficits in total net position of \$20.9 million and \$1.4 million, respectively, as of June 30, 2022, mainly due to the accrual of other postemployment benefits liability. The operating deficits are expected to be reduced in future years through anticipated rate increases or reductions in operating expenses. The rates are reviewed and updated annually.

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. 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. The Successor Agency can only receive tax increment to the extent that it can show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. At June 30, 2022, the Successor Agency has a deficit of \$449.9 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

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(11) UNAVAILABLE RESOURCES IN GOVERNMENTAL FUNDS

The deferred inflows of resources balance in governmental funds as of June 30, 2022, consists of the following unavailable resources:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Grant and subvention revenues.....	\$ 118,791	\$ 89,921	\$ 208,712
Property tax.....	176,461	7,897	184,358
Teeter Plan.....	32,874	-	32,874
SB 90.....	9,939	-	9,939
Advances to Successor Agency.....	-	1,124	1,124
PG&E franchise tax.....	3,862	-	3,862
Loans.....	657	174,572	175,229
Leases.....	82,036	-	82,036
	<u> </u>	<u> </u>	<u> </u>
Total.....	<u>\$ 424,620</u>	<u>\$ 273,514</u>	<u>\$ 698,134</u>

California Senate Bill 90 (SB90) was adopted in 1972 and added to the State Constitution in 1979. When the Governor or Legislature mandates a new program or higher level of service upon local agencies and school districts, SB90 requires the State to reimburse local agencies and school districts for the cost of these new programs or higher levels of service. The balance in deferred inflows of resources is the value of reimbursement claims submitted to the State, which are subject to audit for unallowable costs.

As described in Note 6, under the Teeter Plan the City is allocated secured property tax revenue, which has been billed but not collected. Collections which have not occurred within the availability period are included in deferred inflows of resources in the General Fund.

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(12) SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax were set forth in the San Francisco County Transportation Expenditure Plan (Expenditure Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the California Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. The Transportation Authority administers the following programs:

Sales Tax Program. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the countywide 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/pedestrian improvements); 3) Paratransit services for seniors and individuals with disabilities; 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 funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and Muni Metro Network; B) construction of the Muni Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may issue up to \$1.88 billion in bonds secured by the Sales Tax.

Congestion Management Agency (CMA) Programs. On November 6, 1990, the Transportation Authority was designated under State law as the 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 certain state and federal transportation funds and works with the Metropolitan Transportation Commission to program those funds to San Francisco projects.

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

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

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Treasure Island Mobility Management Authority (TIMMA). The Treasure Island Transportation Management Act of 2008 (Assembly Bill 981, Leno) authorizes the creation or designation of a Treasure Island-specific transportation management agency. On April 1, 2014, the City's Board of Supervisors approved a resolution designating the Transportation Authority as the TIMMA to implement the Treasure Island Transportation Implementation Plan in support of the Treasure Island/Yerba Buena Island Development Project. In September 2014, Governor Brown signed Assembly Bill 141 (Ammiano), establishing TIMMA as a legal entity, distinct from the Transportation Authority, to help firewall the Transportation Authority's other functions. The 11 members of the Transportation Authority Board act as the Commissioners for TIMMA Board. The Transportation Authority financial statements include TIMMA as a blended special revenue component unit.

Traffic Congestion Mitigation Tax. The Traffic Congestion Mitigation Tax was approved by San Francisco voters on November 5, 2019, through approval of Proposition D. The measure, also referred to as the Transportation Network Company (TNC) Tax, is a surcharge on commercial ride-hailing trips that originate in San Francisco, for the portion of the trip within the City. The intent of the TNC Tax program is to deliver improvements to transit reliability and safety on San Francisco's roadways, helping to mitigate the effects of increased congestion due to TNC vehicles. Beginning January 1, 2020, a 1.5% tax is charged on shared rides or rides taken in a zero-emission vehicle, and 3.25% is charged on rides with a single occupant. The measure also takes into account rides provided by autonomous vehicles in the future which would be taxed in this same manner and rides provided by private transit companies, if a company were to enter the market. The tax is in effect until November 2045. After a 2% set aside for administration by the City, 50% of the revenues are directed to the SFMTA for transit operations and improvements, and 50% to the Transportation Authority for bicycle and pedestrian safety improvements, traffic calming, traffic signals, and maintenance.

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(13) DETAILED INFORMATION FOR ENTERPRISE FUNDS

(a) San Francisco International Airport

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

Revenue Pledge – The Airport has pledged all of the Net Revenues (as defined in bond resolutions adopted by the Airport Commission) to repay the following obligations, when due, in order of priority, (1) the San Francisco International Airport Second Series Revenue Bonds (Senior Bonds) and a portion of amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, (2) the Subordinate Commercial Paper Notes and any other obligations (Subordinate Bonds) and amounts due to reimburse drawings under the letters of credit securing the Commercial Paper Notes, (3) remaining amounts due to reimburse drawings under the letters of credit securing the Senior Bonds, and (4) interest rate swap termination payments.

During fiscal year 2021-22, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There were no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

Bonds issued with revenue pledge	\$ 732,820
Bond principal and interest remaining due at end of the fiscal year	15,391,420
Bond principal and interest paid in the fiscal year	336,597
Commercial paper issued with subordinate revenue pledge	167,960
Commercial paper principal and interest remaining due at end of the fiscal year ...	86,047
Commercial paper principal, interest and fees paid in the fiscal year	4,383
Net revenues	429,280

In addition, pursuant to the Hotel Trust Agreement, the Airport has pledged all of the Revenues of the on-Airport Hotel and certain other assets pledged under the Amended and Restated Hotel Trust Agreement, to repay the Hotel Special Facility Bonds. This pledge is in force so long as the Hotel Special Facility Bonds are outstanding. The Hotel Special Facility Bonds mature in fiscal year 2058 and are subject to mandatory sinking fund redemption each year starting in 2025. The Hotel Special Facility Bonds are not payable from or secured by the Net Revenues of the Airport.

Reserves and Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, the Airport may establish one or more reserve accounts with different reserve requirements to secure one or more series of Senior Bonds. Accordingly, the Airport has established two reserve accounts in the Reserve Fund: the Issue 1 Reserve Account and the 2017 Reserve Account, all held by the trustee for the Senior Bonds. The reserve requirement for the Issue 1 Reserve Account is equal to the maximum annual debt service accruing in any year during the life of all participating series of bonds secured by the Issue 1 Reserve Account. The reserve requirement for the 2017 Reserve Account is equal to the lesser of: (i) the maximum amount of aggregate annual debt service for all 2017 Reserve Series Bonds in any fiscal year during the period from the date of calculation to the final scheduled maturity of the 2017 Reserve Series Bonds, (ii) 10% of the outstanding aggregate principal amount of all 2017 Reserve Series Bonds (provided that the issue price of a Series of 2017 Reserve Series Bonds will be used in this calculation if such Series was sold with an original issue discount that exceeded 2% of the principal of such Series on its original date of sale), and (iii) 125% of the average aggregate annual debt service for all 2017 Reserve Series Bonds. As of June 30, 2022, only the Series 2017D,

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2019B, and 2019D Bonds are secured by the 2017 Reserve Account. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of Senior Bonds or may issue Senior Bonds without a reserve account.

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

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

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

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

Passenger Facility Charges –The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of \$4.50 for each enplaned passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. As of June 30, 2022, the FAA has approved Airport applications (PFC #2 to PFC #9) for collection and use with a total cumulative collection amount of \$2.3 billion. The final charge expiration date is estimated to be December 1, 2030. For the year ended June 30, 2022, the Airport reported approximately \$60.9 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

Commitments and Contingencies – On February 26, 2019, the Airport issued San Francisco International Airport Special Facilities Lease Revenue Bonds (SFO FUEL COMPANY LLC), Series 2019A (AMT) and Series 2019B (Federally Taxable) (the "Fuel Bonds"), in an aggregate principal amount of \$125.0 million to refund all of the then-outstanding special facilities lease revenue bonds previously issued by the Commission for the benefit of SFO FUEL COMPANY LLC (SFO Fuel), finance capital improvements to the jet fuel distribution and related facilities at San Francisco International Airport, pay capitalized interest on a portion of the Series 2019A Bonds, make a deposit to a reserve account for the Fuel Bonds, and pay costs of issuance. SFO Fuel, a special purpose limited liability company formed by certain airlines operating at the Airport, is required to pay facilities rent to the Airport pursuant to a lease agreement between the Commission and SFO Fuel with respect to the on-Airport jet fuel distribution facilities in an amount equal to debt service payments on the Fuel Bonds and any required bond reserve account deposits. The principal and interest on the Fuel Bonds are paid solely from the facilities rent payable by SFO Fuel to the Airport. The lease payments, and therefore the Fuel Bonds, are payable from charges imposed by SFO Fuel on air carriers pursuant to the Amended and Restated Fuel System Interline Agreement, dated as of September 1, 1997 (the Interline Agreement). Pursuant to the Interline Agreement, the airlines that are members of SFO Fuel are collectively liable on a step-up basis for the sum of all costs, liabilities and expenses payable by SFO Fuel in relation to the administration and operation of SFO Fuel and the operation and maintenance of the premises and right-of-way leased from the Airport, including without limitation the facilities rent. The Fuel Bonds are

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not payable from or secured by the Net Revenues of the Airport. The Airport assigned its right to receive the facilities rent to the Fuel Bonds trustee to pay and secure the payment of the Fuel Bonds. Neither the Airport nor the City is obligated in any manner for the repayment of the Fuel Bonds other than from the facilities rent received from SFO Fuel. The Fuel Bonds are therefore not reported in the accompanying financial statements.

Purchase commitments for construction, material and services as of June 30, 2022, are as follows:

Construction	\$ 39,407
Operating	51,371
Total	<u>\$ 90,778</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, 2022, was \$37.9 million and was recorded as a transfer. In addition, the Airport pays for the cost of certain direct services provided by City departments to the Airport, including those provided by the Police Department, Fire Department, City Attorney, City Treasurer, City Controller, City Purchasing Agent and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2022, was \$186.2 million.

Business Concentrations - In addition to the Lease and Use Agreements with the airlines, the Airport leases facilities to other businesses to operate concessions at the Airport. For the year ended June 30, 2022, revenues realized from the following Airport tenant exceeded five percent of the Airport’s total operating revenues:

United Airlines	28.4%
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(b) Port of San Francisco

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

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

The Port pledged future net revenues to repay its revenue bonds. As of June 30, 2022, the total principal and interest remaining to be paid on the bonds is \$58.4 million. The principal and interest payments made in 2022 were \$3.3 million and net revenue for the year ended June 30, 2022, was \$49.0 million.

The Port has entered into a loan agreement with the California Division of Boating and Waterways for \$3.5 million to finance certain Hyde Street Harbor improvements. The loan is subordinate to all bonds payable by the Port and is secured by gross revenues as defined in the loan agreement. Total principal and interest remaining to be paid on this loan is \$1.6 million. Annual principal and interest payments were \$0.2 million in 2022 and pledged harbor revenues were \$0.1 million for the year ended June 30, 2022.

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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, 2022, the Port's purchase commitments for construction-related services, materials and supplies, and other services were \$11.1 million for capital projects and \$3.4 million for general operations.

Transactions with Other Funds – The Port receives from, and provides services to, various City departments. In fiscal year 2021-22, the \$25.3 million in services provided by other City departments included \$7.3 million of insurance premiums and \$0.7 million in workers' compensation expense.

On September 27, 2018, the Port and Mayor's Office of Housing and Community Development (MOHCD) entered into a Memorandum of Understanding to implement the affordable housing development project at the Seawall Lot 322-1 ("88 Broadway"). In August 2019, the Port received \$15.0 million from MOHCD, which included additional interest accrued since June 30, 2019. As part of the 88 Broadway project, the Port entered into a Ground Lease with a developer in March 2019. The Ground Lease has a term of fifty-seven years plus one eighteen extension option (a 75-year maximum term but with expiration no later than December 31, 2105). The lease revenues are being amortized over the 75-year maximum term of the lease. At June 30, 2022, the Port has a deferred inflow balance in the amount of \$13.9 million related to this Ground Lease. In addition to the payment by MOHCD, the Developer will be required to make lease payments representing a share of any cash flow generated by commercial activities.

In December 2017, the Port and the San Francisco Fire Department (SFFD) entered into a MOU for the use of water, apron, shed and office space at Pier 26 for berthing and servicing of fire boats for five years and on a month-to-month basis afterward. To facilitate these uses, SFFD repaired apron decking, replaced the fender system within the leasehold area and upgraded electrical services to Pier 26. In return, the Port allowed SFFD to apply hundred percent rent credits toward the lease payments until all required capital improvements, approximately \$2.3 million, are fully offset. As of June 30, 2022, rent credits of \$0.7 million have been provided to SFFD.

In November 2018, the Port and the Office of Community Investment and Infrastructure (OCII) entered into a grant agreement, to reimburse the Port from available excess bond proceeds for the Mission Bay Ferry Terminal Landing project construction costs in the amount not-to-exceed \$9.0 million. In January 2021, the OCII reimbursed \$7.8 million, which was returned to the City's General Fund since the project cost was advanced by the City's General Fund. The OCII reimbursed the remaining \$0.6 million in 2021-22.

South Beach Harbor Project Commitments – On May 1, 2019, the Successor Agency transferred South Beach Harbor operations to the Port. Under San Francisco Bay Conservation and Development Commission (BCDC) Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements were to be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that the required uncompleted work would cost approximately \$7.9 million. The Port has worked with the water recreation community to develop an alternative public access improvement proposal for BCDC consideration. Port management believes that the alternative proposal will provide significant public access improvements that are relevant to the project area and at a lower cost. On December 18, 2020, BCDC issued Amendment No. 20 for the South Beach Harbor Permit (1984.002.20) requiring amended project work to be completed by December 31, 2024, including installation of a new guest dock, kayak launch, and hoists located at Pier 40.

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

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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 or bay sediment may encounter hazardous materials and/or generate hazardous waste.

The Port has identified certain environmental issues related to Port property, including polychlorinated biphenyls, polycyclic aromatic hydrocarbons and other oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease the property, or at such time as required by the City or State. There are sites where groundwater contamination may be later identified, where the Port has primary or secondary responsibility. The potential liability for all such risk cannot be reasonably made at this time.

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

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

Previous investigation of the northeast shoreline of Pier 70, found that near-shore sediment is contaminated with metals, petroleum aromatic hydrocarbons and polychlorinated biphenyls at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. In 2018, the Port entered into a disposition and development agreement with a developer for the 28-acre Waterfront Site. The developer assumes substantial responsibility for capping contaminated soil in the project area according to a Risk Management Plan. The remaining accrued cost for pollution remediation at Pier 70, represents installing a sediment cap offshore along the former Pier 70 Shipyard and adjacent to Crane Cove Park and remediating contaminated soil located at the Pier 70 Undeveloped Upland area, is estimated at \$3.9 million at June 30, 2022.

Other environmental conditions on Port property include polycyclic aromatic hydrocarbons and oil contamination at various sites. As of June 30, 2022, pollution remediation liabilities are estimated at \$5.8 million for the rest of the Port’s properties.

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A summary of environmental liabilities, included in noncurrent liabilities, at June 30, 2022, is as follows:

	Environmental Remediation
Environmental liabilities at July 1, 2021	\$ 10,330
Current year claims and changes in estimates	(647)
Environmental liabilities at June 30, 2022	\$ 9,683

(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 2021-22, the Water Enterprise sold water, approximately 66,005 million gallons annually, to a total population of approximately 2.7 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

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

Pledged Revenues – The Water Enterprise has pledged future revenues to repay various bonds and State Revolving Fund loans. Proceeds from the revenue bonds and State Revolving Fund loans provided financing for various capital construction projects and to refund previously issued bonds. These bonds and State Revolving Fund loans are payable solely from revenues of the Water Enterprise and are payable through fiscal year 2050-51.

The original amount of revenue bonds and State Revolving Fund loans issued, total principal and interest remaining, principal and interest paid during 2022 and applicable revenues for 2022 are as follows:

Bonds issued with revenue pledge	\$ 4,891,480
Principal and interest remaining due at end of the fiscal year	7,472,962
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge.....	121,761
Principal and interest paid in the fiscal year	279,352
Net revenues.....	306,918
Funds available for debt service	410,424

Water Balancing Account – During fiscal year 2021-22, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was \$289.8 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, 2022, the Water Enterprise owed the Wholesale Customers \$79.2 million under the Water Supply Agreement.

Commitments and Contingencies – As of June 30, 2022, the Water Enterprise had outstanding commitments with third parties of \$322.1 million for various capital projects and other purchase agreements.

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Environmental Issue – As of June 30, 2022, the total pollution remediation liability was \$1.3 million, for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area.

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 \$45.8 million and \$11.4 million, respectively, for the year ended June 30, 2022, are included in the operating expenses for services provided by other departments in the Water Enterprise’s financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments’ costs. These charges total approximately \$16.0 million for the year ended June 30, 2022, and have been included in services provided by other departments.

(d) Hetch Hetchy Enterprise

San Francisco Hetch Hetchy Water and Power (Hetch Hetchy or the Enterprise) was established as a result of the Raker Act of 1913, which granted water and power resources rights-of-way on the Tuolumne River in Yosemite National Park and Stanislaus National Forest to the City. CleanPowerSF, launched in May 2016, provides green electricity from renewable sources to residential and commercial customers in San Francisco and was reported as part of Hetch Hetchy starting fiscal year 2015-16. Hetch Hetchy is a stand-alone enterprise comprised of three funds, Hetchy Power (the Power Enterprise), CleanPowerSF and Hetchy Water, the portion of the Water Enterprise’s operations, specifically the upcountry water supply and transmission service. Hetch Hetchy is engaged in the collection and conveyance of approximately 85.0% of the City’s water supply and in the generation and transmission of electricity from that resource, as well as the City Power services including energy efficiency and renewable.

Approximately 69.0% of the electricity generated by Hetchy Power is used to provide electric service to the City’s municipal customers (including the SFMTA, the Recreation and Park Department, the Port, the Airport and its tenants, SFGH, streetlights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 31.0% balance of electricity is sold to CleanPowerSF and the wholesale electric market. As a result of the 1913 Raker Act, energy produced above the City’s Municipal Load is sold first to the other utility districts to cover their agricultural pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or sold into the California Independent System Operator (CAISO). Hetch Hetchy operation is an integrated system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

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

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

Condensed Statements of Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Assets*:				
Current assets	\$ 95,633	\$ 213,465	\$ 115,548	\$ 424,646
Receivables from other funds and component units	-	11,804	-	11,804
Noncurrent restricted cash and investments	-	8,824	-	8,824
Other noncurrent assets	14,058	26,394	14,069	54,521
Capital assets	201,068	585,709	230	787,007
Total assets	<u>310,759</u>	<u>846,196</u>	<u>129,847</u>	<u>1,286,802</u>
Deferred outflows of resources:				
Pensions	6,696	8,183	852	15,731
Other postemployment benefits	3,272	3,999	798	8,069
Total deferred outflows of resources	<u>9,968</u>	<u>12,182</u>	<u>1,650</u>	<u>23,800</u>
Liabilities:				
Current liabilities	17,380	90,965	28,621	136,966
Noncurrent liabilities	16,956	227,755	11,548	256,259
Total liabilities	<u>34,336</u>	<u>318,720</u>	<u>40,169</u>	<u>393,225</u>
Deferred inflows of resources:				
Pensions	34,477	42,138	5,414	82,029
Other postemployment benefits	2,734	3,342	1,594	7,670
Total deferred inflows of resources	<u>37,211</u>	<u>45,480</u>	<u>7,008</u>	<u>89,699</u>
Net position:				
Net investment in capital assets	201,007	352,162	-	553,169
Restricted for debt service	-	140	-	140
Unrestricted	48,173	141,876	84,320	274,369
Total net position	<u>\$ 249,180</u>	<u>\$ 494,178</u>	<u>\$ 84,320</u>	<u>\$ 827,678</u>

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

Condensed Statements of Revenues, Expenses, and Changes in Fund Net Position	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Operating revenues	\$ 49,312	\$ 173,242	\$ 257,893	\$ 480,447
Depreciation expense	(6,305)	(17,628)	(345)	(24,278)
Other operating expenses	(45,998)	(138,719)	(261,773)	(446,490)
Operating income (loss)	(2,991)	16,895	(4,225)	9,679
Nonoperating revenues (expenses):				
Federal and state grants	450	4,924	2,424	7,798
Interest and investment (loss)	(2,932)	(4,001)	(1,286)	(8,219)
Interest expense	(1)	(5,624)	(5)	(5,630)
Other nonoperating revenues net of expenses	(8)	10,056	335	10,383
Transfer in (out), net	30,001	(532)	-	29,469
Change in net position	<u>24,519</u>	<u>21,718</u>	<u>(2,757)</u>	<u>43,480</u>
Net position at beginning of year, as restated	<u>224,661</u>	<u>472,460</u>	<u>87,077</u>	<u>784,198</u>
Net position at end of year	<u>\$ 249,180</u>	<u>\$ 494,178</u>	<u>\$ 84,320</u>	<u>\$ 827,678</u>

Condensed Statements of Cash Flows	Hetch Hetchy Water	Hetch Hetchy Power	CleanPowerSF	Total
Net cash provided by (used in)				
Operating activities	\$ 2,865	\$ 39,999	\$ (38,033)	\$ 4,831
Noncapital financing activities	30,481	7,103	5,100	42,684
Capital and related financing activities	(32,568)	(39,513)	(351)	(72,432)
Investing activities	329	1,003	407	1,739
Increase (decrease) in cash and cash equivalents	1,107	8,592	(32,877)	(23,178)
Cash and cash equivalents at beginning of year	96,276	200,265	90,764	387,305
Cash and cash equivalents at end of year	<u>\$ 97,383</u>	<u>\$ 208,857</u>	<u>\$ 57,887</u>	<u>\$ 364,127</u>

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Pledged Revenues – Hetch Hetchy Power has pledged future power revenues to repay the 2008 Clean Renewable Energy Bonds (CREBs), the 2011 Qualified Energy Conservation Bonds (QECBs), and the 2015 New Clean Renewable Energy Bonds (NCREBs). Additionally, Hetch Hetchy Power has pledged future power revenues for 2015 Series AB and 2021 Series AB power revenue bonds. Proceeds from the bonds provided financing for various capital construction and facility energy efficiency projects. The 2015 Series AB and 2021 Series AB power revenue bonds are payable through fiscal years 2045-46 and 2051-52, respectively, and are solely payable from net revenues of Hetch Hetchy Power on a senior lien basis to the 2008 CREBs, the 2011 QECBs, the 2012 NCREBs, and the 2015 NCREBs.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid, and applicable revenues for fiscal year 2021-22 are as follows:

Hetch Hetchy Power	
Bonds issued with revenue pledge	\$ 182,271
Bond principal and interest remaining due at end of the fiscal year	290,581
Bond principal and interest paid in the fiscal year*	3,928
Net revenues	54,310
Funds available for revenue bond debt service	98,625

*Per Indenture, debt service for coverage is calculated using the amount of principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds, which have a senior lien on power enterprise revenues; principal and interest paid during the year for the 2015 Series AB and 2021 Series AB power revenue bonds was \$2,565.

Commitments and Contingencies – As of June 30, 2022, Hetch Hetchy had outstanding commitments with third parties of \$199.3 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto Irrigation District and Turlock Irrigation District (collectively the Districts) in which the Districts would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City, which are included in Hetchy Water’s operating expenses. Total payments were \$5.1 million in fiscal year 2021-22. The payments are to be made for the duration of the license but may be terminated with one year’s prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries in the lower Tuolumne River for the duration of the license. A maximum monitoring expense of \$1.4 million is to be shared between the City and the Districts over the term of the license. The City’s share of the monitoring costs is 52.0% and the Districts are responsible for 48.0% of the costs.

Hetch Hetchy Power

Upon expiration of the City’s previous Interconnection Agreement with Pacific Gas & Electric (PG&E), the City began taking service in 2015 under the Wholesale Distribution Tariff (WDT) for distribution service and under the CAISO Open-Access Transmission Tariff for transmission service. The FERC-regulated Wholesale Distribution Tariff is implemented by PG&E through the City specific Service Agreements and Interconnection Agreements. The terms of these agreements have been in contention since the effective date. The City is continuing to negotiate with PG&E and, where necessary, filing complaints and protests at FERC. In September 2020, PG&E filed a revised WDT. Under the terms of the new WDT, the City would pay substantially higher rates, at least twice to potentially four times the current charges, and be required to install costly and inefficient equipment not needed for technical, safety or reliability of operations. In addition, Hetchy Power would no longer be allowed to connect to the “network” grid in the center of San Francisco; have new secondary interconnections; and/or serve any small, typically unmetered loads, such as streetlights, traffic signal and bus shelters.

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Staff prepare regular reporting to the Board of Supervisors outlining on-going disputes with PG&E over project requirements, costs and delays. During fiscal year 2021-22, Hetch Hetchy Power purchased \$22.4 million of distribution services from PG&E under the terms of the service agreements and Interconnection Agreements that implement the WDT. The City continues to litigate and dispute these terms at FERC and in the court systems; and pursue the purchase of the electric grid in San Francisco.

Hetchy Power may purchase or sell energy and other related products (such as ancillary services, spinning reserves, resource adequacy products, and congestion revenue rights) with different market entities through the Western System Power Pool (WSPP) and the CAISO. During fiscal year 2021-22, Hetchy Power purchased \$4.2 million of power and other related products. There were no excess power sales after meeting Hetch Hetchy's obligations in fiscal year 2021-22.

Hetchy Power (Buyer) purchases energy, capacity, and environmental attributes from a solar photovoltaic project located at Sunset Reservoir (the facility) pursuant to the 2009 25-year Power Purchase Agreement (PPA) with SFCity1, LP, owned by Duke Energy (Seller). In November 2010, the facility commenced commercial operation and began to provide Hetchy Power energy generated by the facility. The PPA sets the purchase price of generated energy at \$235/MWh, increased by 3.0% each year throughout the term of the agreement, and it is expected that the facility will generate 6,560 MWh per year. In fiscal year 2021-22, the facility generated 6,460 MWh and rate was at \$334/MWh.

In the event that the facility generates more energy than expected due to better than normal meteorological conditions, the PPA requires the Buyer to purchase all the excess energy but generation in excess of 120.0% of expected is purchased at no cost. The PPA also requires the Seller to generate a minimum amount of energy from the facility annually. If energy production falls below 50% of expected, the Seller must provide replacement power, and if energy falls below 90% of expected, the price for energy generated is lowered. In fiscal year 2021-22, purchases of energy under the PPA were \$2.2 million or 6,460 MWh.

Hetchy Power and CleanPowerSF participate in the CAISO energy markets which requires the SFPUC to have a contract with a certified Scheduling Coordinator (SC). In June 2022, CleanPowerSF renewed a 5-year contract with APX, Inc with contract amount not to exceed \$134.7 million to fulfill this requirement. APX, Inc provides a number of services including but not limited to an interface with the CAISO's energy scheduling portal, manage invoice payments to the CAISO and communications between the CAISO and the SFPUC, and dispatch of the Hetch Hetchy plant 24 hours a day, seven days a week. The contract also provides that APX, Inc will act as the SC for renewable generation plants under some of CleanPowerSF's Power Purchase Agreements. Hetchy Power's share was \$0.5 million as of June 30, 2022. CleanPowerSF's share was \$0.2 million as of June 30, 2022.

CleanPowerSF

CleanPowerSF has added multiple additional short-term and medium-term contracts with multiple counterparties pursuant to master agreements, including the WSPP Master Agreement, to purchase renewable, carbon-free and conventional energy and resource adequacy capacity. CleanPowerSF has also entered into long-term contracts for renewable energy and capacity with renewable energy developers including sPower, Terra-Gen, NextEra and EDF Renewables. These contracts have been entered to allow CleanPowerSF to meet its existing retail sales obligations, to support future retail sales from citywide enrollment into the CleanPowerSF program, and to comply with state law requiring that 65% of CleanPowerSF's Renewal Portfolio Standard (RPS) compliance targets be fulfilled by RPS-eligible electricity from contracts of 10 or more years. Citywide enrollment was substantively completed with the enrollment of residential accounts in April 2019. Since it began serving customers in 2016, CleanPowerSF's cumulative opt-out rate is 4.3% of all enrolled accounts. The total power purchase cost, net of wholesale sales, equaled \$238.1 million in fiscal 2021-22.

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CleanPowerSF contracts with Calpine Energy Solutions to provide meter data management, billing and customer care support. Calpine is responsible for calculating and providing CleanPowerSF charges to PG&E, which in turn bills both CleanPowerSF and PG&E customers for electricity transmission, distribution, and CleanPowerSF generation services. PG&E remits payments received from customers for CleanPowerSF charges to the City. During fiscal year 2021-22, amounts paid were \$4.7 million.

In November 2021, CleanPowerSF amended an existing Renewable Power Purchase Agreement with Blythe Solar IV, LLC (seller) to purchase a storage product from the solar powered generation facility located in Blythe, California pursuant to the 20-year PPA. Under the revised agreement, the project in Blythe, California, will add batteries to the operating 62-MW solar photovoltaic power plant. The contract, including the new battery component, is for \$196.4 million over 20 years.

In November 2020, CleanPowerSF executed a Power and Storage Purchase Agreement to purchase solar product and storage product from a solar powered generation facility and battery storage facility located at Livermore pursuant to the 25-year PPA with IP Aramis, LLC (Seller). As of June 30, 2022, CleanPowerSF received cash collateral of \$9.0 million for Development Assurance and Performance Assurance from the Seller.

In March 2018, CleanPowerSF entered into a five-year, \$75.0 million Credit Agreement with J.P. Morgan Chase in order for the program to secure letters of credit to guarantee certain power purchase agreement payment obligations of CleanPowerSF and to meet working capital needs of CleanPowerSF, if necessary. In November 2021 the Credit Agreement was decreased (at the request of CleanPowerSF) the available amount from \$75.0 million to \$20.0 million, and the stated term of the agreement was extended to March 2024. Additional changes to the agreement effected by the November 2021 Amendments include elimination of target reserve requirements, revisions to debt service coverage (allowing for a liquidity test two times in the aggregate for any consecutive four quarters) and rate-setting covenants, changes to ongoing reporting requirements to the Bank, and changes to events of default, including the addition of an event of default if CleanPowerSF's long-term unenhanced credit rating is downgraded below investment grade or suspended, withdrawn or otherwise unavailable. In May 2022 CleanPowerSF executed another amendment to its Credit Agreement to eliminate and change certain financial covenants contained in the 2018 Credit Agreement. Specifically, this Amendment eliminated the covenant of the Commission to maintain a specified debt service coverage ratio and changed such financial covenant to commit the Commission to maintain a specified level of Day Liquidity on Hand (as defined in the Credit Agreement). The Credit Agreement is secured by CleanPowerSF's net revenues; there is no pledge of, or lien on net revenues that ranks senior to the obligations under the Credit Agreement. The Bank issued letters of credit in the face amounts totaling \$5.8 million for fiscal year ended June 30, 2022. CleanPowerSF did not draw on the Credit Agreement during fiscal year 2021-22. Accordingly, the uncommitted credit capacity under the Credit Agreement was \$14.2 million during fiscal year 2021-22.

Original financial covenants include that CleanPowerSF maintain a Debt Service Coverage Ratio as defined in the Credit Agreement of not less than 1.05 for each fiscal quarter, as determined for the four consecutive fiscal quarter periods ended on the last day of such fiscal quarter. CleanPowerSF was in compliance with all covenants and requirements of the Credit Agreement as amended as of June 30, 2022.

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Significant events of default under the Credit Agreement, include 1) non-payment, 2) material breach of warranty, representation, or other non-remedied breach of covenants as specified in the agreement and 3) bankruptcy and insolvency events, which could result in all outstanding loans under the Credit Agreement to be immediately due and payable; or the immediate termination of the Bank's commitment to issue letters of credit or make loans under the Credit Agreement.

In June 2018, the California Public Utilities Commission (CPUC) established the Disadvantaged Communities-Green Tariff (DAC-GT) and Community Solar Green Tariff (CSGT) program to address barriers to solar adoption faced by low income electric customers in neglected communities. The DAC-GT program provides a 20% rate discount on 100% Renewable Portfolio Standard (RPS) eligible electricity service to income-qualified customers residing in Disadvantaged Communities (DACs) as defined by the California Environmental Protection Agency (Cal EPA). Similar to DAC-GT, the CSGT program allows primarily for the DACs to benefit from the development of solar generation projects located in their own or nearby DACs. CSGT projects must also have a local community-based sponsor that supports site selection and customer enrollment.

The CPUC approved CleanPowerSF's application to establish DAC-GT and CSGT programs in April 2021 and to receive funds to cover program administration and a portion of electricity supply costs. CleanPowerSF began enrolling customers in the DAC-GT program branded as "SuperGreen Saver" on June 1, 2022. The CSGT program is expected to start serving customers during fiscal year 2024-25, once CleanPowerSF is able to procure electricity from a CSGT-eligible solar project(s). As of June 30, 2022, CleanPowerSF received \$1.2 million from a combination of ratepayer funds and California Cap and Trade Auction proceeds.

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 water assessment fees totaling \$45.8 million and purchased electricity for \$11.4 million for the year ended June 30, 2022. The water assessment fees represent a recovery to fund upcountry, water related costs that are not otherwise funded through water-related revenue. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling \$11.9 million for the year ended June 30, 2022. Included in fiscal year 2021-22 operating revenues are sales of power to departments within the City of \$116.3 million.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to Hetch Hetchy and charge amounts designed to recover those departments' costs. These charges total approximately \$13.0 million for the year ended June 30, 2022, and have been included in services provided by other departments.

For the year ended June 30, 2022, CleanPowerSF operating expenses include purchase of power from Hetchy Power in the amount of \$1.6 million.

CleanPowerSF received program support services from Hetchy Power. This amount totaled \$1.9 million for the year ended June 30, 2022.

(e) San Francisco Municipal Transportation Agency

The San Francisco Municipal Transportation Agency (SFMTA) is governed by the SFMTA Board of Directors, who are appointed by the Mayor and Board of Supervisors. The SFMTA's financial statements include the entire City's surface transportation network that encompasses pedestrians, bicycling, transit (Muni), traffic and on- and off-street parking, regulation of the taxi industry, and two nonprofit parking garage corporations operated by separate nonprofit corporations whose operations are interrelated.

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The SFMTA was established by voter approval of the addition of Article VIII A to the Charter of the City (the Charter) in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all surface transportation functions within a single City department and to provide the transportation system with the resources, independence, and focus necessary to improve transit service and the City's transportation system. The voters approved additional Charter amendments: (1) in 2007 (Proposition A), which increased the autonomy of and revenue to the SFMTA; (2) in 2010 (Proposition G), which increased management flexibility related to labor contracts; (3) in 2014 (Proposition A), which provided \$500 million in general obligation bonds for transportation and street infrastructure; (4) in 2014 (Proposition B), which increases General Fund allocation to SFMTA based on the City's population increase; and (5) in 2019 (Proposition D), which imposes tax on fares charged by commercial shared and private rides to fund transportation operations and infrastructure for traffic congestion mitigation in the City.

Muni is one of America's oldest public transit agencies, the largest in the Bay Area, and eighth largest system in the United States. 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 the City's streets, transit, bicycles, pedestrians, and parking infrastructure. It manages 21 City-owned garages and 18 metered parking lots.

Nonprofit corporations provide operational oversight to two garages, namely Japan Center Garage Corporation (Japan Center) and Portsmouth Plaza Parking Corporation (Portsmouth). Of these two garages, Portsmouth garage is owned by the Recreation and Park Department but managed by the SFMTA. The activities of these nonprofit garages are accounted for in the parking garages account.

Pledged Revenue – In 2007, San Francisco voters approved Proposition A, which authorized the SFMTA to issue revenue bonds and other forms of indebtedness without further voter approval but with approval by the SFMTA Board of Directors and concurrence by the Board of Supervisors. The SFMTA has pledged future revenues to repay various bonds. Proceeds from the revenue bonds provided financing for various capital construction projects and refunded previously issued bonds. These bonds are payable from all SFMTA operating revenues except for City General Fund allocations and restricted sources and are payable through fiscal year 2050-51.

Annual principal and interest payments for fiscal year 2021-22 were 11.7% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2021-22, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 457,065
Bond principal and interest remaining due at end of the fiscal year	693,703
Net revenues	133,455
Bond principal and interest paid in the fiscal year	17,680
Funds available for revenue bond debt service	151,135

Operating and Capital Grants and Subsidies – The amount of operating allocation provided to the SFMTA each year is limited to the amount set by the City Charter and budgeted by the City. Such allocation is recognized as revenue in the year received. The amount of General Fund subsidy to the SFMTA was \$519.7 million in fiscal year 2021-22. The General Fund support from the City includes total revenue baseline transfer of \$395.9 million and \$58.9 million allocation from in lieu of parking tax. Proposition B, approved by the voters in November 2014, provides additional City General Funds to address transportation needs tied to the City's population growth. The SFMTA received \$58.0 million from this source of which \$30.0 million was allocated for operations and \$28.0 million for capital projects. The SFMTA also received an additional General Fund allocation of \$5.9 million for the Chase

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Event Center and mixed-use development project, \$0.4 million for the Community Building Program and reimbursement of \$0.6 million for free parking and transit fares related to the Portsmouth garage.

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, 2022, the SFMTA had various operating grants receivable of \$30.3 million. In fiscal year 2021-22, the SFMTA received operating assistance from BART's Americans with Disability Act related support of \$1.7 million, and other federal, state, and local grants of \$9.4 million, to fund project expenses that are operating in nature.

The operating assistance from federal sources include funds received from FTA in response to COVID-19 pandemic. The SFMTA received \$67.3 million in Coronavirus Response and Relief Supplemental Appropriations Act funding in fiscal year 2021-22. The SFMTA was awarded \$651.6 million in American Rescue Plan Act funding, of which \$174.0 million was received in fiscal year 2021-22 and \$477.6 million remains to be accessed in fiscal year 2022-23.

Proposition 1B is a \$20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure is composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account (PTMISEA) and the California Transit Security Grant Program (CTSGP). The original legislation required funds to be obligated within three years of the date awarded. The Budget Act of 2019 re-appropriated the remaining balances of PTMISEA appropriations, which are available for encumbrance and liquidation until June 30, 2023. PTMISEA funds may be used for transit rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, bus and rail car procurement, rehabilitation, or replacement. CTSGP is administered by the California Governor's Office of Emergency Services (Cal OES). Funding from the CTSGP is for projects that protect critical transportation infrastructure and the traveling public from acts of terrorism, major disasters, and other emergencies. Per current Cal OES guidance, all funds allocated with outstanding balances shall be expended no later than March 31, 2022. The SFMTA did not receive cash in the fiscal year 2021-22 from PTMISEA and CTSGP. During fiscal year 2021-22, drawdowns for various eligible projects costs were made from PTMISEA funds for \$2.5 million and from CTSGP funds for \$7.1 million.

Commitments and Contingencies – The SFMTA has outstanding commitments of approximately \$316.2 million with third parties for various capital projects. Grant funding is available for the majority of this amount. The SFMTA also has outstanding commitments of approximately \$78.8 million with third parties for noncapital expenditures as of June 30, 2022. Various local funding sources are used to finance these expenditures.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2022, the subsidy for LHH was \$83.7 million.

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

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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, 2022, LHH's patient receivables and charges for services were as follows:

Patient Receivables, Net				
	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable.....	\$ 112,393	\$ 8,554	\$ 734	\$ 121,681
Less:				
Contractual Allowance.....	(64,999)	(4,947)	(425)	(70,371)
Total, Net Accounts Receivable.....	\$ 47,394	\$ 3,607	\$ 309	\$ 51,310
Net Patient Service Revenue				
	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.....	\$ 430,261	\$ 30,310	\$ 2,602	\$ 463,173
Less:				
Contractual Allowance.....	(216,005)	(25,320)	(5,670)	(246,995)
Total, Net Patient Service Revenue.....	\$ 214,256	\$ 4,990	\$ (3,068)	\$ 216,178

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, 2022, LHH accrued and recognized \$27.4 million of revenue as a result of matching federal funds to local funds.

Unearned Revenues and Other Liabilities - As of June 30, 2022, LHH recorded approximately \$30.8 million in other liabilities for third-party payor settlements payable.

Other Revenues - LHH recorded \$6.6 million in negative federal grant revenue which represents a reduction in the amount of lost revenue claimed under the Provider Relief Program.

Transactions with Other Funds - A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, human resources, and public protection to LHH and charge amounts designed to recover those departments' costs. These charges totaled \$14.8 million for the year ended June 30, 2022, and have been included in services provided by other departments.

As of June 30, 2022, LHH has entered into various purchase contracts totaling \$1.3 million that are related to the old building remodel phase of the Replacement Project.

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Recertification - In April 2022, the federal Centers for Medicare and Medicaid Services (CMS) terminated its Medicare and Medicaid payments to LHH. CMS funds the majority of resident care at LHH. The City has reached a settlement agreement to pause involuntary transfer and discharge of residents through May 2023 and extend payments through November 2023. LHH remains open and licensed during the recertification process.

(g) San Francisco General Hospital

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2022, the subsidy for SFGH was \$65.8 million.

Net Patient Service Revenue - Net patient service 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 payments received as a percentage of gross charges.

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

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During the year ended June 30, 2022, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, Net				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Accounts Receivable.....	\$ 274,692	\$ 157,912	\$ 136,184	\$ 568,788
Less:				
Contractual Allowance.....	(251,937)	(142,162)	(86,329)	(480,428)
Provision for Bad Debts.....	-	-	(12,578)	(12,578)
Total, Net Accounts Receivable.....	<u>\$ 22,755</u>	<u>\$ 15,750</u>	<u>\$ 37,277</u>	<u>\$ 75,782</u>

Net Patient Service Revenue				
	<u>Medi-Cal</u>	<u>Medicare</u>	<u>Other</u>	<u>Total</u>
Gross Patient Service Revenue.....	\$ 2,003,353	\$ 1,055,729	\$ 1,059,393	\$ 4,118,475
Less:				
Contractual Allowance.....	(1,727,471)	(866,742)	(514,254)	(3,108,467)
Bad Debt Write Off.....	-	-	(71,683)	(71,683)
Total, Net Patient Service Revenue.....	<u>\$ 275,882</u>	<u>\$ 188,987</u>	<u>\$ 473,456</u>	<u>\$ 938,325</u>

California's Section 1115 Medicaid Waiver (Waiver), titled "Medi-Cal 2020" expired on December 31, 2021. Medi-Cal 2020 was replaced by a new Waiver entitled California Advancing and Innovating Medi-Cal (CalAIM). CalAIM is a long-term commitment to transform and strengthen Medi-Cal, offering Californians a more equitable, coordinated, and person-centered approach to maximizing their health and life trajectory. In addition to fee-for-service cost-based reimbursements for inpatient hospital services, CalAIM includes a wide range of patient centered care programs, including Enhanced Care Management, Community Supports, and the renewal of the Global Payment Program (GPP) among other service delivery and payment reform initiatives.

Payments received under CalAIM's GPP are utilization based and not dependent on Certified Public Expenditures (CPEs). However, GPP claims are subject to state and federal audit and final reconciliation. SFGH has established reserves for the uncertainty of future financial impact of potential audit and reconciliation adjustments. Revenues recognized under current and previous Medi-Cal Waivers are approximately \$140.6 million for the year ended June 30, 2022.

In addition, SFGH is 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, 2022, reimbursement under the Short-Doyle Program amounted to approximately \$6.4 million and is included in net patient service revenue.

Unearned Revenues and Other Liabilities - As of June 30, 2022, SFGH recorded approximately \$363.1 million in unearned revenues and other liabilities, which was comprised of \$278.0 million in unearned credits mainly related to receipts under DSH/Safety Net Care Pool, the Medicare Accelerated payment program and AB915 programs, \$84.3 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 \$261.0 million and estimated costs and expenses to provide charity care were \$72.4 million for the year ended June 30, 2022.

Other Revenues - SFGH recognized \$67.1 million of realignment funding for the year ended June 30, 2022.

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SFGH recorded \$1.5 million in negative federal grant revenue which represents a reduction in the amount of lost revenue claimed under the Provider Relief Program.

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 was a mechanism that provided for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% of the savings realized by the county. The State predetermined an amount of health realignment to be redirected for the City and County of San Francisco and withheld those amounts from health realignment remittances to the City. A final reconciliation has been conducted for fiscal year 2019-20 showing no realignment to be redirected. A final reconciliation will be conducted prior to June 30, 2023, for the year ended June 30, 2021.

Contract with the University of California San Francisco - The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2022, was approximately \$222.0 million.

Gift - From 2014 through 2016, SFGH received \$62.4 million from San Francisco General Hospital Foundation for the acquisition of furniture, fixtures and equipment (FF&E) for the new hospital. As of June 30, 2022, SFGH has spent \$48.7 million from the gift on acquisition of FF&E as stipulated by the donor and recorded the remaining \$13.7 million as restricted net position.

Commitments and Contingencies - As of June 30, 2022, SFGH had outstanding commitments with third parties for capital projects totaling \$5.5 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. As of June 30, 2022, the Wastewater Enterprise serves approximately 148,381 residential accounts, which discharge about 15.7 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 26,790 non-residential accounts, which discharge about 5.3 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, notes, and State Revolving Fund loans. Proceeds, from the bonds and State Revolving Fund, provided financing for various capital construction projects and to refund previously issued bonds. These bonds, notes, and State Revolving Fund loans are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal years ending June 30, 2052, 2027, and 2056, respectively.

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The original amount of revenue bonds issued and State Revolving Fund loans, total principal and interest remaining, principal and interest paid during fiscal year 2021-22, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	\$ 1,964,975
Notes issued with revenue pledge	347,465
Clean Water State Revolving Fund (CWSRF) loans with revenue pledge	310,265
Principal and interest remaining due at end of the fiscal year	3,730,462
Principal and interest paid in the fiscal year	86,619
Net revenues	155,504
Funds available for revenue bond and loans debt service	310,835

Commitments and Contingencies – As of June 30, 2022, the Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling \$1.04 billion.

Pollution Remediation Obligations – As of June 30, 2022, the Wastewater Enterprise recorded \$8.1 million in pollution remediation liability, consisting of \$7.8 million cleanup cost estimate at the Yosemite Creek site and \$0.3 million aggregate violation fines at the Southeast Plant and Oceanside Plant. The pollution remediation obligation reported in the accompanying statement of net position is based on estimated contractual costs.

Transactions with Other Funds – The Wastewater Enterprise purchased power from Hetch Hetchy Power totaling \$11.9 million for the year ended June 30, 2022. The Wastewater Enterprise purchased water from Water Enterprise totaling \$1.8 million for the year ended June 30, 2022. The Department of Public Works provides certain engineering and other services to the Wastewater Enterprise and the total charge was \$13.1 million for the year ended June 30, 2022. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments’ costs. These charges total approximately \$12.8 million for the year ended June 30, 2022, and have been included in services provided by other departments.

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(14) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency’s activities. The Financing Authority is included as a blended component unit in the Successor Agency’s financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency’s Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City’s Controller for the benefit of holders of the former Agency’s enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

In September 2015, the State passed Senate Bill 107 (SB 107), which clarifies and updates existing law governing the dissolution of redevelopment agencies. SB 107 includes specific language that allows the Successor Agency to issue bonds or other indebtedness for the purposes of low and moderate income housing and infrastructure in the City by allowing the pledge of revenues available in the Trust Fund that are not otherwise pledged subject to the approval of the Oversight Board. SB 107 also declares that Mission Bay North, Mission Bay South, Hunters Point Shipyard Phase 1, Candlestick Point - Hunters Point Shipyard Phase 2, and Transbay projects are finally and conclusively approved as enforceable obligations.

(a) Summary of the Successor Agency’s Long-Term Obligations

Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Hotel tax revenue bonds ^(a)	2025	5.00%	\$ 12,540
Tax allocation revenue bonds ^(b)	2047	1.01% - 8.41%	<u>806,046</u>
Total long-term bonds and loans			<u>\$ 818,586</u>

Debt service payments are made from the following sources:

- (a) Hotel taxes from the occupancy of guest rooms in the hotels within the City.
- (b) Redevelopment property tax revenues from the Bayview Hunters Point, Western Addition, Rincon Point South Beach, Yerba Buena Center, India Basin, South of Market, Golden Gateway, Mission Bay South, Transbay, and Mission Bay North project areas.

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Issuance of Successor Agency Bonds – Under the Dissolution Law, a successor agency is authorized to issue bonds to satisfy its obligations under certain enforceable obligations entered into by the former redevelopment agency prior to dissolution, subject to approval by the California Department of Finance (DOF). On December 24, 2013, the DOF released its letter approving the issuance of bonds by the Successor Agency.

On December 15, 2021, the Successor Agency issued \$127.2 million of Taxable Third Lien Tax Allocation Bonds, Affordable Housing Projects Series 2021A (2021 Series A Bonds). Bond proceeds will be used to finance the development and/or construction of affordable housing. The 2021 Series A Bonds bear fixed interest rates ranging from 1.01% to 2.74% and have a final maturity of August 1, 2032.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e., the former tax increment). These revenues have been pledged until the year 2047, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately \$1.32 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2022, were \$133.6 million against the total debt service payment of \$96.2 million.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2025, the final maturity of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately \$13.8 million. The hotel tax revenue recognized during the year ended June 30, 2022, was \$4.5 million against the total debt service payment of \$4.5 million.

Events of Default and Remedies – The Successor Agency shall be considered to be in default if it fails to make any principal, interest, or redemption payment when due. For Tax Allocation Bonds, in the event of default, the trustee may declare the principal and accrued interest to be due and payable immediately. For Hotel Tax Bonds, in the event of default, the Successor Agency must immediately transfer to the trustee all revenues held and thereafter received to be used for expenses necessary to protect the bondholders and payment of interest and principal.

The changes in long-term obligations for the Successor Agency for the year ended June 30, 2022, are as follows:

	July 1, 2021	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2022
Bonds payable:				
Tax revenue bonds	\$ 738,897	\$ 127,210	\$ (60,061)	\$ 806,046
Hotel tax revenue bonds	16,230	-	(3,690)	12,540
Less unamortized amounts:				
For issuance premiums	40,433	-	(2,546)	37,887
For issuance discounts	(2,663)	-	142	(2,521)
Total bonds payable	792,897	127,210	(66,155)	853,952
Accreted interest payable.....	77,636	9,174	(6,064)	80,746 ⁽¹⁾
Accrued vacation and sick leave pay.....	1,991	868	(1,017)	1,842
Successor Agency - long-term obligations..	\$ 872,524	\$ 137,252	\$ (73,236)	\$ 936,540

⁽¹⁾ Amounts represent interest accretion on Capital Appreciation Bonds.

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As of June 30, 2022, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows:

June 30,	Tax Revenue Bonds		Hotel Tax Revenue Bonds	
	Principal	Interest *	Principal	Interest
2023	\$ 49,008	\$ 45,517	\$ 3,865	\$ 627
2024	33,464	46,113	4,220	434
2025	36,896	45,784	4,455	223
2026	41,859	34,102	-	-
2027	42,547	32,850	-	-
2028-2032	232,553	143,752	-	-
2033-2037	176,415	104,268	-	-
2038-2042	127,302	47,411	-	-
2043-2047	66,002	14,235	-	-
Total	<u>\$ 806,046</u>	<u>\$ 514,032</u>	<u>\$ 12,540</u>	<u>\$ 1,284</u>

* Including payment of accreted interest.

During the year ended June 30, 2010, the former Agency borrowed \$16.5 million from the Low and Moderate Income Housing Fund (LMIHF) to make payment of \$28.7 million to the Supplemental Education Revenue Augmentation Funds (SERAF) to meet the State's Proposition 98 obligations to schools. Upon dissolution of the former Agency, the City elected to become the Housing Successor Agency and retained the former Agency's housing assets and functions, rights, powers, duties, and obligations. The Successor Agency made payments in the amount of \$1.8 million to the City during the year ended June 30, 2022, and the outstanding payable balance was \$1.1 million.

(b) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2022, the Successor Agency had outstanding encumbrances totaling approximately \$10.5 million.

Risk Management - The Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of \$10.0 million per occurrence (\$5.0 million per occurrence for automobile liability and an annual aggregate limit of \$5.0 million for employment practices liability) and a \$25 deductible.

Notes and Mortgages Receivable - During the process of selling land to developers and issuing mortgage revenue bonds, the Successor Agency may defer receipt of land sale proceeds and mortgage revenue bond financing fees from various private developers in exchange for notes receivable, which aid the developers' financing arrangements. The Successor Agency recognizes all revenues and interest on the above-described arrangements when earned, net of any amounts deemed to be uncollectible. During the year ended June 30, 2022, the Successor Agency disbursed \$18.0 million to the developers through this arrangement and recorded an allowance against these receivables. The Successor Agency also transferred \$75.6 million of fully allowed receivables to the City. At June 30, 2022, the gross value of the notes and mortgage receivable was \$183.8 million and the allowance for uncollectible amounts was \$182.3 million.

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Special Assessment Debt without Commitment - Various community facility district bonds have been issued by the former Agency on behalf of various property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by the property owners. At June 30, 2022, the Successor Agency had outstanding community facility district bonds totaling \$147.2 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, 2022, the Successor Agency distributed \$28.3 million to the TJPA. The payment was recorded as a neighborhood development deduction on the statement of changes in fiduciary net position.

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(15) TREASURE ISLAND DEVELOPMENT AUTHORITY

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

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

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

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans for land uses, phasing, infrastructure, transportation, sustainability, housing – including affordable housing, jobs and equal opportunity programs, community facilities and project financing. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report and approved the project entitlements. These project approvals established the framework and cleared the way for realization of a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring.

The development plan for the project anticipates a new San Francisco neighborhood consisting of up to 8,000 new residential housing units, new commercial and retail space, a hotel, and 290 acres of parks and public open space, including shoreline access and cultural uses. Transportation amenities being built for the project will enhance mobility on Yerba Buena Island and Treasure Island as well as link the islands to mainland San Francisco. Some amenities include a combined police/fire emergency services building; utility improvements including new water, sewer, storm, gas, electrical and communications infrastructure with new water storage reservoirs and a wastewater treatment plant; new and upgraded streets, public byways, bicycle, transit, and pedestrian facilities; and a new ferry terminal.

On May 29, 2015, the Navy made the first transfer of property to TIDA consisting of 275 acres on Yerba Buena and Treasure Islands and the offshore submerged lands. This has been followed by four smaller transfers with full conveyance of the former base expected to be completed in 2026.

Existing structures on Yerba Buena were demolished between February and August 2016, and structures in the first area of development on Treasure Island were demolished between July 2016 and February 2017. The first infrastructure construction projects on Yerba Buena Island, including the new water reservoirs and new roadways were completed in the third quarter of 2021, and utilities and street improvements are complete.

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The first residential project on Yerba Buena Island called the Bristol, a 124-unit condominium building, began construction in June 2019, received its Temporary Certificate of Occupancy in spring 2022, and move-ins began in June 2022.

On Treasure Island, geotechnical improvement of soil conditions in the first subphase area on Treasure Island were substantially completed in 2020, and new roadway, sewer, storm water, water, power, and electrical infrastructure is nearly complete, and TICD is seeking acceptance of the new infrastructure from the City. The developer has begun geotechnical improvement in the second subphase area. The geotechnical improvement of the site of the new wastewater treatment plant and electrical switchyard on Treasure Island is complete, the new electrical switchyard is operational, and the San Francisco Public Utilities Commission (SFPUC) has approval from its Commission to negotiate with the top-ranked proposer for a design-build contract. Construction of the new plant is anticipated to be complete in 2025.

The first residential project on Treasure Island, Maceo May Apartment, a 105-unit, 100% affordable building developed by Chinatown Community Development Center in partnership with Swords to Plowshares broke ground in the fall of 2020 and Temporary Certificate of Occupancy was received in late January 2023 in anticipation for move-ins beginning in February 2023. Four other residential sites on Treasure Island broke ground in 2022, including Star View Court a 100% affordable building being developed by Mercy Housing in partnership with Catholic Charities.

The complete build-out of the project is anticipated to occur over fifteen to twenty years.

As of June 30, 2022, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI and mobility management expenses	\$ 5,379	\$ -	\$ 5,379
General Fund	Cash coverage	8,093	-	8,093
Hetch Hetchy	Energy efficiency project	-	6,666	6,666
San Francisco Water Enterprise	Utility operations	195	-	195
		<u>\$ 13,667</u>	<u>\$ 6,666</u>	<u>\$ 20,333</u>

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(16) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

“Due to” and “due from” balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City’s pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2022, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	\$ 2,524
	Hetch Hetchy Water and Power	11
	Internal Service Funds	31
		2,566
Nonmajor Governmental Funds	General Fund	31
	Nonmajor Governmental Funds	7,368
	Municipal Transportation Agency	443
		7,842
San Francisco Water Enterprise	General Fund	69
	Nonmajor Governmental Funds	102
		171
Hetch Hetchy Water and Power Enterprise	General Fund	314
	Nonmajor Governmental Funds	4,195
	San Francisco Wastewater Enterprise	629
		5,138
Municipal Transportation Agency	Nonmajor Governmental Funds	52,175
Port of San Francisco	Hetch Hetchy Water and Power Enterprise	369
San Francisco Wastewater Enterprise	General Fund	105
	Nonmajor Governmental Funds	118
		223
Total		\$ 68,484

In addition to routine short-term loans, Hetch Hetchy serves as the City’s agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2022, Hetch Hetchy loaned \$4.2 million to other City funds.

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The SFMTA has a receivable from nonmajor governmental funds of \$52.2 million for capital and operating grants.

Due from component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
General Fund	Component unit – TIDA	\$ 8,093 ⁽¹⁾
Nonmajor Governmental Funds	Component unit – TIDA	5,379 ⁽¹⁾
San Francisco Water Enterprise	Component unit – TIDA	195 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	4,565

Advance to component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	\$ 6,666 ⁽¹⁾
Nonmajor Governmental Funds	Successor Agency	1,124

(1) See discussion at Note 15.

<u>Transfers Out:</u> <u>Funds</u>	<u>Transfers In: Funds (in thousands)</u>								<u>Total</u>
	General Fund	Nonmajor Govern- mental Funds	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta- tion Agency	San Francisco General Hospital Medical Center	Laguna Honda Hospital	
General Fund.....	\$ -	\$ 527,976	\$ 1,672	\$ 6	\$ -	\$ 519,733	\$ 65,758	\$ 94,238	\$ 1,209,383
Nonmajor governmental funds.....	43,997	145,230	-	15,030	-	208,239	-	4,326	416,822
San Francisco International Airport.....	37,907	-	-	-	-	-	-	-	37,907
Water Enterprise.....	300	364	-	-	30,001	-	-	-	30,665
Hetch Hetchy Water and Power Enterprise.....	500	32	-	-	-	-	-	-	532
San Francisco General Hospital Medical Center.....	403	-	-	-	-	-	-	-	403
Wastewater Enterprise....	-	161	-	-	-	-	-	-	161
Port of San Francisco.....	-	32	-	-	-	-	-	-	32
Laguna Honda Hospital..	1,000	-	-	-	-	-	9,900	-	10,900
Total transfers out	<u>\$ 84,107</u>	<u>\$ 673,795</u>	<u>\$ 1,672</u>	<u>\$ 15,036</u>	<u>\$ 30,001</u>	<u>\$ 727,972</u>	<u>\$ 75,658</u>	<u>\$ 98,564</u>	<u>\$ 1,706,805</u>

The \$1.21 billion General Fund transfer out includes a total of \$669.2 million in operating subsidies to SFMTA, SFGH, and Laguna Honda Hospital (see Note 13). The transfer of \$528.0 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are mainly to provide support for various City programs and to provide resources for the payment of debt service.

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San Francisco International Airport transferred \$37.9 million to the General Fund, representing a portion of concession revenues (see Note 13(a)). General Fund received \$1.0 million from Laguna Honda Hospital for COVID-19 emergency response uses and \$403 from SFGH for fiscal year 2021-22 projected shortfall. Laguna Honda Hospital transferred \$9.9 million to SFGH for fiscal year 2021-22 shortfall and received \$4.3 million from nonmajor governmental funds for relocation project.

SFMTA received \$208.2 million transfers from nonmajor governmental funds, of which \$66.0 million was for capital activities, \$142.2 million was for operating activities.

The Water Enterprise transferred \$30.0 million to Hetch Hetchy Water and Power Enterprise to fund various Mountain Tunnel projects, \$300 to General Fund and \$199 to nonmajor governmental funds for the UN Plaza Large Alternative Water Source project and purchase of capital assets, \$133 to nonmajor governmental funds for the arts enrichment fund for the new CDD Headquarters and \$32 to nonmajor governmental funds for the Surety Bond Program. In turn, the Water Enterprise received \$15.0 million for the Earthquake Safety and Emergency Response program, and \$6 from the General Fund for low income assistance programs.

The Wastewater Enterprise transferred \$129 in art enrichment fund to the Art Commission for the Westside Reliability Improvement, and \$32 to the Office of the City Administrator for the Surety Bond Program.

The Hetch Hetchy Water and Power Enterprise transferred \$500 to General Fund for repayment of Educational Revenue Augmentation Funds and \$32 to the Office of the City Administrator for the Surety Bond Program.

The Port of San Francisco transferred \$32 to the Office of the City Administrator for the Surety Bond Program.

The Internal Service Funds received \$0.5 million from General Fund for the DT project and \$1.2 million for interest earned by the Internal Service Funds but credited to the General Fund.

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(17) LEASES, COMMITMENTS AND CONTINGENT LIABILITIES

Leases

Primary Government

City as Lessee

The City has entered into long-term leases for land, office space, communication site, data processing, machinery, and other equipment. The terms and conditions for these leases varies, which ranges between 1 – 80 years.

A summary of intangible right-to-use assets during the year ended June 30, 2022, is as follows:

	Balance July 1, 2021, as restated	Increases	Decreases	Balance June 30, 2022
Governmental Activities:				
Right-to-use assets:				
Land.....	\$ 1,675	\$ -	\$ -	\$ 1,675
Building/Facility.....	535,187	42,659	6,053	571,793
Equipment.....	2,141	-	-	2,141
Others.....	-	1,214	-	1,214
Total lease assets.....	<u>539,003</u>	<u>43,873</u>	<u>6,053</u>	<u>576,823</u>
Less accumulated amortization:				
Right-to-use assets:				
Land.....	-	139	-	139
Building/Facility.....	-	78,402	6,053	72,349
Equipment.....	-	1,149	-	1,149
Others.....	-	405	-	405
Total accumulated amortization.....	<u>-</u>	<u>80,095</u>	<u>6,053</u>	<u>74,042</u>
Governmental activities lease assets, net	<u>\$ 539,003</u>	<u>\$ (36,222)</u>	<u>\$ -</u>	<u>\$ 502,781</u>
Business-Type Activities:				
Right-to-use assets:				
Land.....	\$ 24,057	\$ -	\$ -	\$ 24,057
Building/Facility.....	215,344	-	568	214,776
Equipment.....	20,966	-	1,024	19,942
Others.....	-	-	-	-
Total lease assets.....	<u>260,367</u>	<u>-</u>	<u>1,592</u>	<u>258,775</u>
Less accumulated amortization:				
Right-to-use assets:				
Land.....	187	536	-	723
Building/Facility.....	6,855	14,031	568	20,318
Equipment.....	-	10,255	1,024	9,231
Others.....	-	-	-	-
Total accumulated amortization.....	<u>7,042</u>	<u>24,822</u>	<u>1,592</u>	<u>30,272</u>
Business-type activities lease assets, net	<u>\$ 253,325</u>	<u>\$ (24,822)</u>	<u>\$ -</u>	<u>\$ 228,503</u>

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Future annual lease payments are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2023.....	\$ 61,120	\$ 7,279	\$ 68,399
2024.....	51,052	6,692	57,744
2025.....	46,173	6,119	52,292
2026.....	41,811	5,563	47,374
2027.....	35,385	5,030	40,415
2028-2032....	124,916	18,324	143,240
2033-2037....	109,301	8,393	117,694
2038-2042....	41,459	992	42,451
2043-2047....	100	2	102
Total.....	<u>\$ 511,317</u>	<u>\$ 58,394</u>	<u>\$ 569,711</u>

Business-type Activities

Fiscal Years	Airport			Port			General Hospital Medical Center			Municipal Transportation Agency		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 139	\$ 3	\$ 142	\$ 1,520	\$ 1,635	\$ 3,155	\$ 4,532	\$ 59	\$ 4,590	\$ 6,123	\$ 2,580	\$ 8,703
2024.....	145	2	147	1,555	1,598	3,153	2,281	38	2,319	4,928	2,501	7,429
2025.....	125	1	126	1,574	1,561	3,135	1,137	25	1,162	5,221	2,424	7,645
2026.....	-	-	-	1,777	1,521	3,298	645	17	662	5,453	2,343	7,796
2027.....	-	-	-	2,052	1,474	3,526	653	9	662	5,661	2,256	7,917
2028-2032....	-	-	-	11,033	6,598	17,631	439	2	442	23,326	10,053	33,379
2033-2037....	-	-	-	12,438	5,190	17,628	-	-	-	29,514	7,721	37,235
2038-2042....	-	-	-	14,022	3,602	17,624	-	-	-	38,092	4,633	42,725
2043-2047....	-	-	-	15,808	1,813	17,621	-	-	-	8,457	2,182	10,639
2048-2052....	-	-	-	7,177	174	7,351	-	-	-	-	2,423	2,423
2053-2057....	-	-	-	-	-	-	-	-	-	-	2,809	2,809
2058-2062....	-	-	-	-	-	-	-	-	-	-	3,256	3,256
2063-2067....	-	-	-	-	-	-	-	-	-	-	3,775	3,775
2068-2072....	-	-	-	-	-	-	-	-	-	-	4,376	4,376
Thereafter.....	-	-	-	-	-	-	-	-	-	23,208	12,779	35,987
Total.....	<u>\$ 409</u>	<u>\$ 6</u>	<u>\$ 415</u>	<u>\$ 68,956</u>	<u>\$ 25,166</u>	<u>\$ 94,122</u>	<u>\$ 9,687</u>	<u>\$ 150</u>	<u>\$ 9,837</u>	<u>\$ 149,983</u>	<u>\$ 66,111</u>	<u>\$ 216,094</u>

Fiscal Years	San Francisco Water Enterprise			Hetch hetchy Water and Power			San Francisco Wastewater Enterprise			Total Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 1,008	\$ 42	\$ 1,050	\$ 238	\$ 4	\$ 242	\$ 2,341	\$ 30	\$ 2,371	\$ 15,901	\$ 4,353	\$ 20,254
2024.....	370	33	403	6	3	9	1,297	6	1,303	10,582	4,181	14,763
2025.....	186	29	215	7	3	10	-	-	-	8,250	4,043	12,293
2026.....	101	27	128	7	3	10	-	-	-	7,983	3,911	11,894
2027.....	103	25	128	7	2	9	-	-	-	8,476	3,766	12,242
2028-2032....	436	96	532	37	9	46	-	-	-	35,271	16,758	52,029
2033-2037....	446	49	495	41	5	46	-	-	-	42,439	12,965	55,404
2038-2042....	213	6	219	26	1	27	-	-	-	52,353	8,242	60,595
2043-2047....	-	-	-	-	-	-	-	-	-	24,265	3,995	28,260
2048-2052....	-	-	-	-	-	-	-	-	-	7,177	2,597	9,774
2053-2057....	-	-	-	-	-	-	-	-	-	-	2,809	2,809
2058-2062....	-	-	-	-	-	-	-	-	-	-	3,256	3,256
2063-2067....	-	-	-	-	-	-	-	-	-	-	3,775	3,775
2068-2072....	-	-	-	-	-	-	-	-	-	-	4,376	4,376
Thereafter.....	-	-	-	-	-	-	-	-	-	23,208	12,779	35,987
Total.....	<u>\$ 2,863</u>	<u>\$ 307</u>	<u>\$ 3,170</u>	<u>\$ 369</u>	<u>\$ 30</u>	<u>\$ 399</u>	<u>\$ 3,638</u>	<u>\$ 36</u>	<u>\$ 3,674</u>	<u>\$ 235,905</u>	<u>\$ 91,806</u>	<u>\$ 327,711</u>

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In fiscal year 2021-22, the City's governmental activities and business-type activities recognized \$7.5 million and \$5.0 million, respectively, in interest expense for the related leases.

Variable lease payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease liability. Such amounts are recognized as lease expenses in the period in which the obligation for those payments is incurred. The amounts recognized as expense for variable lease payments not included in the measurement of the lease liability for governmental activities and business-type activities were \$1.9 million and \$2.5 million, respectively, during the year ended June 30, 2022.

In addition, the SFMTA has commitment for leases that have not commenced as of June 30, 2022 and the liability associated is \$2.8 million.

City as Lessor

The City has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

The Airport leases terminal space (except for regulated leases), non-terminal buildings, and land to tenants under various operating leases, a majority of which is non-cancellable and terminated at various dates as late as 2053.

Principal and interest requirements to maturity for the lease receivable at June 30, 2022, are as follows:

Governmental Activities

Fiscal Years	Principal	Interest	Total
2023.....	\$ 4,303	\$ 1,658	\$ 5,960
2024.....	4,160	1,591	5,751
2025.....	4,250	1,522	5,772
2026.....	4,225	1,453	5,678
2027.....	3,773	1,385	5,158
2028-2032....	18,510	5,904	24,414
2033-2037....	14,993	934	15,927
2038-2042....	16,657	4,262	20,919
2043-2047....	16,597	2,619	19,216
2048-2052....	445	267	712
2053-2057....	493	219	712
2058-2062....	545	166	711
2063-2067....	604	108	712
2068-2072....	668	44	712
Thereafter....	81	1	83
Total.....	<u>\$ 90,304</u>	<u>\$ 22,133</u>	<u>\$ 112,437</u>

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Business-type Activities -excluded regulated leases

Fiscal Years	Airport			Port			General Hospital Medical Center			Laguna Honda Hospital		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 47,213	\$ 4,150	\$ 51,363	\$ 44,471	\$ 10,509	\$ 54,980	\$ 453	\$ 147	600	\$ 104	\$ 21	\$ 125
2024.....	36,474	3,665	40,139	34,917	9,964	44,881	375	144	519	110	20	130
2025.....	33,272	3,214	36,486	29,532	9,486	39,018	353	141	494	116	17	133
2026.....	30,132	2,777	32,909	27,148	9,027	36,175	276	138	414	122	15	137
2027.....	28,371	2,353	30,724	23,047	8,594	31,641	161	136	297	128	13	141
2028-2032....	72,453	6,739	79,192	89,180	37,370	126,550	242	663	905	635	27	662
2033-2037....	8,023	4,477	12,500	73,957	28,746	102,703	262	638	900	-	-	-
2038-2042....	9,045	3,455	12,500	45,977	22,222	68,199	291	609	900	-	-	-
2043-2047....	10,197	2,303	12,500	35,155	17,765	52,920	322	578	900	-	-	-
2048-2052....	11,496	1,004	12,500	17,600	14,186	31,786	356	544	900	-	-	-
2053-2057....	2,408	29	2,437	13,936	12,478	26,414	394	506	900	-	-	-
2058-2062....	-	-	-	17,972	10,716	28,688	436	464	900	-	-	-
2063-2067....	-	-	-	22,748	7,845	30,593	483	417	900	-	-	-
2068-2072....	-	-	-	20,596	4,734	25,330	535	365	900	-	-	-
Thereafter....	-	-	-	27,131	1,390	28,521	3,315	842	4,157	-	-	-
Total.....	\$ 289,084	\$ 34,166	\$ 323,250	\$ 523,367	\$ 205,032	\$ 728,399	\$ 8,254	\$ 6,332	\$ 14,586	\$ 1,215	\$ 113	\$ 1,328

Fiscal Years	Municipal Transportation Agency			San Francisco Water Enterprise			Total Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2023.....	\$ 10,003	\$ 1,385	\$ 11,388	\$ 3,325	\$ 907	\$ 4,232	\$ 105,669	\$ 17,119	\$ 122,688
2024.....	9,860	1,276	11,136	3,389	848	4,237	85,125	15,917	101,042
2025.....	9,451	1,172	10,623	3,470	804	4,274	76,194	14,834	91,028
2026.....	8,942	1,067	10,009	2,951	743	3,694	69,571	13,767	83,338
2027.....	8,231	965	9,196	2,619	687	3,306	62,557	12,748	75,305
2028-2032....	18,590	3,686	22,276	10,827	2,777	13,604	191,927	51,262	243,189
2033-2037....	3,051	3,199	6,250	10,736	1,691	12,427	96,029	38,751	134,780
2038-2042....	3,377	2,873	6,250	2,258	940	3,198	60,948	30,099	91,047
2043-2047....	3,739	2,511	6,250	-	998	998	49,413	24,155	73,568
2048-2052....	4,139	2,111	6,250	-	1,157	1,157	33,591	19,002	52,593
2053-2057....	4,582	1,668	6,250	-	1,341	1,341	21,320	16,022	37,342
2058-2062....	5,072	1,178	6,250	765	789	1,554	24,245	13,147	37,392
2063-2067....	5,615	635	6,250	1,128	675	1,803	29,974	9,572	39,546
2068-2072....	3,340	97	3,437	1,577	513	2,090	26,048	5,709	31,757
Thereafter....	-	-	-	3,120	327	3,447	33,566	2,559	36,125
Total.....	\$ 97,992	\$ 23,823	\$ 121,815	\$ 46,165	\$ 15,197	\$ 61,362	\$ 966,077	\$ 284,663	\$ 1,250,740

In fiscal year 2021-22, the City's governmental activities recognized \$6.3 million in lease revenue and \$1.7 million in interest income for the related leases and the City's business-type activities recognized \$149.4 million in lease revenue and \$22.4 million in interest income for the related leases.

Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The City did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable for governmental activities and business-type activities were \$2.1 million and \$9.1 million, respectively, during the year ended June 30, 2022.

Regulated Leases

Certain regulated leases are subject to external laws, regulations or legal rulings and are exempted from the GASB 87 recognition, subject to the conditions that (a) lease rates cannot exceed a reasonable amount, (b) lease rates should be similar for similar situated lessees, and (c) the lessor cannot deny potential lessees if facilities are available.

Such regulated leases at the Airport include (a) the Lease and Use Agreements with certain airlines regarding the use of terminal building and equipment on an exclusive or preferential use basis, among other uses, which are scheduled to expire on June 30, 2023, and (b) non-terminal aeronautical buildings and land leases. Based on the airlines' operation needs, an airline may lease terminal space such as office space, ticket counter space, baggage makeup space, baggage claim space, and other operation spaces on a combination of exclusive, preferential, and common use basis. The Commission provides holdrooms on a preferential or common use basis to the airlines and adjusts the preferential assignment from time to time pursuant to the Lease and Use Agreements. For the year ended June 30, 2022, United Airlines accounted for 47.2 percent of total enplaned passengers at the Airport, followed by Alaska Airlines (12.5%), Delta Air Lines (9.3%) and American Airlines (8.1%), with no other airlines account for more than 5 percent of enplaned passengers. Non-terminal building and lands are leased on an exclusive basis.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

The payments under the Lease and Use Agreements are recalculated at the end of each fiscal year and therefore are variable payments. Total inflow of resources for regulated leases during year ended June 30, 2022, was \$154.3 million, including approximately \$44.7 million of fixed payments and \$109.6 million of variable payments.

Below is a summary of the total number of regulated leases for fiscal year 2021-22, including which assets are subject to preferential or exclusive use by counterparties:

	# of Leases
AULA ^(a)	
Preferential and exclusive rental	7
Exclusive rental only	28
Non-space rental, only common use	3
Subtotal - AULA	38
Other Regulated ^(b)	8
Total	46

Notes:

^(a) Airline-airport lease and use agreements.

^(b) Includes cargo, fuel, fixed-base facility leases, hangar leases, and ground leases.

Lease revenues and interest revenues recognized during the year ended June 30, 2022, for regulated leases is presented below:

Expected Minimum Payments ^(a)	\$ 44,125
Additional Fixed Payments ^(b)	615
Total Fixed Payments	44,740
Additional Exclusive Use Payments ^(c)	129,660
Additional Preferential Use Payments ^(d)	56,523
Year-end True-ups	(76,577)
Total Regulated Lease Payments	\$ 154,346

Notes:

^(a) Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

^(b) Includes additional rent above the expected minimum payments after adjustment by CPI and reappraisals.

^(c) Includes AULA exclusive use rental revenues, other regulated leases that were charged by airport's rates and charges rate, and percentage fee revenues above minimum annual guarantee.

^(d) Includes AULA preferential use rental revenues

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

Below is a schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter:

<u>Fiscal Years</u>	<u>Expected Future Minimum Payments</u> ^(a)
2023.....	\$ 45,277
2024.....	19,286
2025.....	18,092
2026.....	5,462
2027.....	1,644
2028-2032.....	8,221
2033-2037.....	8,221
2038-2042.....	8,221
2043-2047.....	7,810
Total.....	<u>\$ 122,234</u>

Note:

^(a) Does not include airline use and lease agreements, which are recalculated annually and considered variable payments.

Sublease

City has a non-cancellable building lease at the 555-575 Polk Street location. The second floor is the City's community justice court/center and the ground floor is subleased to the State's Administrative Office of the Courts (State AOC) for use by the Superior Courts. The 15-year master lease and sublease will be both ended in 2026. City's rental payments in fiscal year 2021-22 were \$0.6 million and received \$0.3 million from State AOC.

The Port has a non-cancelable lease (sublease) for its offices at Pier 1 from the master tenant. The master lease, as amended in fiscal year 2015-16, allows the master tenant an option to extend the lease term for an additional 15 years. Among other things, the amended provisions include a grant to the Port, as sub-lessee, a one-time early termination right in 2031, and if such termination is not exercised, a 15-year extension option, for a term coterminous with the master lease if the master lease is also extended. The Port has an option to purchase the leasehold premises at a price equal to the present value of the remaining base rent due from the Port to the master tenant, effective through the expiration date of the sublease. On February 1, 2021, the sublease adopted a market rate adjustment, resulting in an increase in future minimum annual payments. The Port's rental payments in fiscal year 2021-22 were \$3.4 million.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

Component Unit

Component Unit as Lessor

The component unit has leased facilities, easements, communication site and equipment to various tenants. The terms and conditions for these leases varies, which ranges between 1- 75 years.

	Treasure Island Development Authority		
Fiscal Years	Principal	Interest	Total
2023.....	\$ 1,540	\$ 281	\$ 1,821
2024.....	1,476	267	1,743
2025.....	1,231	253	1,484
2026.....	610	242	852
2027.....	565	232	797
2028-2032.....	2,977	1,012	3,989
2033-2037.....	3,249	747	3,996
2038-2042.....	2,848	462	3,310
2043-2047.....	191	356	547
2048-2052.....	223	331	554
2053-2057.....	268	295	563
2058-2062.....	307	266	573
2063-2067.....	352	233	585
2068-2072.....	403	195	598
Thereafter.....	1,702	298	2,000
Total	\$ 17,942	\$ 5,470	\$ 23,412

The total amount for lease revenue and interest income recognized during fiscal year 2021-22 were \$1.6 million and \$0.3 million, respectively, related to these leases. Variable payments include percentage of sales or payments depended on an index made by the lessee; these amounts are generally determined periodically. The component unit did not incur revenue related to residual value guarantees or lease termination penalties. The amounts recognized as revenue for variable lease payments not included in the measurement of the lease receivable were \$0.6 million during the year ended June 30, 2022.

Other Commitments

The Retirement System has unfunded commitments to contribute capital for real assets in the amount of \$2.2 billion, private equity in the amount of \$3.5 billion, private credit in the amount of \$2.1 billion, and absolute return investments in the amount of \$55.7 million, which totaled \$7.9 billion at June 30, 2022.

The Retiree Health Care Trust Fund has unfunded commitments to contribute capital for private equity in the amount of \$49.6 million as of June 30, 2022.

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, 2022
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(18) RISK MANAGEMENT

Risk Retention Program Description

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

The Airport carries aviation liability insurance coverage of \$1.0 billion with \$250.0 million in War Perils Liability, subject to a deductible of \$10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a limit of \$1.0 billion per single occurrence and a deductible of \$500 per single occurrence. This policy includes flood coverage up to a \$10.0 million sub-limit and business interruption coverage up to a \$100.0 million pooled sub-limit. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts, naming the Airport as additionally insured. 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, cyber liability, and watercraft liability for Airport fire and rescue vessels, and target range liability for the San Francisco Police Department's firearms range located at the Airport. The Airport is not required to, nor does it carry insurance or self-insure against any risks due to land movement or seismic activity. The Airport's purchase of War Perils Liability in the London markets extends coverage to terrorist acts.

The Port carries the following insurance (listed coverage limits and related deductible amounts are effective July 1, 2022): 1) marine general liability coverage of \$100.0 million, subject to a deductible of \$100 per occurrence; 2) hull and machinery liability coverage of \$1.0 million, subject to a deductible of \$100 per occurrence; 3) commercial property insurance for Port facilities, subject to a maximum of \$300.0 million and a deductible of \$5.0 million per occurrence (increased from a maximum of \$140.0 million and a deductible of \$10.0 million per occurrence before July 1, 2022); 4) public officials and employee practices liability coverage of \$5.0 million, subject to a deductible of \$50 per occurrence; and 5) special events for cruise terminals at Pier 27, 29 and 35 coverage of \$2.0 million and no deductible. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. In addition to the above, the Port requires most of its tenants, licensees, and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environmental risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages the risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

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

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately \$3.0 million. The annual budget for claims was \$8.6 million for fiscal year 2021-22. As of June 30, 2022, the reserve was \$34.1 million. Claim liabilities are actuarially determined anticipated claims and projected based on timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on its facilities, light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For SFMTA contractors, SFMTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and SFMTA's property. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance for 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. SFMTA has purchased an active assailant insurance starting in fiscal year 2021-22 to cover third party bodily injury, property damage, business interruption and crisis management.

Estimated Claims Payable

Numerous lawsuits are pending or threatened against the City. The City's liability as of June 30, 2022, has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since July 1, 2020, resulted from the following activity:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2020-2021	\$ 338,674	\$ 86,603	\$ (34,922)	\$ 390,355
2021-2022	390,355	168,306	(94,625)	464,036

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

Breakdown of the estimated claims payable on June 30, 2022, is follows:

<u>Governmental activities:</u>	
Current portion of estimated claims payable.....	\$ 111,046
Long-term portion of estimated claims payable.....	<u>185,873</u>
Total	<u>\$ 296,919</u>
 <u>Business-type activities:</u>	
Current portion of estimated claims payable.....	\$ 67,693
Long-term portion of estimated claims payable.....	<u>99,424</u>
Total	<u>\$ 167,117</u>

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2022, 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, 2022, was \$613.1 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since July 1, 2020, resulted from the following activity:

<u>Fiscal Year</u>	<u>Beginning Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Fiscal Year Liability</u>
2020-2021	\$ 524,627	\$ 118,720	\$ (106,408)	\$ 536,939
2021-2022	536,939	195,741	(119,551)	613,129

Breakdown of the accrued workers' compensation liability on June 30, 2022, is as follows:

<u>Governmental activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 71,496
Long-term portion of accrued workers' compensation liability..	<u>288,339</u>
Total	<u>\$ 359,835</u>
 <u>Business-type activities:</u>	
Current portion of accrued workers' compensation liability.....	\$ 44,684
Long-term portion of accrued workers' compensation liability..	<u>208,610</u>
Total	<u>\$ 253,294</u>

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

(19) SUBSEQUENT EVENTS

(a) Debt Issuance

In July 2022, the SFPUC issued its San Francisco Wastewater Revenue Bonds, 2022 Sub-Series B (Refunding) with an aggregate principal of \$137.1 million to refund a portion of the SFPUC's outstanding 2013 Series A and 2013 Series B Wastewater Revenue Bonds.

(b) Others

Elections

On November 8, 2022, the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – A City Charter amendment that makes City employees who retired before November 6, 1966, eligible for a supplemental COLA, even if the San Francisco Retirement System (SFERS) is not fully funded and allows the Board to enter into an individual employment contract with any executive director hired on or after January 1, 2023, without regard to City civil service salary, benefits, and other limits.

Proposition B – A City Charter amendment that eliminates the Department of Sanitation and Streets and transfers its duties back to the Department of Public Works, and to retain the Public Works Commission and the Sanitation and Streets Commission.

Proposition C – A City Charter amendment that establishes the Homelessness Oversight Commission to oversee the Department of Homelessness and Supportive Housing and requires the City Controller to conduct audits of Homelessness services.

Proposition F – A City Charter amendment that renews the Library Preservation Fund for 25 years, allows the City to temporarily freeze the annual minimum funding for the Library when the City anticipates a budget deficit over \$300.0 million, and requires the Library to increase the minimum hours the Main Library and its branches must be open per week.

Proposition G – A City Charter amendment that provides additional funding for the San Francisco Unified School District from existing City funds for 15 years to improve student academic achievement and social/emotional wellness.

Proposition L – An ordinance that continues a one-half cent sales tax to year 2053 and generates estimated annual revenue of \$100.0 million to \$236.0 million to pay for transportation projects described in a new 30-year spending plan, allows the Transportation Authority to issue up to \$1.91 billion in bonds to pay these projects, and increase the total amount of money the Transportation Authority may spend each year for the next four years.

Proposition M – An ordinance that imposes tax on owners of vacant residential units in buildings with three or more units if those owners have kept those units vacant for more than 182 days in a calendar year at a rate between \$2.5 to \$5.0 per vacant unit in year 2024 and up to \$20 in later years with adjustment for inflation, to generate estimated annual revenue of \$20.0 million to \$37.0 million, with tax continuing until December 31, 2053, and use those funds for rent subsidies and affordable housing.

Proposition N – An ordinance that allows the City to use public funds to acquire, operate or subsidize public parking in the underground public garage below the Music Concourse in Golden Gate Park, and directs the Golden Gate Park Concourse Authority to dissolve, transferring management of the garage to the City's Recreation and Park Commission.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

Infrastructure and Revitalization Financing District No. 1 (Treasure Island)

In September 2022, the City, on behalf of the City and County of San Francisco Infrastructure and Revitalization Financing District No. 1 (Treasure Island) issued Tax Increment Revenue Bonds, Series 2022A (Facilities Increment) and Series 2022B (Housing Increment) (the 2022A Bonds and 2022B Bonds) in the original par amounts of \$24.3 million and \$5.1 million, respectively. The 2022A Bonds were issued to fund the acquisition of certain public facilities and improvements for the Treasure Island/Yerba Buena Island Development Project, and the 2022B Bonds were issued to finance the acquisition and construction of affordable housing on Treasure Island. The 2022A Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052.

The 2022A Bonds and 2022B Bonds are secured under the provisions of separate Indentures of Trust and will be payable solely from Pledged Facilities Increment and Pledged Housing Increment, respectively, pledged under those agreements. Revenues generally consist of tax increment of the City's Infrastructure Revitalization and Financing District No. 1, Project Areas A, B, C, D, and E. These bonds are not a debt of the City, the State, or any political subdivision (other than the IRFD).

Community Facilities District No. 2014-1 (Transbay)

In December 2022, the City, on behalf of the City and County of San Francisco Community Facilities District No. 2014-1 (CFD 2014-1) issued Special Tax Bonds, Series 2022A (Tax-Exempt) and Series 2022B (Federally Taxable – Green Bonds) in the par amounts of \$31.2 million and \$47.4 million, respectively. The 2022A Bonds are being issued to fund streetscape and pedestrian improvements around the Salesforce Transit Center, acquisition of transit vehicles, and enhancements at BART Embarcadero Station. The 2022B Bonds are being issued to fund planning, design, engineering, right of way acquisition and construction of certain capital improvements that are part of the Transbay Program's Downtown Rail Extension. The 2022A Bonds bear an interest rate of 5.00%, with principal amortizing from September 1, 2023, through September 1, 2052. The 2022B Bonds bear interest rates ranging from 4.798% to 6.332%, with principal amortizing from September 1, 2023, through September 1, 2051.

Federal American Rescue Plan Act of 2021 (ARPA) for California Ports

In July 2022, the Port received approximately \$114.8 million, which included money related to a \$14.0 million grant receivable with the remaining related to future spending. The funding source is the State of California, who received an allocation of funds from the Federal American Rescue Plan Act of 2021 (ARPA) for California ports. The State then appropriated an allocation of State General Funds to the State Lands Commission for distribution to the ports.

Parking Garages

In November 2022, the voters of the City approved the takeover by the Recreation and Park Department (RPD) of the Music Concourse Garage (MCG) located in Golden Gate Park from the nonprofit entity that currently manages the garage. Under the current proposal, subject to approval by the SFMTA Board of Directors, the RPD Commission and the Board of Supervisors, the SFMTA would manage the operations of the MCG on behalf of RPD. The proposed agreement between RPD and SFMTA will include revenues allocated to RPD and SFMTA will be reimbursed for administrative costs and capital costs associated with oversight of MCG. It is also proposed that SFMTA will be responsible for setting rates for MCG under the overall Citywide garage rate setting policy approved by the SFMTA Board.

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (Continued)
June 30, 2022
(Dollars in Thousands)

Wastewater Interim Funding Program – Credit Providers

In July 2022, the SFPUC entered into a \$75.0 million Revolving Credit and Term Loan Agreement with TD Bank N.A. (TD Bank) (Series A-4) which expires July 6, 2027. The Series A-4 Revolving Credit and Term Loan Agreement replaced the \$75.0 million Revolving Credit and Term Loan Agreement from the Toronto Dominion Bank which expired July 8, 2022.

Fourth Extension of Shutoff, Liens, and Fines Moratorium for COVID-19 Relief

In September 2022, the SFPUC approved to extend moratorium on shutoff of water, electric and sewer service for residents in the City through June 30, 2023, and granted the General Manager discretion to restart severance and liens processes to multifamily residential accounts carrying balances greater than \$25 which are 90 days or more past due. In addition, the temporary suspension of the return of delinquent residential CleanPowerSF customers to PG&E has also been extended through June 30, 2023.

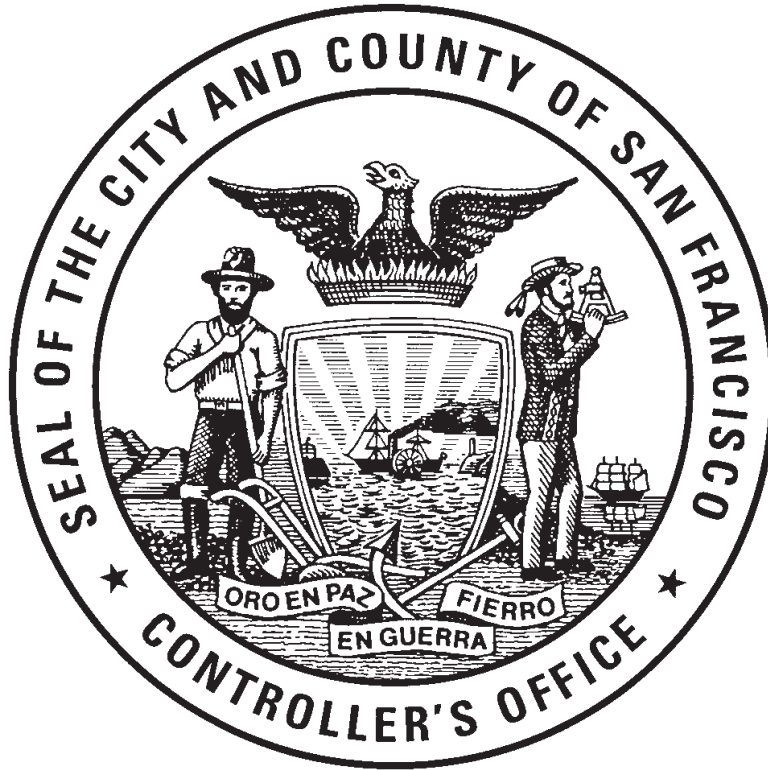
Ratings Upgrade

In July 2022, S&P took several actions with respect to the Airport's Bonds. S&P raised its rating on the Airport's outstanding Bonds, except for Series 2022A/B/C (which are not rated by S&P) and the Variable Rate Demand Bonds Series 2010A, Series 2018B/C, from "A" to "A+". S&P also raised its joint support long-term rating and affirmed the short-term rating on the Airport's Bonds, Series 2018B/C from "AA/A-1" to "AA+/A-1." The unenhanced (underlying) rating was raised to "A+" from "A" and affirmed its respective joint support long-term rating and short-term rating of "AA+/A-1" on the Airport's Bonds, Series 2010A. The unenhanced (underlying) rating was raised to "A+" from "A".

Laguna Honda Hospital Settlement Agreement

In November 2022, Laguna Honda Hospital (LHH) reached a settlement with the California Department of Public Health (CDPH) and the federal Centers for Medicare and Medicaid Services (CMS) to allow LHH to continue to receive funding through November 2023. The CMS also agreed to continue the pause on transfers until May 19, 2023.

In addition, LHH agreed to engage a Quality Improvement Expert (QIE) to develop a root cause analysis and action plan to prepare LHH for recertification that must be implemented by May 13, 2023. LHH also had to submit a revised closure plan if it becomes needed. As of the first quarter of fiscal year 2023, LHH is forecasting a \$27.6 million shortfall in fiscal year 2022-23. LHH projects a \$23.9 million Medi-Cal revenue shortfall due to lower than budgeted census while admissions are paused, and a \$7.5 million overage in non-labor expenditures due to recertification expenses, partly offset by salary and fringe savings. LHH's current projection for fiscal year 2022-23 recertification expenses is around \$25.0 million, and it is using existing savings and reprioritizing spending to cover this cost.



**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of the City’s Proportionate Share of the Net Pension Liability/(Asset)**

June 30, 2022

(Dollars in Thousands)

	For the year ended June 30, 2022				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability (asset)	94.6421%	-0.4126%	0.0160%	0.4073%	0.0001%
Proportionate share of the net pension liability (asset)	\$ (2,446,565)	\$ (22,316)	\$ 868	\$ 22,028	\$ 6
Covered payroll	\$ 3,434,713	\$ -	\$ 4,826	\$ 7,430	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	-71.23%	N/A	17.99%	296.47%	N/A
Plan fiduciary net position as a percentage of total pension liability	107.80%	88.29%	88.29%	88.29%	88.29%

	For the year ended June 30, 2021				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.3903%	-0.1489%	0.0244%	0.2967%	0.0002%
Proportionate share of the net pension liability (asset)	\$ 5,107,273	\$ (16,206)	\$ 2,659	\$ 32,279	\$ 21
Covered payroll	\$ 3,378,945	\$ 179	\$ 4,423	\$ 6,745	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	151.15%	-9053.63%	60.12%	478.56%	N/A
Plan fiduciary net position as a percentage of total pension liability	83.10%	75.10%	75.10%	75.10%	75.10%

	For the year ended June 30, 2020				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1288%	-0.1541%	0.0230%	0.2908%	0.0002%
Proportionate share of the net pension liability (asset)	\$ 4,213,809	\$ (15,793)	\$ 2,352	\$ 29,803	\$ 25
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.24%	-4399.16%	53.50%	466.84%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.30%	75.26%	75.26%	75.26%	75.26%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)**
June 30, 2022
(Dollars in Thousands)

	For the year ended June 30, 2019				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.1042%	-0.1573%	0.0215%	0.2820%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,030,207	\$ (15,154)	\$ 2,069	\$ 27,178	\$ 28
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	132.35%	-3885.64%	51.22%	473.32%	N/A
Plan fiduciary net position as a percentage of total pension liability	85.20%	75.26%	75.26%	75.26%	75.26%

	For the year ended June 30, 2018				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.0674%	-0.1388%	0.0216%	0.2751%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 4,697,131	\$ (13,766)	\$ 2,142	\$ 27,280	\$ 28
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	163.09%	-4001.74%	50.97%	541.05%	N/A
Plan fiduciary net position as a percentage of total pension liability	81.78%	73.31%	73.31%	73.31%	73.31%

	For the year ended June 30, 2017				
	City SFERS Plan	CalPERS Miscellaneous Plans			
		City	Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	94.2175%	-0.1469%	0.0204%	0.2691%	0.0003%
Proportionate share of the net pension liability (asset)	\$ 5,476,654	\$ (12,711)	\$ 1,765	\$ 23,281	\$ 27
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	204.22%	-3863.53%	48.44%	617.70%	N/A
Plan fiduciary net position as a percentage of total pension liability	77.61%	74.06%	74.06%	74.06%	74.06%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of the City's Proportionate Share of the Net Pension Liability/(Asset) (Continued)
June 30, 2022*
(Dollars in Thousands)**

	For the year ended June 30, 2016				
	City SFERS Plan	City	CalPERS Miscellaneous Plans		
			Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.9032%	-0.2033%	0.0188%	0.2413%	0.0004%
Proportionate share of the net pension liability (asset)	\$ 2,156,049	\$ (13,956)	\$ 1,288	\$ 16,563	\$ 24
Covered payroll	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	85.22%	-4374.92%	34.96%	483.31%	0.00%
Plan fiduciary net position as a percentage of total pension liability	89.90%	78.40%	78.40%	78.40%	78.40%

	For the year ended June 30, 2015				
	City SFERS Plan	City	CalPERS Miscellaneous Plans		
			Transportation Authority Classic & PEPRA	Successor Agency Classic & PEPRA	Treasure Island
Proportion of net pension liability	93.7829%	-0.1829%	0.0208%	0.2550%	N/A
Proportionate share of the net pension liability (asset)	\$ 1,660,365	\$ (11,381)	\$ 1,299	\$ 15,870	\$ -
Covered payroll	\$ 2,398,979	\$ 303	\$ 3,264	\$ 3,962	\$ -
Proportionate share of the net pension liability (asset) as a percentage of covered payroll	69.21%	-3756.11%	39.80%	400.56%	-
Plan fiduciary net position as a percentage of total pension liability	91.84%	80.43%	80.43%	80.43%	-

Notes to Schedule:

SFERS Plan

Benefit Changes – There were no changes in benefits during the measurement period ended June 30, 2021, 2020, 2019 and 2018. The impact of benefit changes for the year ended June 30, 2017, which was \$1.22 billion, was recognized immediately as pension expense.

Changes of Assumptions – There were no changes in the discount rate for the measurement period ended June 30, 2021. For the measurement period ended June 30, 2019, the discount rate was decreased from 7.50% to 7.40%. There were no changes in the discount rate for the measurement period ended June 30, 2018. For the measurement ended June 30, 2017, the discount rate was increased from 7.46% to 7.50%.

CalPERS Miscellaneous Plans

Benefit Changes – There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting Two Years Additional Service Credit to members retiring during a specific time period (a.k.a. Golden Handshakes).

Changes of Assumptions – No changes for the year ended June 30, 2021.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Net Pension Liability and Related Ratios
June 30, 2022*
(Dollars in Thousands)

City CalPERS Safety Plan	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:								
Service cost.....	\$ 27,940	\$ 29,508	\$ 30,109	\$ 34,006	\$ 33,886	\$ 31,141	\$ 30,987	\$ 32,688
Interest on the total pension liability.....	107,607	102,990	98,555	94,305	88,729	85,094	80,057	76,177
Changes of assumptions.....	-	-	-	2,492	75,057	-	(19,949)	-
Differences between expected and actual experience	2,028	(1,465)	(7,134)	6,909	(14,353)	950	(14,218)	-
Benefit payments, including refunds of employee contributions.....	(71,533)	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Net change in total pension liability.....	66,042	64,218	58,596	81,087	131,740	69,411	32,178	67,478
Total pension liability, beginning.....	1,524,757	1,460,539	1,401,943	1,320,856	1,189,116	1,119,705	1,087,527	1,020,049
Total pension liability, ending.....	<u>\$1,590,799</u>	<u>\$1,524,757</u>	<u>\$1,460,539</u>	<u>\$1,401,943</u>	<u>\$1,320,856</u>	<u>\$1,189,116</u>	<u>\$ 1,119,705</u>	<u>\$ 1,087,527</u>
Plan fiduciary net position:								
Plan to plan resource movement.....	\$ -	\$ -	\$ -	\$ (3)	\$ -	\$ -	\$ (4)	\$ -
Contributions from the employer.....	51,620	49,455	43,789	31,189	30,575	23,640	20,718	20,613
Contributions from employees.....	8,342	8,947	9,141	9,359	10,307	14,310	15,061	15,216
Net investment income.....	269,621	57,048	71,212	85,351	104,383	4,731	20,469	138,628
Benefit payments, including refunds of employee contributions.....	(71,533)	(66,815)	(62,934)	(56,625)	(51,579)	(47,774)	(44,699)	(41,387)
Administrative expenses.....	(1,188)	(1,611)	(772)	(1,585)	(1,366)	(567)	(1,048)	-
Other miscellaneous income/(expense).....	-	-	2	(3,011)	-	-	-	-
Net change in plan fiduciary net position.....	256,862	47,024	60,438	64,675	92,320	(5,660)	10,497	133,070
Plan fiduciary net position, beginning.....	1,189,665	1,142,641	1,082,203	1,017,528	925,208	930,868	920,371	787,301
Plan fiduciary net position, ending.....	<u>\$1,446,527</u>	<u>\$1,189,665</u>	<u>\$1,142,641</u>	<u>\$1,082,203</u>	<u>\$1,017,528</u>	<u>\$ 925,208</u>	<u>\$ 930,868</u>	<u>\$ 920,371</u>
Plan net pension liability, ending.....	<u>\$ 144,272</u>	<u>\$ 335,092</u>	<u>\$ 317,898</u>	<u>\$ 319,740</u>	<u>\$ 303,328</u>	<u>\$ 263,908</u>	<u>\$ 188,837</u>	<u>\$ 167,156</u>
Plan fiduciary net position as a percentage of the total pension liability.....	90.93%	78.02%	78.23%	77.19%	77.04%	77.81%	83.14%	84.63%
Covered payroll.....	\$ 88,363	\$ 92,968	\$ 94,522	\$ 106,765	\$ 107,812	\$ 110,139	\$ 109,462	\$ 111,311
Plan net pension liability as a percentage of the covered payroll.....	163.27%	360.44%	336.32%	299.48%	281.35%	239.61%	172.51%	150.17%

Notes to Schedule:

Benefit Changes – The figures above do not include any liability impact that may have resulted from plan changes which occurred on or after the June 30, 2020, valuation date. This applies for voluntary benefit changes as well as any offers of Two Year Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions – None in 2019 - 2021. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017. There were no changes in the discount rate for the measurement period ended June 30, 2021. The discount rate decreased from 7.65% to 7.15% for the measurement period ended June 30, 2017.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Changes in Total Pension Liability and Related Ratios
June 30, 2022*
(Dollars in Thousands)

<u>City Replacement Benefits Plan</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan total pension liability:						
Service cost.....	\$ 2,571	\$ 1,976	\$ 1,286	\$ 1,298	\$ 1,605	\$ 956
Interest.....	4,076	4,776	3,538	2,998	2,218	2,112
Changes of benefits.....	-	-	-	-	-	10,310
Differences between expected and actual experience.....	24,547	7,800	13,588	564	15,326	-
Changes of assumptions.....	7,274	37,013	29,565	5,540	(10,290)	11,516
Benefit payments.....	(4,097)	(3,634)	(2,958)	(2,442)	(3,164)	(1,332)
Net change in total pension liability.....	34,371	47,931	45,019	7,958	5,695	23,562
Total pension liability, beginning.....	185,203	137,272	92,253	84,295	78,600	55,038
Plan total pension liability, ending:	\$ 219,574	\$ 185,203	\$ 137,272	\$ 92,253	\$ 84,295	\$ 78,600
Covered-employee payroll.....	\$ 3,470,495	\$ 3,414,923	\$ 3,225,854	\$ 3,082,273	\$ 2,919,519	\$ 2,719,691
Plan total pension liability as a percentage of the covered-employee payroll.....	6.33%	5.42%	4.26%	2.99%	2.89%	2.89%

Notes to Schedule:

No assets are accumulated in a trust that meet the criteria in GASB Statement No. 73 to pay related benefits.

Benefit Changes – There were no changes to benefits terms for the measurement period ended June 30, 2021.

Changes of Assumptions – The discount rate decreased from 2.21% in the measurement period ended June 30, 2020, to 2.16% in the measurement period ended June 30, 2021. The discount rate was changed from 3.87% in the measurement period ended June 30, 2018, to 3.50% in the measurement period ended June 30, 2019.

* Fiscal year 2016-17 was the first year of implementation of GASB Statement No. 73, therefore only six years of information is shown

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans**
June 30, 2022
(Dollars in Thousands)

	For the year ended June 30, 2022					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 729,578	\$ -	\$ 628	\$ 2,611	\$ 9	\$ 49,808
Contributions in relation to the actuarially determined contributions	(729,578)	-	(628)	(2,611)	(9)	(49,808)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,553,859	\$ -	\$ 4,706	\$ 6,633	\$ -	\$ 85,571
Contributions as a percentage of covered payroll	20.53%	N/A	13.34%	39.36%	N/A	58.21%
	For the year ended June 30, 2021					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 791,736	\$ -	\$ 606	\$ 2,299	\$ 8	\$ 51,185
Contributions in relation to the actuarially determined contributions	(791,736)	-	(606)	(2,299)	(8)	(51,185)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,434,713	\$ -	\$ 4,826	\$ 7,430	\$ -	\$ 93,702
Contributions as a percentage of covered payroll	23.05%	N/A	12.56%	30.94%	N/A	54.63%
	For the year ended June 30, 2020					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 701,307	\$ 10	\$ 539	\$ 2,012	\$ 7	\$ 40,778
Contributions in relation to the actuarially determined contributions	(701,307)	(10)	(539)	(2,012)	(7)	(40,778)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,378,945	\$ 179	\$ 4,423	\$ 6,745	\$ -	\$ 92,968
Contributions as a percentage of covered payroll	20.76%	5.59%	12.19%	29.83%	N/A	43.86%
	For the year ended June 30, 2019					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 607,408	\$ 28	\$ 479	\$ 1,637	\$ 7	\$ 34,933
Contributions in relation to the actuarially determined contributions	(607,408)	(28)	(479)	(1,637)	(7)	(34,933)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,186,405	\$ 359	\$ 4,396	\$ 6,384	\$ -	\$ 94,522
Contributions as a percentage of covered payroll	19.06%	7.80%	10.89%	25.65%	N/A	36.96%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)**

June 30, 2022

(Dollars in Thousands)

	For the year ended June 30, 2018					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 582,568	\$ 42	\$ 403	\$ 1,283	\$ 6	\$ 30,743
Contributions in relation to the actuarially determined contributions	(582,568)	(42)	(403)	(1,283)	(6)	(30,743)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,045,153	\$ 390	\$ 4,039	\$ 5,742	\$ -	\$ 106,765
Contributions as a percentage of covered payroll	19.13%	10.77%	9.99%	22.34%	N/A	28.80%
	For the year ended June 30, 2017					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 519,073	\$ 35	\$ 293	\$ 970	\$ 2	\$ 27,190
Contributions in relation to the actuarially determined contributions	(519,073)	(35)	(293)	(970)	(2)	(27,190)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,880,112	\$ 344	\$ 4,202	\$ 5,042	\$ -	\$ 107,812
Contributions as a percentage of covered payroll	18.02%	10.17%	6.97%	19.24%	N/A	25.22%
	For the year ended June 30, 2016					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
		City	Transportation Authority	Successor Agency	Treasure Island	
Actuarially determined contributions	\$ 496,343	\$ 33	\$ 280	\$ 828	\$ 2	\$ 23,640
Contributions in relation to the actuarially determined contributions	(496,343)	(33)	(280)	(828)	(2)	(23,640)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,681,695	\$ 329	\$ 3,644	\$ 3,769	\$ -	\$ 110,139
Contributions as a percentage of covered payroll	18.51%	10.03%	7.68%	21.97%	0.00%	21.46%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022*
(Dollars in Thousands)

	For the year ended June 30, 2015					
	City SFERS Plan	CalPERS Miscellaneous Plans				CalPERS Safety Plan
	City	Transportation Authority	Successor Agency	Treasure Island		
Actuarially determined contributions ^{(1) **}	\$ 556,511	\$ 31	\$ 400	\$ 598	\$ 2	\$ 20,718
Contributions in relation to the actuarially determined contributions ⁽¹⁾	<u>(556,511)</u>	<u>(31)</u>	<u>(400)</u>	<u>(598)</u>	<u>(2)</u>	<u>(20,718)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 2,529,879	\$ 319	\$ 3,684	\$ 3,427	\$ -	\$ 109,462
Contributions as a percentage of covered payroll	22.00%	9.72%	10.86%	17.45%	0.00%	18.93%

⁽¹⁾ Contractually required contributions is an actuarially determined contribution for all cost-sharing plans.

* Fiscal year 2014-15 was the first year of implementation of GASB No. 68, therefore only eight years of information is shown.

** In fiscal year 2014-15, the actuarially determined contributions were based on an estimate. The City made a \$0.1 million adjustment to align the estimated employer contribution amount with the actual employer contribution per the 2015 agent-multiple employer CalPERS report for the CalPERS Safety Plan. Due to the early implementation of GASB Statement No. 82, the City decreased the actuarially determined contributions for the City SFERS plan to deduct the employer pickup in the amount of \$8.6 million.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
 June 30, 2022
 (Dollars in Thousands)

Methods and assumptions used to determine FY 2021-22 contribution rates to SFERS Plan

Valuation date.....	July 1, 2019
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.40% (net of investment expenses)
Inflation.....	2.75%
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2020-21 contribution rates to SFERS Plan

Valuation date.....	July 1, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.40% (net of investment expenses)
Inflation.....	3.00% compounded annually
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2019-20 contribution rates to SFERS Plan

Valuation date.....	July 1, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.00% compounded annually
Projected salary increase.....	Wage inflation component: 3.50%

Methods and assumptions used to determine FY 2018-19 contribution rates to SFERS Plan

Valuation date.....	July 1, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)**
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2017-18 contribution rates to SFERS Plan

Valuation date.....	July 1, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2016-17 contribution rates to SFERS Plan

Valuation date.....	July 1, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Closed 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.50% (net of investment expenses)
Inflation.....	3.25% compounded annually
Projected salary increase.....	Wage inflation component: 3.75%

Methods and assumptions used to determine FY 2015-16 contribution rates to SFERS Plan

Valuation date.....	July 1, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%

Methods and assumptions used to determine FY 2014-15 contribution rates to SFERS Plan

Valuation date.....	July 1, 2012
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level annual percentage of payroll
Remaining amortization period.....	Rolling 15-year period
Asset valuation method.....	5 year smoothed market
Investment rate of return.....	7.58% (net of investment expenses)
Inflation.....	3.33% compounded annually
Projected salary increase.....	Wage inflation component: 3.83%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
June 30, 2022
(Dollars in Thousands)

Methods and assumptions used to determine FY 2021-22 contribution rates to CalPERS plans

Valuation date.....	June 30, 2019
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.500%
Payroll growth.....	2.750%

Methods and assumptions used to determine FY 2020-21 contribution rates to CalPERS plans

Valuation date.....	June 30, 2018
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.00%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.500%
Payroll growth.....	2.750%

Methods and assumptions used to determine FY 2019-20 contribution rates to CalPERS plans

Valuation date.....	June 30, 2017
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.25%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.625%
Payroll growth.....	2.875%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
 June 30, 2022
 (Dollars in Thousands)

Methods and assumptions used to determine FY 2018-19 contribution rates to CalPERS plans

Valuation date.....	June 30, 2016
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.375%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2017-18 contribution rates to CalPERS plans

Valuation date.....	June 30, 2015
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

Methods and assumptions used to determine FY 2016-17 contribution rates to CalPERS plans

Valuation date.....	June 30, 2014
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Actuarial Value of Assets
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	Varies by Entry-Age and Service
Inflation.....	2.75%
Payroll growth.....	3.00%

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions – Pension Plans (Continued)
 June 30, 2022
 (Dollars in Thousands)

Methods and assumptions used to determine FY 2015-16 contribution rates to CalPERS plans

Valuation date.....	June 30, 2013
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	Gains and losses over a fixed 30-year period with increases or decreases in the rate spread directly over a 5-year period (Miscellaneous) Experience gains and losses over a fixed 30-year period and spread rate increases or decreases over a 5-year period (Safety)
Asset valuation method.....	Market Value
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

Methods and assumptions used to determine FY 2014-15 contribution rates to CalPERS plans

Valuation date.....	June 30, 2012
Actuarial cost method.....	Entry-age normal cost method
Amortization method.....	Level percent of payroll
Amortization period.....	7 years as of the valuation date (Miscellaneous) 25 years as of the valuation date (Safety)
Asset valuation method.....	15-year smoothed market
Investment rate of return.....	7.50%, net of pension plan investment and administrative expenses, includes inflation
Projected salary increase.....	3.30% to 14.20% depending on age, service, and type of employment
Inflation.....	2.75%
Payroll growth.....	3.00%
Individual salary growth.....	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan**

June 30, 2022
(Dollars in Thousands)

	2022		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 155,840	\$ 348	\$ 90
Interest (includes interest on service cost)	300,122	831	124
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(151,949)	(1,337)	183
Changes of assumptions	-	(164)	-
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Net change in total OPEB liability	97,574	(1,202)	334
Total OPEB liability - beginning	4,312,325	12,419	1,622
Total OPEB liability - ending	\$ 4,409,899	\$ 11,217	\$ 1,956
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 245,994	\$ 2,259	\$ 63
Contributions - member	61,582	-	-
Net investment income	128,916	3,039	538
Benefit payments, including refunds of member contributions	(206,439)	(880)	(63)
Administrative expense	(265)	(6)	(1)
Net change in plan fiduciary net position	229,788	4,412	537
Plan fiduciary net position - beginning	488,990	10,328	1,956
Plan fiduciary net position - ending	718,778	14,740	2,493
Net OPEB liability/(asset) - ending	\$ 3,691,121	\$ (3,523)	\$ (537)
Plan fiduciary net position as a percentage of the total OPEB liability	16.3%	131.4%	127.5%
Covered payroll	\$ 3,955,498	\$ 7,430	\$ 4,420
Net OPEB liability/(asset) as a percentage of covered payroll	93.3%	-47.4%	-12.1%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2022
(Dollars in Thousands)

	2021		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 141,642	\$ 344	\$ 92
Interest (includes interest on service cost)	314,907	830	114
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(381,922)	-	(1)
Changes of assumptions	151,725	(248)	-
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Net change in total OPEB liability	29,907	24	144
Total OPEB liability - beginning	4,282,418	12,395	1,478
Total OPEB liability - ending	\$ 4,312,325	\$ 12,419	\$ 1,622
<u>Plan fiduciary net position</u>			
Contributions - employer	\$ 235,963	\$ 2,901	\$ 61
Contributions - member	60,236	-	-
Net investment income	22,746	285	67
Benefit payments, including refunds of member contributions	(196,445)	(902)	(61)
Administrative expense	(113)	(7)	(1)
Net change in plan fiduciary net position	122,387	2,277	66
Plan fiduciary net position - beginning	366,603	8,051	1,890
Plan fiduciary net position - ending	488,990	10,328	1,956
Net OPEB liability/(asset) - ending	\$ 3,823,335	\$ 2,091	\$ (334)
Plan fiduciary net position as a percentage of the total OPEB liability	11.3%	83.2%	120.6%
Covered payroll	\$ 3,951,792	\$ 6,745	\$ 4,355
Net OPEB liability/(asset) as a percentage of covered payroll	96.7%	31.0%	-7.7%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2022
(Dollars in Thousands)

	2020		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 133,736	\$ 335	\$ 118
Interest (includes interest on service cost)	283,520	812	143
Changes of benefit terms	-	-	-
Differences between expected and actual experience	194,068	-	(596)
Changes of assumptions	-	-	(63)
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Net change in total OPEB liability/(asset)	425,485	241	(458)
Total OPEB liability - beginning	3,856,933	12,154	1,936
Total OPEB liability - ending	\$ 4,282,418	\$ 12,395	\$ 1,478
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 218,625	\$ 2,967	\$ 138
Contributions - member	51,024	-	-
Net investment income	26,959	407	106
Benefit payments, including refunds of member contributions	(185,839)	(906)	(60)
Administrative expense	(132)	(3)	(1)
Net change in plan fiduciary net position	110,637	2,465	183
Plan fiduciary net position - beginning	255,966	5,586	1,707
Plan fiduciary net position - ending	366,603	8,051	1,890
 Net OPEB liability/(asset) - ending	\$ 3,915,815	\$ 4,344	\$ (412)
 Plan fiduciary net position as a percentage of the total OPEB liability	8.6%	65.0%	127.9%
 Covered payroll	\$ 3,763,446	\$ 6,384	\$ 4,039
Net OPEB liability/(asset) as a percentage of covered payroll	104.0%	68.1%	-10.2%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2022
(Dollars in Thousands)

	2019		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 127,850	\$ 164	\$ 122
Interest (includes interest on service cost)	290,029	701	129
Changes of benefit terms	-	-	(5)
Differences between expected and actual experience	(385,732)	267	-
Changes of assumptions	111,119	1,572	-
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Net change in total OPEB liability	(34,753)	1,892	188
Total OPEB liability - beginning	3,891,686	10,262	1,748
Total OPEB liability - ending	\$ 3,856,933	\$ 12,154	\$ 1,936
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 203,858	\$ 2,145	\$ 144
Contributions - member	41,682	-	-
Net investment income	14,105	339	119
Benefit payments, including refunds of member contributions	(178,019)	(812)	(58)
Administrative expense	(137)	(11)	(1)
Net change in plan fiduciary net position	81,489	1,661	204
Plan fiduciary net position - beginning	174,477	3,925	1,503
Plan fiduciary net position - ending	255,966	5,586	1,707
 Net OPEB liability - ending	\$ 3,600,967	\$ 6,568	\$ 229
 Plan fiduciary net position as a percentage of the total OPEB liability	6.6%	46.0%	88.2%
 Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Net OPEB liability as a percentage of covered payroll	100.5%	114.4%	5.7%

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedule of Changes in Net Other Postemployment Benefits Liability and Related Ratios
Other Postemployment Healthcare Benefits Plan (Continued)**

June 30, 2022*
(Dollars in Thousands)

	2018		
	City Plan	Successor Agency	Transportation Authority
<u>Total OPEB Liability</u>			
Service cost (BOY)	\$ 125,195	\$ 159	\$ 122
Interest (includes interest on service cost)	272,942	692	117
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Net change in total OPEB liability	232,667	54	175
Total OPEB liability - beginning	3,659,019	10,208	1,573
Total OPEB liability - ending	\$ 3,891,686	\$ 10,262	\$ 1,748
 <u>Plan fiduciary net position</u>			
Contributions - employer	\$ 183,898	\$ 1,097	\$ 166
Contributions - member	31,686	-	-
Net investment income	17,368	353	134
Benefit payments, including refunds of member contributions	(165,470)	(797)	(64)
Administrative expense	(109)	(3)	(1)
Net change in plan fiduciary net position	67,373	650	235
Plan fiduciary net position - beginning	107,104	3,275	1,268
Plan fiduciary net position - ending	174,477	3,925	1,503
 Net OPEB liability - ending	\$ 3,717,209	\$ 6,337	\$ 245
 Plan fiduciary net position as a percentage of the total OPEB liability	4.5%	38.2%	86.0%
 Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Net OPEB liability as a percentage of covered payroll	109.5%	125.7%	6.2%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, therefore only five years of information is shown.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans
Year Ended June 30, 2022*
(In Thousands)**

	For the year ended June 30, 2022		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 252,866	\$ 824
Contributions in relation to the charter required contribution or ADC	(252,866)	(1,689)	(64)
Contribution deficiency/(excess)	\$ -	\$ (865)	\$ (9)
Covered payroll	\$ 4,267,680	\$ 6,633	\$ 5,032
Contributions as a percentage of covered payroll	5.93%	25.46%	1.27%

	For the year ended June 30, 2021		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 245,994	\$ 813
Contributions in relation to the charter required contribution or ADC	(245,994)	(2,259)	(63)
Contribution deficiency/(excess)	\$ -	\$ (1,446)	\$ (12)
Covered payroll	\$ 3,955,498	\$ 7,430	\$ 4,420
Contributions as a percentage of covered payroll	6.22%	30.40%	1.43%

	For the year ended June 30, 2020		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 235,962	\$ 802
Contributions in relation to the charter required contribution or ADC	(235,962)	(2,901)	(61)
Contribution deficiency/(excess)	\$ -	\$ (2,099)	\$ 77
Covered payroll	\$ 3,951,792	\$ 6,745	\$ 4,355
Contributions as a percentage of covered payroll	5.97%	43.01%	1.40%

	For the year ended June 30, 2019		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 218,625	\$ 812
Contributions in relation to the charter required contribution or ADC	(218,625)	(2,967)	(138)
Contribution deficiency/(excess)	\$ -	\$ (2,155)	\$ -
Covered payroll	\$ 3,763,446	\$ 6,384	\$ 4,039
Contributions as a percentage of covered payroll	5.81%	46.48%	3.42%

	For the year ended June 30, 2018		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 203,858	\$ 813
Contributions in relation to the charter required contribution or ADC	(203,858)	(2,145)	(143)
Contribution deficiency/(excess)	\$ -	\$ (1,332)	\$ -
Covered payroll	\$ 3,583,448	\$ 5,742	\$ 4,045
Contributions as a percentage of covered payroll	5.69%	37.36%	3.54%

	For the year ended June 30, 2017		
	City Plan	Successor Agency	Transportation Authority
	Charter required or actuarially determined contributions (ADC)	\$ 183,898	\$ 804
Contributions in relation to the charter required contribution or ADC	(183,898)	(1,097)	(165)
Contribution deficiency/(excess)	\$ -	\$ (293)	\$ -
Covered payroll	\$ 3,393,658	\$ 5,042	\$ 3,946
Contributions as a percentage of covered payroll	5.42%	21.76%	4.18%

* Fiscal year 2017-18 was the first year of implementation of GASB No. 75, and only six years of information is available for the City plan, Successor Agency plan and the Transportation Authority plan.

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)
Year Ended June 30, 2022
(In Thousands)

Notes to Schedule:

The City Plan, Transportation Authority and Successor Agency calculate the annual required contributions on an actuarially determined basis. The methods and assumptions used to determine the fiscal year 2021-22 contribution rates for the plans are as follows:

<u>Actuarial Assumptions</u>	<u>City Plan for the year ended June 30, 2022</u>
Valuation Date	June 30, 2020, updated to June 30, 2021
Measurement Date	June 30, 2021
Actuarial Cost Method	The Entry Age Actuarial Cost Method is used to measure the Plan's Total OPEB Liability
Healthcare Cost Trend Rates	Pre-Medicare trend starts at 6.74% trending down to ultimate rate of 4.04% in 2075 Medicare trend starts at 7.24% trending down to ultimate rate of 4.04% in 2075 10-County average trend starts at 5.50% trending down to ultimate rate of 4.04% in 2075 Vision and expenses trend remains a flat 3.0% for all years
Expected Rate of Return on Plan Assets	7.00%
Discount Rate	7.00%
Salary Increase Rate	Wage Inflation Component: 3.25% Additional Merit Component (dependent on years of service): Police: 0.50% - 7.50% Fire: 0.50% - 14.00% Muni Drivers: 0.00% - 16.00% Craft: 0.50% - 3.75% Misc: 0.30% - 5.50%
Inflation Rate	Wage Inflation: 3.25% compounded annually Consumer Price Inflation: 2.50% compounded annually
Mortality Tables	Base mortality tables are developed by multiplying a published table by an adjustment factor developed in SFERS experience study for the period ended June 30, 2019.

Non-Annuitants

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	0.834	0.866
Safety	PubS-2010 Employee	1.011	0.979

Healthy Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubS-2010 Employee	0.947	1.044

Disabled Retirees

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.045	1.003
Safety	PubS-2010 Employee	0.916	0.995

Beneficiaries

	Published Table	Adjustment Factor	
		Male	Female
Miscellaneous	PubG-2010 Employee	1.031	0.977
Safety	PubG-2010 Employee	1.031	0.977

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Schedules of Employer Contributions
Other Postemployment Healthcare Benefits Plans (Continued)
Year Ended June 30, 2022
(In Thousands)

Actuarial Assumptions	For the year ended June 30, 2022	
	Transportation Authority	Successor Agency
Actuarial Valuation Date	June 30, 2021	June 30, 2021
Measurement Date	June 30, 2021	June 30, 2021
Discount Rate	7.59%	6.25%
General Inflation	2.75% per annum	2.50%
Salary Increases	2.75% per annum, in aggregate	2.75%; Merit based on 2017 CalPERS Experience Study
Investment Rate of Return	7.59%	6.25%
Mortality, Turnover, Disability, and Retirement	CalPERS Experience Study for the period from 1997 to 2015	CalPERS 2017 Experience Study for the period from 1997 to 2015 Post-retirement mortality projected fully generational with Scale MP-2020
Healthcare Cost Trend Rate	Initial 14% for non-medicare eligibles, 24.25% for spouse/domestic partner medicare eligibles and 6.5% medicare eligibles, all grading down to 4.0%	Non-Medicare - 6.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (non-Kaiser)- 5.85% for 2022, decreasing to an ultimate rate of 3.75% in 2076; Medicare (Kaiser) - 4.75% for 2022, decreasing to an ultimate rate of 3.75% in 2076

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2022
(In Thousands)**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
Budgetary Fund Balance, July 1	\$ 778,546	\$ 2,803,535	\$ 2,803,535	\$ -
Resources (Inflows):				
Property taxes.....	2,115,600	2,115,600	2,337,200	221,600
Business taxes.....	957,140	957,307	861,172	(96,135)
Other local taxes:				
Sales and use tax.....	145,740	145,740	188,337	42,597
Hotel room tax.....	78,480	78,480	158,154	79,674
Utility users tax.....	77,650	77,650	105,225	27,575
Parking tax.....	55,900	55,900	71,122	15,222
Real property transfer tax.....	350,110	350,110	520,336	170,226
Other local taxes.....	69,870	69,870	72,356	2,486
Licenses, permits and franchises:				
Licenses and permits.....	13,602	13,685	9,092	(4,593)
Franchise tax.....	14,342	14,342	15,494	1,152
Fines, forfeitures, and penalties.....	4,035	4,039	5,708	1,669
Interest and investment income.....	36,247	34,215	31,708	(2,507)
Rents and concessions:				
Garages - Recreation and Park.....	5,678	5,678	6,220	542
Rents and concessions - Recreation and Park.....	5,450	5,450	4,679	(771)
Other rents and concessions.....	600	692	449	(243)
Intergovernmental:				
Federal grants and subventions.....	359,612	819,033	793,198	(25,835)
State subventions:				
Social service subventions.....	143,840	143,182	134,874	(8,308)
Health / mental health subventions.....	249,321	248,320	285,341	37,021
Health and welfare realignment.....	306,152	306,152	374,123	67,971
Public safety sales tax.....	81,988	81,988	93,818	11,830
Other grants and subventions.....	73,071	96,248	115,556	19,308
Other.....	2,781	5,023	3,443	(1,580)
Charges for services:				
General government service charges.....	92,084	90,395	83,410	(6,985)
Public safety service charges.....	42,222	40,672	41,172	500
Recreation charges - Recreation and Park.....	20,304	21,558	20,815	(743)
MediCal, Medicare and health service charges.....	100,501	106,314	94,512	(11,802)
Other financing sources:				
Transfers from other funds.....	158,329	194,114	188,773	(5,341)
Other resources (inflows).....	24,238	37,694	23,388	(14,306)
Subtotal - Resources (Inflows)	<u>5,584,887</u>	<u>6,119,451</u>	<u>6,639,675</u>	<u>520,224</u>
Total amounts available for appropriation.....	<u>6,363,433</u>	<u>8,922,986</u>	<u>9,443,210</u>	<u>520,224</u>

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
Charges to Appropriations (Outflows):				
Public Protection				
Adult Probation.....	\$ 44,833	\$ 45,473	\$ 42,459	\$ 3,014
District Attorney.....	72,309	71,049	70,510	539
Emergency Management.....	71,783	73,438	71,620	1,818
Fire Department.....	395,219	448,875	448,100	775
Juvenile Probation.....	32,095	29,859	28,532	1,327
Police Accountability.....	9,246	9,463	9,463	-
Police Department.....	568,788	591,456	590,983	473
Public Defender.....	45,157	45,130	44,040	1,090
Sheriff.....	226,872	236,087	235,372	715
Sheriff Accountability.....	1,974	1,974	137	1,837
Superior Court.....	33,463	33,460	30,954	2,506
Subtotal - Public Protection	<u>1,501,739</u>	<u>1,586,264</u>	<u>1,572,170</u>	<u>14,094</u>
Public Works, Transportation and Commerce				
Appeals Board.....	1,096	1,143	1,096	47
Economic and Workforce Development.....	139,189	121,024	109,560	11,464
Municipal Transportation Agency.....	-	1,666	1,666	-
Port.....	-	77	77	-
Public Utilities Commission.....	-	1,425	1,425	-
Public Works.....	96,241	119,030	118,986	44
Subtotal - Public Works, Transportation and Commerce	<u>236,526</u>	<u>244,365</u>	<u>232,810</u>	<u>11,555</u>
Human Welfare and Neighborhood Development				
Child Support Services.....	-	24	19	5
Children, Youth and Their Families.....	88,458	89,820	85,830	3,990
Children and Families Commission.....	-	70	70	-
Environment.....	-	28	28	-
Homelessness and Supportive Housing.....	297,704	305,581	293,608	11,973
Human Rights Commission.....	14,444	11,674	11,618	56
Human Services.....	1,007,052	1,074,121	1,032,388	41,733
Mayor's Office.....	143,291	80,698	70,742	9,956
Status of Women.....	10,748	9,745	9,509	236
Subtotal - Human Welfare and Neighborhood Development	<u>1,561,697</u>	<u>1,571,761</u>	<u>1,503,812</u>	<u>67,949</u>
Community Health				
Public Health.....	<u>1,054,459</u>	<u>1,119,891</u>	<u>1,105,421</u>	<u>14,470</u>
Culture and Recreation				
Academy of Sciences.....	5,573	5,482	5,424	58
Arts Commission.....	35,327	11,453	11,436	17
Asian Art Museum.....	10,145	10,039	10,039	-
Fine Arts Museums.....	19,768	18,392	18,365	27
Law Library.....	2,033	2,020	1,876	144
Library.....	8,000	-	-	-
Recreation and Park Commission.....	130,518	114,031	113,222	809
Subtotal - Culture and Recreation	<u>211,364</u>	<u>161,417</u>	<u>160,362</u>	<u>1,055</u>

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)**
Year Ended June 30, 2022
(In Thousands)

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Budgetary Basis</u>	<u>Variance Positive (Negative)</u>
General Administration and Finance				
Assessor/Recorder.....	\$ 30,601	\$ 35,362	\$ 34,665	\$ 697
Board of Supervisors.....	20,256	19,364	19,364	-
City Attorney.....	27,170	27,840	22,306	5,534
Civil Service.....	1,027	1,045	753	292
Controller.....	13,622	15,375	13,712	1,663
Elections.....	30,602	41,483	32,962	8,521
Ethics.....	6,551	6,588	4,890	1,698
General Services Agency - Administrative Services.....	76,271	70,552	66,348	4,204
Health Service System.....	635	554	33	521
Human Resources.....	27,326	28,411	27,219	1,192
Mayor's Office.....	7,326	7,151	6,802	349
Planning.....	48,720	48,588	44,369	4,219
Retirement System.....	1,327	1,223	1,223	-
Telecommunications and Information Services.....	16,167	11,785	11,785	-
Treasurer/Tax Collector.....	36,464	38,197	35,581	2,616
Subtotal - General Administration and Finance	<u>344,065</u>	<u>353,518</u>	<u>322,012</u>	<u>31,506</u>
General City Responsibilities				
General City Responsibilities.....	188,117	156,892	150,530	6,362
Other financing uses:				
Debt service.....	27,444	2,407	358	2,049
Transfers to other funds.....	1,176,277	1,181,704	1,181,704	-
Budgetary reserves and designations.....	61,745	45,567	-	45,567
Total charges to appropriations.....	<u>6,363,433</u>	<u>6,423,786</u>	<u>6,229,179</u>	<u>194,607</u>
Total Sources less Current Year Uses.....	<u>\$ -</u>	<u>\$ 2,499,200</u>	<u>\$ 3,214,031</u>	<u>\$ 714,831</u>
Budgetary fund balance, June 30 before reserves and designations			\$ 3,214,031	
Reserves and designations made from budgetary fund balance not available for appropriation			(1,905,045)	
Reserve for Litigation and Contingencies and General Reserve			<u>(292,829)</u>	
Net Available Budgetary Fund Balance, June 30			<u>\$ 1,016,157</u>	
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation".....			\$ 9,443,210	
Difference - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes.....			(2,803,535)	
Property tax revenue - Teeter Plan net change from prior year.....			(1,129)	
Change in unrealized gain/(loss) on investments.....			(160,381)	
Interest earnings / charges from other funds assigned to General Fund as interest adjustment...			33,634	
Interest earnings from other funds assigned to General Fund as other revenues.....			9	
Grants, subventions and other receivables received after 60-day recognition period.....			1,064	
Change in prepaid lease revenue, leases receivable, and deferred inflows related to leases.....			849	
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes.....			<u>(188,773)</u>	
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 6,324,948</u>	
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations".....			\$ 6,229,179	
Difference - budget to GAAP:				
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund.....			4,011	
Consumption of inventories.....			17,925	
Intergovernmental expense offset.....			(104,778)	
Recognition of expenditures at lease initiation.....			41,913	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.....			<u>(1,181,704)</u>	
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund.....			<u>\$ 5,006,546</u>	

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

Notes to Budgetary Schedule:

(a) Budgetary Data

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

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

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

Original Budget

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

CITY AND COUNTY OF SAN FRANCISCO
Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2022
(In Thousands)

Final Budget

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

- (1) Certain annual appropriations are budgeted on a project or program basis. If such projects or programs are not completed at the end of the fiscal year, unexpended appropriations, including encumbered funds, are carried forward to the following year. In certain circumstances, other programs and regular annual appropriations may be carried forward after appropriate approval. Annually appropriated funds, not authorized to be carried forward, lapse at the end of the fiscal year. Appropriations carried forward from the prior year are included in the final budgetary data.
- (2) Appropriations may be adjusted during the year with the approval of the Mayor and the Board of Supervisors, e.g. supplemental appropriations. Additionally, the Controller is authorized to make certain transfers of surplus appropriations within a department. Such adjustments are reflected in the final budgetary data.

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

Budgetary data, as revised, is presented as required supplementary information for the General Fund. Final budgetary data excludes the amount reserved for encumbrances for appropriate comparison to actual expenditures.

(b) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

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

The major differences between the Budget basis “actual” and GAAP basis are timing differences. Timing differences represent transactions that are accounted for in different periods for Budget basis and GAAP basis reporting. Certain revenues accrued on a Budget basis have been deferred for GAAP reporting. These primarily relate to the accounting for property tax revenues under the Teeter Plan (Note 6), revenues not meeting the 60-day availability period and other assets not available for budgetary appropriation.

CITY AND COUNTY OF SAN FRANCISCO

**Required Supplementary Information (Unaudited) –
Budgetary Comparison Schedule - General Fund (Continued)**
Year Ended June 30, 2022
(In Thousands)

The fund balance of the General Fund as of June 30, 2022, on a Budget basis is reconciled to the fund balance on a GAAP basis as follows:

Fund Balance - Budget Basis.....	\$ 3,214,031
Unrealized Gains/ (Losses) on Investments.....	(156,403)
Cumulative Excess Property Tax Revenues Recognized on a Budget Basis.....	(32,874)
Cumulative Excess Health, Human Services, Franchise and Other Revenues Recognized on a Budget Basis.....	(118,791)
Prepaid Lease Revenue, Leases Receivable, and Deferred Inflows (net).....	(4,954)
Nonspendable Fund Balance (Assets Reserved for Not Available for Appropriation).....	<u>4,134</u>
Fund Balance - GAAP basis.....	<u><u>\$ 2,905,143</u></u>

General Fund budget basis fund balance as of June 30, 2022 is composed of the following:

Not available for appropriations:

Restricted Fund Balance:

Rainy Day - Economic Stabilization Reserve..... \$ 114,539

Committed Fund Balance:

Budget Stabilization Reserves..... 320,637

Assigned for Encumbrances..... 462,668

Assigned for Appropriation Carryforward..... 940,213

Assigned for Self-Insurance..... 45,567

Assigned for Hotel Tax Loss Contingency..... 3,500

Assigned for Subsequent Years' Budgets:

Salaries and Benefits Costs (MOU)..... 17,921

Subtotal..... \$ 1,905,045

Available for appropriations:

Assigned for Litigation and Contingences..... 235,133

Assigned balance subsequently appropriated as part of
the General Fund budget for use in fiscal year 2022-23..... 307,743

Unassigned - General Reserve..... 57,696

Unassigned - COVID-19 Response and
Economic Contingency Reserve..... 13,999

Unassigned - Federal & State Emergency Revenue Reserve... 81,300

Unassigned - Fiscal Cliff Reserve..... 229,750

Unassigned - Business Tax Stabilization Reserve..... 29,454

Unassigned - Other Reserves..... 1,021

Unassigned - Budget for use in fiscal year 2023-24..... 149,695

Unassigned - Projected for use in fiscal
years 2024-25 and 2025-26..... 163,400

Unassigned - Available for future appropriations..... 39,795

Subtotal..... 1,308,986

Fund Balance, June 30, 2022 - Budget basis..... \$ 3,214,031

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of AGRICULTURE				
Direct Program				
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580	--	\$ 79,443	\$ 39,694
Passed through State of California Department of Education				
Child Nutrition Cluster				
School Breakfast Program	10.553	02502-SN-38-R	10,584	-
National School Lunch Program	10.555	02502-SN-38-R	18,986	-
Summer Food Service Program for Children	10.559	04029-SFSP-38	356,112	-
Subtotal Child Nutrition Cluster			<u>385,682</u>	<u>-</u>
Passed through State of California Department of Public Health				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children				
	10.557	19-10182	3,000,171	-
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	19-10345	627,106	-
Passed through State of California Department of Aging				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	SP-2021-06	66,022	66,022
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	SP-2122-06	73,318	73,318
Passed through State of California Department of Social Services				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program				
	10.561	none	46,695,460	1,905,385
COVID-19 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	none	952,353	-
Subtotal SNAP Cluster			<u>48,414,259</u>	<u>2,044,725</u>
Child and Adult Care Food Program	10.558	04029-CACFP-38	489,432	-
Passed through State of California Department of Food and Agriculture				
Senior Farmers Market Nutrition Program	10.576	none	13,300	13,300
U.S. DEPARTMENT of AGRICULTURE Total			52,382,287	2,097,719
U.S. DEPARTMENT of COMMERCE				
Direct Program				
Economic Development Cluster				
Economic Adjustment Assistance	11.307	--	304,464	-
COVID-19 Economic Adjustment Assistance	11.307	--	410,705	171,130
Subtotal Economic Development Cluster			<u>715,169</u>	<u>171,130</u>
U.S. DEPARTMENT of COMMERCE Total			715,169	171,130
U.S. DEPARTMENT of DEFENSE				
Direct Program				
Navy Cooperative Agreement for Hunters Point	12.unknown	--	296,250	-
U.S. DEPARTMENT of DEFENSE Total			296,250	-
U.S. DEPARTMENT of HOUSING and URBAN DEVELOPMENT				
Direct Program				
CDBG - Entitlement Grants Cluster				
Community Development Block Grants/Entitlement Grants	14.218	--	34,891,989	15,413,202
COVID-19 Community Development Block Grants/Entitlement Grants	14.218	--	2,333,505	2,333,505
Subtotal CDBG - Entitlement Grants Cluster			<u>37,225,494</u>	<u>17,746,707</u>
Emergency Solutions Grant Program				
	14.231	--	1,986,617	1,832,486
COVID-19 Emergency Solutions Grant Program	14.231	--	12,852,162	711,835
Subtotal Emergency Solutions Grant Program			<u>14,838,779</u>	<u>2,544,321</u>
Home Investment Partnerships Program				
	14.239	--	517,603	-
Housing Opportunities for Persons with AIDS				
	14.241	--	9,218,807	8,493,234
COVID-19 Housing Opportunities for Persons with AIDS	14.241	--	42,569	42,569
Subtotal Housing Opportunities for Persons with AIDS			<u>9,261,376</u>	<u>8,535,803</u>
Continuum of Care Program				
	14.267	--	40,670,307	36,620,378
Passed through San Francisco Housing Authority				
Housing Voucher Cluster				
COVID-19 Section 8 Housing Choice Vouchers	14.871	EHV	251,325	251,325
Subtotal Housing Voucher Cluster			<u>251,325</u>	<u>251,325</u>
U.S. DEPARTMENT of HOUSING and URBAN DEVELOPMENT Total			102,764,884	65,698,534

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of INTERIOR				
Direct Program				
NPS Cooperative Agreement	15.unknown	--	\$ 923,974	\$ -
Passed through State of California Office of Historic Preservation				
Historic Preservation Fund Grants-In-Aid	15.904	P20AF00006	4,734	-
Passed through State of California Department of Parks & Recreation				
Outdoor Recreation Acquisition, Development and Planning	15.916	06-01813	326,332	-
U.S. DEPARTMENT of INTERIOR Total			1,255,040	-
U.S. DEPARTMENT of JUSTICE				
Direct Program				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	--	708,469	-
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	--	249,256	17,406
Bulletproof Vest Partnership Program	16.607	--	27,114	-
Special Data Collections and Statistical Studies	16.734	--	542,934	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	500,214	-
DNA Backlog Reduction Program	16.741	--	326,536	-
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745	--	296,619	-
Justice Reinvestment Initiative	16.827	--	46,951	-
Equitable Sharing Program	16.922	--	411,173	-
Passed through State of California Board of State and Community Corrections				
COVID-19 Coronavirus Emergency Supplemental Funding Program	16.034	5227-BSCC11920	125,821	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0446	4,640	-
Passed through State of California Governor's Office of Emergency Services				
Crime Victim Assistance	16.575	HA 20 03 0380	76,438	-
Crime Victim Assistance	16.575	HA 21 04 0380	23,094	-
Crime Victim Assistance	16.575	KI 20 03 0380	76,211	-
Crime Victim Assistance	16.575	KI 21 04 0380	27,138	-
Crime Victim Assistance	16.575	UV 20 03 0380	84,759	-
Crime Victim Assistance	16.575	UV21 04 0380	24,736	-
Crime Victim Assistance	16.575	VW20 39 0380	374,737	-
Crime Victim Assistance	16.575	VW21 40 0380	511,892	-
Crime Victim Assistance	16.575	XC20 03 0380	199,000	-
Crime Victim Assistance	16.575	XC21 04 0380	80,109	-
Crime Victim Assistance	16.575	XE20 03 0380	97,544	-
Crime Victim Assistance	16.575	XE21 04 0380	36,759	-
Subtotal Crime Victim Assistance			<u>1,612,417</u>	<u>-</u>
Violence Against Women Formula Grants	16.588	PU20 030380	7,865	-
Violence Against Women Formula Grants	16.588	PU21 04 0380	63,440	-
Violence Against Women Formula Grants	16.588	VV 20 03 0380	99,625	-
Violence Against Women Formula Grants	16.588	VV21 04 0380	83,270	-
Subtotal Violence Against Women Formula Grants			<u>254,200</u>	<u>-</u>
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ19 15 0380	331	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ20 03 0380	54,373	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ2016 0380	58,992	-
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742	CQ21 04 0380	18,095	-
Subtotal Paul Coverdell Forensic Sciences Improvement Grant Program			<u>131,791</u>	<u>-</u>
U.S. DEPARTMENT of JUSTICE Total			5,238,135	17,406

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of LABOR				
Direct Program				
H-1B Job Training Grants	17.268	--	\$ 839,082	\$ 565,215
Passed through Jobs for the Future				
H-1B Job Training Grants	17.268	21-197	76,965	25,000
Passed through NOVA				
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	001-2064-22	33,334	27,923
Workforce Innovation and Opportunity Act (WIOA) Cluster WIOA Adult Program	17.258	001-1168-20	114,518	-
Passed through State of California Department of Employment Development				
WIOA Adult Program	17.258	AA011035	91,480	-
WIOA Adult Program	17.258	AA111035	658,031	247,887
WIOA Adult Program	17.258	AA211035	828,606	745,580
Subtotal WIOA Adult Program			<u>1,578,117</u>	<u>993,467</u>
WIOA Youth Activities	17.259	AA111035	1,038,076	587,310
WIOA Youth Activities	17.259	AA211035	96,712	94,465
Subtotal WIOA Youth Activities			<u>1,134,788</u>	<u>681,775</u>
WIOA Dislocated Worker Formula Grants	17.278	AA011035	407,082	407,082
WIOA Dislocated Worker Formula Grants	17.278	AA111035	175,142	-
WIOA Dislocated Worker Formula Grants	17.278	AA211035	1,312,780	777,147
Subtotal WIOA Dislocated Worker Formula Grants			<u>1,895,004</u>	<u>1,184,229</u>
Subtotal WIOA Cluster			<u>4,722,427</u>	<u>2,859,471</u>
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277	AA011035	291,516	290,549
U.S. DEPARTMENT of LABOR Total			5,963,324	3,768,158
U.S. DEPARTMENT of TRANSPORTATION				
Passed through Metropolitan Transportation Commission				
Highway Planning and Construction Cluster Highway Planning and Construction	20.205	STPLNI 6084 (232)	228,323	-
Passed through State of California Department of Transportation				
Highway Planning and Construction	20.205	BRLS-5934(177)	527,504	-
Highway Planning and Construction	20.205	BUILDL-5934(185)	33,340	-
Highway Planning and Construction	20.205	ER-32L0(204)	1,368,354	-
Highway Planning and Construction	20.205	HP21L-5934(178)	171,770	-
Highway Planning and Construction	20.205	STPL5934(171)	391,547	-
Highway Planning and Construction	20.205	STPL5934(174)	6,000	-
Subtotal Highway Planning and Construction Cluster			<u>2,726,838</u>	<u>-</u>
Passed through State of California Office of Traffic Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	PS21014	4,585	-
State and Community Highway Safety	20.600	PT21054	11,789	-
State and Community Highway Safety	20.600	PT22071	19,908	-
Subtotal Highway Safety Cluster			<u>36,282</u>	<u>-</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT21054	62,161	-
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	PT22071	19,913	-
Subtotal Minimum Penalties for Repeat Offenders for Driving While Intoxicated			<u>82,074</u>	<u>-</u>
U.S. DEPARTMENT of TRANSPORTATION Total			2,845,194	-

CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of THE TREASURY				
Direct Program				
Equitable Sharing	21.016	--	\$ 119,804	\$ -
COVID-19 Emergency Rental Assistance Program	21.023	--	14,239,804	14,239,804
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	--	312,408,671	-
Passed through State of California Department of Community Services and Development				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	00001039	3,541,789	-
Passed through State of California Department of Housing and Community Development				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	L4JQPJ7N5NT4	65,928,280	-
Passed through State of California Water Resources Control Board				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	U00022-01	15,231,915	-
U.S. DEPARTMENT of THE TREASURY Total			411,470,263	14,239,804
U.S. NATIONAL ENDOWMENT FOR THE ARTS				
Passed through State of California Arts Council				
COVID-19 Promotion of the Arts Partnership Agreements	45.025	SLP-CRS-20-9742	2,600	-
U.S. NATIONAL ENDOWMENT FOR THE ARTS Total			2,600	-
U.S. SMALL BUSINESS ADMINISTRATION				
Direct Program				
COVID-19 Shuttered Venue Operators Grant Program	59.075	--	2,295,174	-
Passed through Humboldt State University				
Small Business Development Centers	59.037	F0529	48,591	-
Small Business Development Centers	59.037	F3256	156,250	-
Subtotal Small Business Development Centers			<u>204,841</u>	<u>-</u>
U.S. SMALL BUSINESS ADMINISTRATION Total			2,500,015	-
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Direct Program				
The San Francisco Bay Water Quality Improvement Fund	66.126	--	560,073	-
Brownfields Training, Research, and Technical Assistance Grants and Cooperative Agreements	66.818	--	670,401	-
Passed through State of California Water Resources Control Board				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for Clean Water State Revolving Funds	66.458	C-06-8371-110	17,671,818	-
Subtotal Clean Water State Revolving Fund Cluster			<u>17,671,818</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY Total			18,902,292	-
U.S. DEPARTMENT of ENERGY				
Direct Program				
Conservation Research and Development	81.086	--	102,017	-
Passed through Association of Bay Area Governments				
Conservation Research and Development	81.086	DE-EE0007558	158,526	-
Subtotal Conservation Research and Development			<u>260,543</u>	<u>-</u>
U.S. DEPARTMENT of ENERGY Total			260,543	-
U.S. DEPARTMENT of EDUCATION				
Passed through State of California Department of Rehabilitation				
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	30952	90,400	-
U.S. DEPARTMENT of EDUCATION Total			90,400	-

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of HEALTH and HUMAN SERVICES				
Direct Program				
Environmental Public Health and Emergency Response	93.070	--	\$ 267,424	\$ -
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	--	787,027	-
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	--	262,252	262,252
Viral Hepatitis Prevention and Control	93.270	--	100,438	-
Drug Abuse and Addiction Research Programs	93.279	--	62,316	-
COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	--	369,393	-
COVID-19 Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	--	22,346,079	-
Ending the HIV Epidemic: A Plan for America — Ryan White HIV/AIDS Program Parts A and B	93.686	--	1,177,986	1,053,118
Capacity Building Assistance (CBA) for High-Impact HIV Prevention	93.834	--	825,258	-
HIV Emergency Relief Project Grants	93.914	--	13,561,447	11,205,084
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	--	319,491	120,733
HIV Prevention Activities Health Department Based	93.940	--	8,722,602	1,248,740
Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	93.944	--	1,109,822	-
Assistance Programs for Chronic Disease Prevention and Control	93.945	--	93,750	-
Block Grants for Community Mental Health Services	93.958	--	91,722	-
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	--	1,554,629	24,576
Passed through State of California Department of Aging				
Aging Cluster				
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	AP-2122-06	13,167	13,167
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	AP-2122-06	39,185	39,185
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	AP-2122-06	68,843	68,843
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	AP-2122-06	920,479	457,465
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-2122-06	2,063,394	1,869,786
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	AP-2122-06	340,604	340,604
Subtotal Special Programs for the Aging, Title III, Part C, Nutrition Services			<u>2,403,998</u>	<u>2,210,390</u>
National Family Caregiver Support, Title III, Part E	93.052	AP-2122-06	478,805	478,805
COVID-19 National Family Caregiver Support, Title III, Part E	93.052	CARES-06	147,024	147,024
Subtotal National Family Caregiver Support, Title III, Part E			<u>625,829</u>	<u>625,829</u>
Nutrition Services Incentive Program	93.053	AP-2122-06	2,080,169	2,080,169
COVID-19 Elder Abuse Prevention Interventions Program	93.747	AP-2122-06	4,962	4,962
Subtotal Aging Cluster			<u>6,156,632</u>	<u>5,500,010</u>
Medicare Enrollment Assistance Program	93.071	MI 2021-06	18,010	18,010
Medicare Enrollment Assistance Program	93.071	MI-2122-06	69,800	69,800
Subtotal Medicare Enrollment Assistance Program			<u>87,810</u>	<u>87,810</u>
State Health Insurance Assistance Program	93.324	HI-2122-06	96,053	96,053
Passed through Regents of the University of California				
Global AIDS	93.067	11580sc02	10,561	-
Global AIDS	93.067	11580sc03	32,408	-
Global AIDS	93.067	11626sc03	56,325	-
Global AIDS	93.067	11626sc04	32,408	-
Global AIDS	93.067	11644sc04	5,401	-
Global AIDS	93.067	11644sc05	5,401	-
Global AIDS	93.067	12668sc	36,752	-
Global AIDS	93.067	13184sc	2,466	-
Global AIDS	93.067	13199sc	7,180	-
Subtotal Global AIDS			<u>188,902</u>	<u>-</u>
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	10259sc	1,264	-
Coordinated Services and Access to Research for Women, Infants, Children, and Youth	93.153	10259sc-04	94,844	-
Subtotal Coordinated Services and Access to Research for Women, Infants, Children, and Youth			<u>96,108</u>	<u>-</u>
Mental Health Research Grants	93.242	12855sc	11,491	-
Drug Abuse and Addiction Research Programs	93.279	12263sc	6,775	-
Drug Abuse and Addiction Research Programs	93.279	12263sc01	2,157	-
Allergy and Infectious Diseases Research	93.855	10612sc03	3,729	-
Allergy and Infectious Diseases Research	93.855	10612sc04	23,179	-
Allergy and Infectious Diseases Research	93.855	11324sc	25,981	-
Allergy and Infectious Diseases Research	93.855	13083sc	31,085	-
Allergy and Infectious Diseases Research	93.855	13603sc	13,627	-

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of HEALTH and HUMAN SERVICES (Continued)				
Passed through State of California Department of Public Health				
Public Health Emergency Preparedness	93.069	17-10188	\$ 975,652	\$ -
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10807	304,138	-
Injury Prevention and Control Research and State and Community Based Programs	93.136	19-10808	202,098	-
Subtotal Injury Prevention and Control Research and State and Community Based Programs			<u>506,236</u>	<u>-</u>
Immunization Cooperative Agreements	93.268	17-10345	275,070	-
COVID-19 Immunization Cooperative Agreements	93.268	17-10345	577,912	-
Subtotal Immunization Cooperative Agreements			<u>852,982</u>	<u>-</u>
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19ELC38	4,546,059	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19ELC96	14,115,234	-
Subtotal Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			<u>18,661,293</u>	<u>-</u>
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	CHVP 21-38	844,437	-
National Bioterrorism Hospital Preparedness Program	93.889	17-10188	321,964	-
HIV Care Formula Grants	93.917	18-10886	2,973,393	2,728,599
Maternal and Child Health Services Block Grant to the States	93.994	202138	328,222	-
Maternal and Child Health Services Block Grant to the States	93.994	21-10791	166,110	-
Subtotal Maternal and Child Health Services Block Grant to the States			<u>494,332</u>	<u>-</u>
Medicaid Cluster				
Medical Assistance Program	93.778	20-10543	257,075	-
Medical Assistance Program	93.778	202138	5,721,241	-
Passed through State of California Department of Health Care Services				
Medical Assistance Program	93.778	21-01	732,640	-
Medical Assistance Program	93.778	22-01	473,236	-
Passed through State of California Department of Social Services				
Medical Assistance Program	93.778	none	87,155,979	3,379,854
Subtotal Medicaid Cluster			<u>94,340,171</u>	<u>3,379,854</u>
Guardianship Assistance	93.090	none	2,797,175	-
COVID-19 Guardianship Assistance	93.090	none	281,160	-
Subtotal Guardianship Assistance			<u>3,078,335</u>	<u>-</u>
MaryLee Allen Promoting Safe and Stable Families Program	93.556	none	449,167	277,368
Temporary Assistance for Needy Families	93.558	none	64,664,889	10,336,765
COVID-19 Temporary Assistance for Needy Families	93.558	none	1,761,920	-
Subtotal Temporary Assistance for Needy Families			<u>66,426,809</u>	<u>10,336,765</u>
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	none	366,621	-
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	ORSA1906	4,509	4,509
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RESS1906	59,070	51,570
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS20-07	1,888	388
COVID-19 Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	RSS20-07 Augmentation	8,000	8,000
Subtotal Refugee and Entrant Assistance State/Replacement Designee Administered Programs			<u>440,088</u>	<u>64,467</u>
CCDF Cluster				
Child Care and Development Block Grant	93.575	21-24092-0	66,922	60,251
Child Care and Development Block Grant	93.575	21-24130-0	224,042	201,709
Child Care and Development Block Grant	93.575	C2AP-1045	1,562,298	1,562,298
Child Care and Development Block Grant	93.575	CAPP-0050	50,553	50,553
COVID-19 Child Care and Development Block Grant	93.575	CAPP-0050	219,745	219,745
Child Care and Development Block Grant	93.575	CAPP-1049	427,755	427,755
Child Care and Development Block Grant	93.575	CLPC-1036	56,647	-
Child Care and Development Block Grant	93.575	FGRT-21-CCD-WFP32	424,606	424,606
COVID-19 Child Care and Development Block Grant	93.575	none	401,940	401,940
Subtotal Child Care and Development Block Grant			<u>3,434,508</u>	<u>3,348,857</u>

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of HEALTH and HUMAN SERVICES (Continued)				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-0050	\$ 10,888	\$ 10,888
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	CAPP-1049	222,130	222,130
Subtotal Child Care Mandatory and Matching Funds of the Child Care and Development Fund			<u>233,018</u>	<u>233,018</u>
Subtotal CCDF Cluster			<u>3,667,526</u>	<u>3,581,875</u>
Community-Based Child Abuse Prevention Grants	93.590	none	127,588	-
Adoption and Legal Guardianship Incentive Payments	93.603	none	70,418	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	none	1,604,502	32,742
Foster Care Title IV-E	93.658	none	23,853,029	4,308,202
COVID-19 Foster Care Title IV-E	93.658	none	719,215	484,888
Subtotal Foster Care Title IV-E			<u>24,572,244</u>	<u>4,793,090</u>
Adoption Assistance	93.659	none	11,108,786	74,617
COVID-19 Adoption Assistance	93.659	none	1,063,118	-
Subtotal Adoption Assistance			<u>12,171,904</u>	<u>74,617</u>
Social Services Block Grant	93.667	none	1,102,189	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	432,235	300,655
COVID-19 John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	none	459,995	459,995
Subtotal John H. Chafee Foster Care Program for Successful Transition to Adulthood			<u>892,230</u>	<u>760,650</u>
COVID-19 Elder Abuse Prevention Interventions Program	93.747	none	168,600	110,248
Passed through State of California Department of Health and Human Services Agency				
Projects for Assistance in Transition from Homelessness (PATH)	93.150	68-0317191	350,412	350,412
Passed through SF Community Clinic Consortium				
Health Center Program Cluster				
Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	93.224	H8OCS00049	322,239	-
Grants for New and Expanded Services under the Health Center Program	93.527	H8OCS00049	828,615	-
Subtotal Health Center Program Cluster			<u>1,150,854</u>	<u>-</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	93.918	H7CHA37299	143,827	-
Passed through National Association of County and City Health Officials				
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	2022-011401	12,846	-
Passed through Public Health Foundation Enterprise				
Mental Health Research Grants	93.242	0597.0103	134,177	-
Mental Health Research Grants	93.242	0618.0102	6,661	-
Mental Health Research Grants	93.242	0618.0103	27,620	-
Subtotal Mental Health Research Grants			<u>168,458</u>	<u>-</u>
Drug Abuse and Addiction Research Programs	93.279	0391.0105	54,495	-
Drug Abuse and Addiction Research Programs	93.279	0526.0104	57,892	-
Drug Abuse and Addiction Research Programs	93.279	0752.0102	77,328	-
Drug Abuse and Addiction Research Programs	93.279	0760.0102	30,100	-
Subtotal Drug Abuse and Addiction Research Programs			<u>219,815</u>	<u>-</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2208	4,372	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.2209	190,300	-
COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	0187.4280	24,798	-
Subtotal Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			<u>219,470</u>	<u>-</u>
Allergy and Infectious Diseases Research	93.855	0014.0109	60,029	-
Allergy and Infectious Diseases Research	93.855	0014.0110	38,867	-
Allergy and Infectious Diseases Research	93.855	0433.0101	86,742	-
Subtotal Allergy and Infectious Diseases Research			<u>185,638</u>	<u>-</u>
Child Health and Human Development Extramural Research	93.865	0419.0105	33,655	-
Passed through Oregon Health & Science University				
Drug Abuse and Addiction Research Programs	93.279	1017225-SFDPH	18,136	-

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Identifying Number	Federal Expenditures	Amount Provided to Subrecipients
U.S. DEPARTMENT of HEALTH and HUMAN SERVICES (Continued)				
Passed through State of California Department of Education				
Every Student Succeeds Act/Preschool Development Grants	93.434	20-15548-0-00	\$ 70,986	\$ 50,382
Every Student Succeeds Act/Preschool Development Grants	93.434	21-15548-0-00	<u>68,779</u>	<u>48,815</u>
Subtotal Every Student Succeeds Act/Preschool Development Grants			<u>139,765</u>	<u>99,197</u>
Passed through State of California Department of Child Support Services				
Child Support Enforcement	93.563	none	8,302,476	-
Passed through Family Health International (FHI360)				
Allergy and Infectious Diseases Research	93.855	PO21000680	32,813	-
Passed through Fred Hutchinson Cancer Research Center				
Allergy and Infectious Diseases Research	93.855	0001053255	20,070	-
Allergy and Infectious Diseases Research	93.855	0001117416	24,697	-
Passed through RTI International				
Allergy and Infectious Diseases Research	93.855	2-312-0217681-66232L	32,854	-
Passed through State of California Department of Health Care Services				
Block Grants for Community Mental Health Services	93.958	Letter dated 12/6/21	156,573	-
Block Grants for Community Mental Health Services	93.958	Letter dated 6/20/22	3,320,428	1,253,386
COVID-19 Block Grants for Prevention and Treatment of Substance Abuse	93.959	Letter dated 11/15/2021	1,151,245	1,150,226
Block Grants for Prevention and Treatment of Substance Abuse	93.959	none	8,770,346	8,770,346
Subtotal Block Grants for Prevention and Treatment of Substance Abuse			<u>9,921,591</u>	<u>9,920,572</u>
U.S. DEPARTMENT of HEALTH and HUMAN SERVICES Total			317,591,603	57,362,218
U.S. DEPARTMENT of HOMELAND SECURITY				
Direct Program				
Assistance to Firefighters Grant	97.044	--	526,084	-
COVID-19 Assistance to Firefighters Grant	97.044	--	<u>1,840</u>	<u>-</u>
Subtotal Assistance to Firefighters Grant			<u>527,924</u>	<u>-</u>
Port Security Grant Program	97.056	--	139,421	-
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	--	4,096,487	-
Securing the Cities Program	97.106	--	2,141,720	-
Regional Catastrophic Preparedness Grant Program (RCPGP)	97.111	--	810,626	-
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132	--	646,627	-
Passed through State of California Department of Parks & Recreation				
Boating Safety Financial Assistance	97.012	C19L0608	65,828	-
Boating Safety Financial Assistance	97.012	C20L0622	<u>101,852</u>	<u>-</u>
Subtotal Boating Safety Financial Assistance			<u>167,680</u>	<u>-</u>
Passed through State of California Governor's Office of Emergency Services				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4158-DR-CA	2,985,436	-
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4558-DR-CA	376,100	-
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-4482	<u>183,399,531</u>	<u>-</u>
Subtotal Disaster Grants - Public Assistance (Presidentially Declared Disasters)			<u>186,761,067</u>	<u>-</u>
Hazard Mitigation Grant	97.039	4344-459-102r	592,310	-
Hazard Mitigation Grant	97.039	4407-182-5R	<u>24,078</u>	<u>-</u>
Subtotal Hazard Mitigation Grant			<u>616,388</u>	<u>-</u>
Emergency Management Performance Grants	97.042	2020-0006	296,794	-
Emergency Management Performance Grants	97.042	2021-0015	25,911	-
COVID-19 Emergency Management Performance Grants	97.042	2020-0006	<u>135,102</u>	<u>-</u>
Subtotal Emergency Management Performance Grants			<u>457,807</u>	<u>-</u>
Homeland Security Grant Program	97.067	2018-0054	146,034	-
Homeland Security Grant Program	97.067	2019-0035	10,209,961	3,528,440
Homeland Security Grant Program	97.067	2020-0095	10,926,970	5,709,970
Homeland Security Grant Program	97.067	2021-0081	<u>2,936,857</u>	<u>926,306</u>
Subtotal Homeland Security Grant Program			<u>24,219,822</u>	<u>10,164,716</u>
U.S. DEPARTMENT of HOMELAND SECURITY Total			220,585,569	10,164,716
TOTAL EXPENDITURES of FEDERAL AWARDS			\$ 1,142,863,568	\$ 153,519,685

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022**

1. GENERAL

The schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the City and County of San Francisco (City). All federal awards received directly from federal agencies as well as federal awards passed through other non-federal agencies are included in this Schedule except for assistance related to Medical Assistance (Medi-Cal) and Medicare Hospital Insurance (Medicare) (see Note 4).

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency). The expenditures of the Authority, the Airport, the MTA, and the Successor Agency are not included in the schedule of expenditures of federal awards for the year ended June 30, 2022. Federal expenditures for these entities are separately audited.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting for program expenditures accounted for in the governmental funds and the accrual basis of accounting for program expenditures accounted for in the proprietary funds as described in Note 2(b) of the City's basic financial statements, with the exception of the Economic Adjustment Assistance Program described in Note 5. The City did not elect to use the 10% de minimis cost rate as covered in U.S. Code of Federal Regulations, Title 2 section 200.414 Indirect (F&A) costs.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS AND BASIC FINANCIAL STATEMENTS

Expenditures of federal awards are reported in the City's basic financial statements as expenditures in the governmental funds, and as expenses for noncapital expenditures and as additions to capital assets for capital related expenditures in the proprietary funds. Amounts reported in the accompanying Schedule agree or can be reconciled with amounts reported in the related federal award reports and the City's basic financial statements.

4. MEDI-CAL AND MEDICARE

Direct Medi-Cal and Medicare expenditures are excluded from the Schedule. These expenditures represent fees for services and are not included in the Schedule or in determining major programs. The City assists the State in determining eligibility and provides Medi-Cal and Medicare services through City-owned facilities. Administrative costs related to Medi-Cal and Medicare are, however, included in the Schedule under the Medical Assistance Program (Assistance Listing Number 93.778).

5. ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM

For the purpose of calculating federal expenditures for the Schedule, grants for revolving loan funds (RLF) under the Economic Adjustment Assistance Program (Assistance Listing Number 11.307) are calculated as the federal share of the sum of RLF loans outstanding at the end of the fiscal year, cash and investment balance in the RLF at the end of the fiscal year, administrative expenses paid out of RLF income during the year, and the unpaid principal of all loans written off during the year.

The City incurred a total of \$715,169 in federal expenditures under the Economic Adjustment Assistance Program for the fiscal year ended June 30, 2022. As of June 30, 2022, the total outstanding RLF and cash and investments in the RLF were \$239,307 and \$186,922, respectively. There was \$43,624 in write offs of unpaid principal of loans during the year. There were no administrative expenses paid out of the RLF income. The federal share of the RLF was 64.8%.

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

6. CALIFORNIA DEPARTMENT OF AGING (CDA) SINGLE AUDIT REPORTING REQUIREMENTS

The terms and conditions of agency contracts with CDA require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDA grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. The following schedule is presented to comply with these requirements.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	Assistance Listing No.	Expenditures	
			State	Federal
U.S. Department of Agriculture				
<i>Passed through State of California, Department of Aging:</i>				
Aging Grant Supplemental Nutrition Assistance Program - Ed	SP-2021-06	10.561	\$ -	\$ 66,022
<i>Passed through State of California, Department of Aging:</i>				
Aging Grant Supplemental Nutrition Assistance Program - Ed	SP-2122-06	10.561	-	73,318
U.S. Department of Health and Human Services				
<i>Passed through State of California, Department of Aging:</i>				
Special Programs for the Aging-Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect and Exploitation	AP-2122-06	93.041	*	13,167
Special Programs for the Aging-Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	AP-2122-06	93.042	*	39,185
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	AP-2122-06	93.043	*	68,843
Special Programs for the Aging-Title III, Part B - Grants for Supportive Services and Senior Centers	AP-2122-06	93.044	*	920,479
Special Programs for the Aging-Title III, Part C - Nutrition Services	AP-2122-06	93.045	*	2,063,394
National Family Caregiver Support, Title III, Part E	AP-2122-06	93.052	*	478,805
Coronavirus Aid, Relief, and Economic Security Act				
National Family Caregiver Support, Title III, Part E	CARES-06	93.052	*	147,024
Nutritional Services Incentive Program	AP-2122-06	93.053	*	2,080,169
Medicare Enrollment Assistance Program	MI-2021-06	93.071		18,010
Medicare Enrollment Assistance Program	MI-2122-06	93.071		69,800
State Health Insurance Assistance Program	HI-2122-06	93.324	255,160	96,053
Special Programs for the Aging-Title III, Part C - Nutrition Services - COVID-19 Consolidated Appropriations Act	AP-2122-06	93.045	*	340,604
Elder Abuse Prevention Interventions Program, Title XX, COVID-19 Social Security Act Elder Justice	AP-2122-06	93.747	*	4,962
			1,480,294	\$ 6,479,835
State Award - California Department of Aging				
State Health Facilities Citation Penalties Account, General Fund Allocation	AP-2122-06		42,566	
Skilled Nursing Facility (SNF) Quality and Accountability Fund (QAF) Allocation	AP-2122-06		22,601	
Ombudsman State General Fund	AP-2122-06		131,925	
Baseline Admin State General Fund	AP-2122-06		100,000	
Ombudsman Public Health L&C Program Fund	AP-2122-06		4,758	
Total Expenditures of CDA Awards			\$ 1,782,144	

* The Aging Cluster reflected on the City's SEFA includes the assistance listing numbers defined by the State of California Department of Aging. This is different from part 5 of the OMB Compliance Supplement, as permitted by the Uniform Guidance in 2 CFR 200.217.

**CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022**

7. PROGRAM TOTALS

The following table summarizes programs funded by various sources or grants whose totals are not shown on the Schedule.

<u>Assistance Listing Number (ALN) / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(1) ALN 10.561 - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		
State of California Department of Aging	SP-2021-06	\$ 66,022
State of California Department of Aging	SP-2122-06	73,318
State of California Department of Public Health	19-10345	627,106
State of California Department of Social Services	none	47,647,813
	Program Total	<u>\$ 48,414,259</u>
(2) ALN 16.034 - Coronavirus Emergency Supplemental Funding Program		
U.S. Department of Justice	--	\$ 708,469
State of California Board of State and Community Corrections	5227-BSCC11920	125,821
	Program Total	<u>\$ 834,290</u>
(3) ALN 16.738 - Edward Byrne Memorial Justice Assistance Grant Program		
U.S. Department of Justice	--	\$ 500,214
State of California Board of State and Community Corrections	2016-DJ-BX-0446	4,640
	Program Total	<u>\$ 504,854</u>
(4) ALN 17.258 - WIOA Adult Program		
NOVA	001-1168-20	\$ 114,518
State of California Department of Employment Development	AA011035	\$ 91,480
State of California Department of Employment Development	AA111035	\$ 658,031
State of California Department of Employment Development	AA211035	828,606
	Program Total	<u>\$ 1,692,635</u>
(5) ALN 17.268 - H-1B Job Training Grants		
U.S. Department of Labor	--	\$ 839,082
Jobs for the Future	21-197	76,965
	Program Total	<u>\$ 916,047</u>
(6) ALN 17.277 - WIOA National Dislocated Worker Grants / WIA National Emergency Grants		
NOVA	001-2064-22	\$ 33,334
State of California Department of Employment Development	AA011035	291,516
	Program Total	<u>\$ 324,850</u>
(7) ALN 20.205 - Highway Planning and Construction		
State of California Department of Transportation (CALTRANS)	BRLS-5934(177)	\$ 527,504
State of California Department of Transportation (CALTRANS)	BUILDL-5934(185)	33,340
State of California Department of Transportation (CALTRANS)	ER-32L0(204)	1,368,354
State of California Department of Transportation (CALTRANS)	HP21L-5934(178)	171,770
State of California Department of Transportation (CALTRANS)	STPL5934(171)	391,547
State of California Department of Transportation (CALTRANS)	STPL5934(174)	6,000
Metropolitan Transportation Commission	STPLNI 6084 (232)	228,323
	Program Total	<u>\$ 2,726,838</u>
(8) ALN 21.027 - CORONAVIRUS STATE and LOCAL FISCAL RECOVERY FUNDS		
U.S. Department of Treasury	--	312,408,671
State of California Department of Community Services and Development	00001039	3,541,789
State of California Department of Housing and Community Development	L4JQPJ7N5NT4	65,928,280
State of California Water Resources Control Board	U00022-01	15,231,915
	Program Total	<u>\$ 397,110,655</u>
(9) ALN 93.242 - Mental Health Research Grants		
Regents of The University of California	12855sc	\$ 11,491
Public Health Foundation Enterprise	0597.0103	134,177
Public Health Foundation Enterprise	0618.0102	6,661
Public Health Foundation Enterprise	0618.0103	27,620
	Program Total	<u>\$ 179,949</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

7. PROGRAM TOTALS (Continued)

<u>Assistance Listing Number (ALN) / Program Title / Federal Grantor or Pass-Through Grantor</u>	<u>Pass-Through Identifying Number</u>	<u>Federal Expenditures</u>
(10) ALN 93.279 - Drug Abuse and Addiction Research Programs		
U.S. Department of Health and Human Services	--	\$ 62,316
Oregon Health & Science University	1017225-SFDPH	18,136
Public Health Foundation Enterprise	0391.0105	54,495
Public Health Foundation Enterprise	0526.0104	57,892
Public Health Foundation Enterprise	0752.0102	77,328
Public Health Foundation Enterprise	0760.0102	30,100
Regents of the University of California	12263sc	6,775
Regents of the University of California	12263sc01	2,157
Program Total		<u>\$ 309,199</u>
(11) ALN 93.323 - Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		
Public Health Foundation Enterprise	0187.2208	\$ 4,372
Public Health Foundation Enterprise	0187.2209	190,300
Public Health Foundation Enterprise	0187.4280	24,798
State of California Department of Public Health	COVID-19ELC38	4,546,059
State of California Department of Public Health	COVID-19ELC96	14,115,234
Program Total		<u>\$ 18,880,763</u>
(12) ALN 93.747 - Elder Abuse Prevention Interventions Program		
State of California Department of Aging	AP-2122-06	\$ 4,962
State of California Department of Social Services	none	168,600
Program Total		<u>\$ 173,562</u>
(13) ALN 93.855 - Allergy and Infectious Diseases Research		
Family Health International (FHI360)	PO21000680	\$ 32,813
Fred Hutchinson Cancer Research Center	0001053255	20,070
Fred Hutchinson Cancer Research Center	0001117416	24,697
Public Health Foundation Enterprise	0014.0109	60,029
Public Health Foundation Enterprise	0014.0110	38,867
Public Health Foundation Enterprise	0433.0101	86,742
Regents of the University of California	10612sc03	3,729
Regents of the University of California	10612sc04	23,179
Regents of the University of California	11324sc	25,981
Regents of the University of California	13083sc	31,085
Regents of the University of California	13603sc	13,627
RTI International	2-312-0217681-66232L	32,854
Program Total		<u>\$ 393,673</u>
(14) ALN 93.918 - Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease		
U.S. Department of Health and Human Services	--	\$ 319,491
San Francisco Community Clinic Consortium	H7CHA37299	143,827
Program Total		<u>\$ 463,318</u>
(15) ALN 93.958 - Block Grants for Community Mental Health Services		
U.S. Department of Health and Human Services	--	\$ 91,722
State of California Department of Health Care Services	Letter dated 12/6/21	156,573
State of California Department of Health Care Services	Letter dated 6/20/22	3,320,428
Program Total		<u>\$ 3,568,723</u>

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

8. CALIFORNIA DEPARTMENT OF EDUCATION (CDE) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDE require agencies to display State-funded expenditures discretely along with the related federal expenditures. CDE grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately.

Federal Grantor Pass-through Grantor Program Title	Grant / Contract No.	Assistance Listing No.	Award Amount		Expenditures		
			State	Federal	State	Federal	
U.S. Department of Agriculture							
<i>Passed through State of California, Department of Education:</i>							
School Breakfast Program	02502-SN-38-R	10.553	\$ -	\$ 10,584	\$ -	\$ 10,584	
National School Lunch Program	02502-SN-38-R	10.555	-	18,986	-	18,986	
Summer Food Service Program for Children	04029-SFSP-38	10.559	-	356,112	-	356,112	
U.S. Department of Health and Human Services							
<i>Passed through State of California, Department of Education:</i>							
Preschool Development Grant - Renewal	20-15548-0-00	93.434	-	70,986	-	70,986	
Preschool Development Grant - Renewal	21-15548-0-00	93.434	-	140,668	-	68,779	
Preschool Development Grant - Renewal	22-15548-0-00	93.434	-	67,875	-	-	
			-	<u>\$ 665,211</u>	-	<u>\$ 525,447</u>	
State Award - California Department of Education							
California State Preschool Program Quality Rating and Improvement System Block Grant	21-25276-68478-00			1,205,183		1,205,183	
Total Expenditures of CDE Awards			<u>\$1,205,183</u>		<u>\$1,205,183</u>		

CITY AND COUNTY OF SAN FRANCISCO
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2022

9. CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (CDSS) REPORTING REQUIREMENTS

The terms and conditions of contracts with CDSS require agencies to display State-funded expenditures discretely along with the related federal expenditures for assistance listing numbers 10.558, 93.575 and 93.596 whose contracts were previously administered by the California Department of Education. CDSS grant expenditures that involve federal funding have been presented in the Schedule. The following schedule is presented using the modified accrual basis of accounting. For State grants not involving federal funding, the amounts are to be displayed separately. Additionally, for subawards connected to child care services, entities must report the name of the subawardees and the related contracts, including contract numbers and amounts. This information is reflected in the supplemental table below:

Federal Grantor / Pass-through Grantor Program Title / Grant/Contract Numbe	Assistance Listing No.	Award Amount		Expenditures	
		State	Federal	State	Federal
U.S. Department of Agriculture					
<i>Passed through State of California, Department of Social Services:</i>					
Child and Adult Care Food Program 04029-CACFP-38	10.558	\$ -	\$ 489,432	\$ -	\$ 489,432
U.S. Department of Health and Human Services					
<i>Passed through State of California, Department of Social Services:</i>					
Child Care and Development Block Grant					
¹ 21-24130-0	93.575	-	224,042	-	224,042
² 21-24092-0	93.575	-	66,922	-	66,922
³ C2AP-1045	93.575	5,352,912	1,831,170	3,894,596	1,562,298
⁴ CAPP-0050	93.575	344,507	374,615	112,412	50,553
⁵ CAPP-1049 CLPC-1036	93.575	476,442	495,985	410,901	427,755
⁶ FGRT-21-CCD-WFP32	93.575	5,122	56,647	5,122	56,647
⁶ FGRT-21-CCD-WFP32	93.575	43,880	424,606	34,648	424,606
COVID-19 Child Care and Development Block Grant					
⁴ CAPP-0050	93.575	-	275,309	-	219,745
⁷ None	93.575	-	435,330	-	401,940
Child Care Mandatory and Matching Funds of the Child Care and Development Fund					
⁴ CAPP-0050	93.596	-	260,713	-	10,888
⁵ CAPP-1049	93.596	-	257,560	-	222,130
Total Expenditures of CDSS Awards		\$ 6,222,863	\$ 5,192,331	\$ 4,457,679	\$ 4,156,958

Grant / Contract No.	Subrecipient	Expenditures	
		State	Federal
¹ 21-24130-0	Children's Council of San Francisco	\$ -	\$ 120,924
	Instituto Familiar de la Raza	-	1,860
	WestEd	-	40,425
	Wu Yee Children's Services	-	38,500
	Children's Council of San Francisco	-	36,120
² 21-24092-0	Instituto Familiar de la Raza	-	556
	WestEd	-	12,075
	Wu Yee Children's Services	-	11,500
³ C2AP-1045	Children's Council of San Francisco	3,894,596	1,562,298
⁴ CAPP-0050	Children's Council of San Francisco	112,412	281,186
⁵ CAPP-1049	Children's Council of San Francisco	410,901	649,885
⁶ FGRT-21-CCD-WFP32	San Francisco State University	34,648	424,606
⁷ None	Children's Council of San Francisco	-	401,940
Total Subrecipient Expenditures		\$ 4,452,557	\$ 3,581,875



**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the City and County of San Francisco, California (City), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 16, 2023, except for our report on the schedule of expenditures of federal awards, as to which the date is March 24, 2023. Our report includes a reference to other auditors who audited the financial statements of the San Francisco County Transportation Authority, San Francisco International Airport, San Francisco Water Enterprise, Hetch Hetchy Water and Power, Municipal Transportation Agency, and San Francisco Wastewater Enterprise, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Walnut Creek, California
February 16, 2023



**Independent Auditor's Report on Compliance for
Each Major Federal Program and Report on Internal Control Over
Compliance Required by the Uniform Guidance**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City and County of San Francisco, California's (City) compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditures Not Included in the Compliance Audit

The City's basic financial statements include the operations of the San Francisco County Transportation Authority (Authority), the San Francisco International Airport (Airport), the Municipal Transportation Agency (MTA), and the Successor Agency to the San Francisco Redevelopment Agency (Successor Agency), whose expenditures in federal awards are not included in the City's schedule of expenditures of federal awards for the year ended June 30, 2022. Our audit, described below, did not include the operations of these organizations. We were engaged to perform an audit in accordance with the Uniform Guidance, and report on the results separately to the Successor Agency. The Authority, the Airport, and the MTA engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Walnut Creek, California
March 24, 2023

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section I – Summary of Auditor’s Results

Financial Statements:

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None reported
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards:

Internal control over major federal programs:	
• Material weakness(es) identified?	None reported
• Significant deficiency(cies) identified?	None reported
Type of auditor’s report issued on compliance for major federal programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number(s)</u>
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Community Development Block Grants/Entitlement Grants Cluster	14.218
Emergency Rental Assistance Program	21.023
Coronavirus State and Local Fiscal Recovery Funds	21.027
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498
HIV Prevention Activities Health Department Based	93.940
Aging Cluster	93.041, 93.042, 93.043, 93.044, 93.045, 93.052, 93.053, 93.747
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323
Temporary Assistance for Needy Families	93.558
Block Grants for Prevention and Treatment of Substance Abuse	93.959
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083
Dollar threshold used to distinguish between Types A and B programs	\$3,428,591
Auditee qualified as a low-risk auditee?	No

**CITY AND COUNTY OF SAN FRANCISCO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022**

Section II - Financial Statement Findings:

None reported

Section III - Federal Awards Findings:

None reported



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

STATUS OF PRIOR YEAR'S FINDINGS AND QUESTIONED COSTS

No prior year findings were reported.