PRELIMINARY OFFICIAL STATEMENT DATED APRIL 1, 2014

NEW ISSUE – BOOK-ENTRY ONLY

RATINGS: Moody's: Aa3
S&P: AA
Fitch: AA-
(See "RATINGS" herein)

In the opinion of Sidley Austin LLP, San Francisco, California, and Garcia, Hernández, Sawhney & Bermudez, LLP, Oakland, California, Co-Special Counsel, under existing law and assuming compliance with certain covenants in the documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. In the further opinion of Co-Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Co-Special Counsel, interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California. Co-Special Counsel express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to, the Certificates. See "TAX MATTERS" herein.

$14,180,000[*]
CITY AND COUNTY OF SAN FRANCISCO REFUNDING CERTIFICATES OF PARTICIPATION SERIES 2014-R1 (SAN FRANCISCO COURTHOUSE PROJECT)

$31,770,000[*]
CITY AND COUNTY OF SAN FRANCISCO REFUNDING CERTIFICATES OF PARTICIPATION SERIES 2014-R2 (JUVENILE HALL PROJECT)

evidencing proportionate interests of the Owners thereof in certain Lease Agreements, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

Dated: Date of Delivery | **Due: April 1, as shown on the inside cover**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security for or the terms of the Certificates. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The $14,180,000[*] City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (the "Series 2014-R1 Certificates") and the $31,770,000[*] City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (the "Series 2014-R2 Certificates," and together with the Series 2014-R1 Certificates, the "Certificates") will be sold to provide funds to: (i) refund certain outstanding certificates of participation (as further described herein, the "Refunded Certificates") of the City and County of San Francisco (the "City"), the proceeds of which financed certain capital projects of the City consisting of the San Francisco Courthouse and the City's Juvenile Hall in San Francisco, California (together and as further described herein, the "Leased Properties"); and (ii) pay costs of execution and delivery of the Certificates. See "PLAN OF REFUNDING AND THE LEASED PROPERTIES" and "SOURCES AND USES OF FUNDS."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"), and in accordance with the Charter of the City (the "Charter"). See "THE CERTIFICATES – Authority for Execution and Delivery." The Certificates evidence the principal and interest components of the Base Rental payable by the City pursuant to two separate Lease Agreements, each dated as of April 1, 2014 (each, a "Lease Agreement" and together, the "Lease Agreements"), by and between the Trustee, as lessor, and the City, as lessee. The City has covenanted in each Lease Agreement to take such action as may be necessary to include and maintain all Base Rental and Additional Rental payments in its annual budget, and to make necessary annual appropriations therefor. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Covenant to Budget." The obligation of the City to pay Base Rental under the Lease Agreements is in consideration for the use and occupancy of the Leased Properties, and such obligation may be abated in whole or in part if there is substantial interference with the City's use and occupancy of the Leased Properties. See "CERTAIN RISK FACTORS – Abatement."

The Certificates will be delivered in fully registered form and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). Individual purchases of the Certificates will be made in book entry form only, in the principal amount of $5,000 and integral multiples thereof. Principal and interest with respect to the Certificates will be paid by the Trustee to DTC, which will in turn remit such payments to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. See "THE CERTIFICATES – Form and Registration." Interest evidenced and represented by the Certificates is payable on April 1 and October 1 of each year, commencing October 1, 2014. Principal will be paid as shown on the inside cover hereof. See "THE CERTIFICATES – Payment of Principal and Interest."

The Certificates are subject to prepayment prior to maturity as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS UNDER THE LEASE AGREEMENTS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL OR ADDITIONAL RENTAL PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. THE CITY SHALL BE OBLIGATED TO MAKE BASE RENTAL PAYMENTS SUBJECT TO THE TERMS OF THE LEASE AGREEMENTS AND NEITHER THE CITY NOR ANY OF ITS OFFICERS SHALL INCUR ANY LIABILITY OR ANY OTHER OBLIGATION WITH RESPECT TO THE EXECUTION AND DELIVERY OF THE CERTIFICATES. SEE "CERTAIN RISK FACTORS."

MATURITY SCHEDULE

(See inside cover)

The Certificates are offered when, as and if executed and received by the Purchasers, subject to the approval of the validity of the Lease Agreements by Sidley Austin LLP, San Francisco, California, and Garcia, Hernández, Sawhney & Bermudez, LLP, Oakland, California, Co-Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel. It is expected that the Certificates in book-entry form will be available for delivery through DTC on or about May __, 2014.

Dated: April __, 2014.

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[*] Preliminary, subject to change.

MATURITY SCHEDULE

(Base CUSIP Number: ________[1])

SERIES 2014-R1 CERTIFICATES

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price/ Yield[2]	CUSIP Suffix[1]
2015				
2016				
2017				
2018				
2019				
2020				
2021				

SERIES 2014-R2 CERTIFICATES

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Price/ Yield[2]	CUSIP Suffix[1]
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				
2027				
2028				
2029				
2030				
2031				
2032				
2033				
2034				

[1] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. CUSIP numbers are provided for convenience of reference only. Neither the City nor the Purchasers take any responsibility for the accuracy of such numbers.

[2] Reoffering yields furnished by the Purchasers. The City takes no responsibility for the accuracy thereof.

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$14,180,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R1
(SAN FRANCISCO COURTHOUSE PROJECT)

The City and County of San Francisco will receive bids for the above-referenced Series 2014-R1 Certificates by either the electronic bidding system specified on this Official Notice of Sale or via written sealed bids, on the date and up to the time specified below:

SALE DATE:	Tuesday, April 8, 2014 (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	8:30 a.m. (California time)
PLACE:	1 Dr. Carlton B. Goodlett Place, Room 336 San Francisco, California 94102

Telephone, telefax, or telegraph bids will not be accepted. If the Series 2014-R1 Certificates are awarded by the City, it is anticipated that delivery will be made on or about Tuesday, May 1, 2014.*

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* Subject to adjustment is accordance with this Official Notice of Sale.

OFFICIAL NOTICE OF SALE

$14,180,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R1
(SAN FRANCISCO COURTHOUSE PROJECT)

NOTICE IS HEREBY GIVEN that either electronic or written sealed all-or-nothing bids will be received by the City and County of San Francisco (the "City") for the purchase of $14,180,000* City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (the "Series 2014-R1 Certificates").

Electronic bids must be submitted solely through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity"), as the only approved electronic bidding service for the Series 2014-R1 Certificates, and written sealed bids must be delivered at the Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, on the date and up to the time specified below:

Tuesday, April 8, 2014, until 8:30 a.m. California Time

(Subject to postponement in accordance with this Official Notice of Sale)

Bidding procedures and sale terms are as described in this Official Notice of Sale. No telephone, telefax, or telegraph bids will be accepted or considered. The Series 2014-R1 Certificates are described in the City's Preliminary Official Statement for the Series 2014-R1 Certificates dated April 1, 2014 (the "Preliminary Official Statement").

Each bidder choosing to submit a bid via Parity shall be solely responsible for registering to bid via Parity and for all costs, fees or other expenses incurred by the bidder in connection with the bid and/or the use of Parity. The use of Parity shall be at the bidder's risk. Each bidder expressly assumes the risk for any error contained in any bid submitted through Parity, or for failure of any bid to be transmitted or received including without limitation the risk of any incomplete or untimely bid submitted by such bidder by reason of failed or garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause. None of the City, the City Attorney, or any City consultant or legal representative of the City, assumes any responsibility for any such error or failed or garbled transmission of any bid. The official time of receipt of bids will be determined by the City's Director of Public Finance, and the City will not be required to accept the time kept by Parity as the official time. Additional terms and conditions regarding the use of Parity are set forth below in "TERMS OF SALE–Form of Bids; Delivery of Bids."

Postponement or Cancellation of Sale; Notice. **THE RECEIPT OF BIDS ON APRIL 8, 2014 MAY BE POSTPONED OR CANCELLED BY THE CITY AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED THROUGH ANY OF THE BOND BUYER WIRE, THOMSON FINANCIAL OR BLOOMBERG BUSINESS NEWS (EACH, A "NEWS SERVICE") AND/OR PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.** Notice of the new date and time for receipt of bids shall be given through a News Service and/or Parity as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. If the sale is canceled, all written sealed bids will be returned unopened. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such

* Subject to adjustment is accordance with this Official Notice of Sale.

notice. In the event of a postponement of the sale only, any subsequent bid submitted by a bidder will supersede any prior bid made.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from: Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111; telephone: (415) 982-5544 (office), Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com); and Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone: (415) 912-5612 (office), Attention: Peter J. Ross (email: rossfinancial@smkc.com) (the "Co-Financial Advisors"); provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale.

Modification or Amendment; Notice. Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend this Official Notice of Sale in any respect. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE–Right to Modify or Amend."

Notice of Sale; Posting; Priority. This Official Notice of Sale will be submitted for posting to the Parity bid delivery system (as described in "TERMS OF SALE – Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Series 2014-R1 Certificates posted on Parity conflicts with this Official Notice of Sale, or any amendment hereto, in any respect, the terms of this Official Notice of Sale and any amendment hereto shall control.

TERMS RELATING TO THE SERIES 2014-R1 CERTIFICATES

THE TERMS, AUTHORITY FOR EXECUTION AND DELIVERY, PURPOSES, REPAYMENT, SECURITY, FORM OF LEGAL OPINIONS OF CO-SPECIAL COUNSEL AND OTHER INFORMATION REGARDING THE SERIES 2014-R1 CERTIFICATES ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE SERIES 2014-R1 CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE SERIES 2014-R1 CERTIFICATES. THE DESCRIPTION OF THE SERIES 2014-R1 CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE SERIES 2014-R1 CERTIFICATES CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Series 2014-R1 Certificates are generally described as follows:

Issue. The $14,180,000* aggregate principal amount of the Series 2014-R1 Certificates will be issued as fully registered certificates without coupons in book-entry form in denominations of $5,000 or any integral multiple thereof, all dated the date of execution and delivery, which is expected to be May 1, 2014*. See "CLOSING PROCEDURES AND DOCUMENTS-Delivery and Payment." If the sale is postponed, notice of the new date of the sale will also set forth the new date of delivery of the Series 2014-R1 Certificates.

Book-Entry Only. The Series 2014-R1 Certificates will be registered in the name of a nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014-R1 Certificates. Individual purchases will be made in book-entry form only, and the Purchaser (as defined below under "TERMS OF SALE–Process of Award") will not receive

* Preliminary, subject to change.

certificates representing its interest in the Series 2014-R1 Certificates purchased. As of the date of award of the Series 2014-R1 Certificates, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest evidenced and represented by the Series 2014-R1 Certificates will be payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing on October 1, 2014. Interest on a Series 2014-R1 Certificate will be payable continuing to and including its Certificate Payment Date (defined below) or on prepayment prior thereto. Interest with respect to the Series 2014-R1 Certificates will be calculated on the basis of a 30-day month, 360-day year from the date of the Series 2014-R1 Certificates, as further described in the Preliminary Official Statement.

Bidders must specify the rate or rates of interest which each Series 2014-R1 Certificates will bear. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided that:

(i) The maximum interest rate bid shall not exceed six percent (6%) per annum;

(ii) Each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum and a zero rate of interest cannot be named;

(iii) Each Series 2014-R1 Certificate shall bear interest from its date to its stated payment date at the single rate of interest specified in the bid;

(iv) A single interest payment shall be due on each Series 2014-R1 Certificate on each Interest Payment Date, and no supplemental payments will be permitted; and

(v) All Series 2014-R1 Certificate payments due at any one time shall bear the same rate of interest.

Principal Payments. The Series 2014-R1 Certificates shall be serial certificates and the principal represented by the Series 2014-R1 Certificates shall be payable on April 1 of each year, commencing on April 1, 2015 (each, a "Certificate Payment Date"), calculated to produce approximately level annual debt service on a fiscal year basis. Subject to adjustment as herein provided, the final maturity of the Series 2014-R1 Certificates shall be on April 1, 2021 and the principal amount of the serial maturities for the Series 2014-R1 Certificates, on each Certificate Payment Date, is as follows:

Certificate Payment Date (April 1)*		Certificate Principal Amount*
2015		$ 1,790,000
2016		1,820,000
2017		1,910,000
2018		2,010,000
2019		2,110,000
2020		2,215,000
2021		2,325,000
	Total	$ 14,180,000

*Subject to adjustment in accordance with this Official Notice of Sale.

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid.

Potential bidders will be notified via a News Service and/or Parity prior to the sale of any change to the principal payment schedule for the Series 2014-R1 Certificates to be utilized for the bidding process. The City reserves the right to change the Certificate Payment Amounts set forth above after the determination of the apparent winning bidder (see "TERMS OF SALE–Process of Award"), by increasing or decreasing the aggregate principal amount of Series 2014-R1 Certificates and/or by adjusting one or more principal payments of the Series 2014-R1 Certificates in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to the Series 2014-R1 Certificates shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Series 2014-R1 Certificates. Any such adjustment will not change the average per Certificate dollar amount of the Purchaser's discount. See also "TERMS OF SALE–Right to Modify or Amend," regarding the City's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity for the Series 2014-R1 Certificates and adding or deleting serial or term maturity payment dates, along with corresponding principal amounts with respect thereto.

IN THE EVENT OF ANY SUCH ADJUSTMENT, NO REBIDDING OR RECALCULATION OF THE BIDS SUBMITTED WILL BE REQUIRED OR PERMITTED AND NO SUCCESSFUL BID MAY BE WITHDRAWN. A PURCHASER MAY NOT CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE SERIES 2014-R1 CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Optional Prepayment. The Series 2014-R1 Certificates are not subject to optional prepayment prior to their respective Certificate Payment Dates.

Special Mandatory Prepayment. The Series 2014-R1 Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts received following an event of damage, destruction or condemnation of the Leased Property (as defined in the Preliminary Official Statement) or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

Municipal Bond Insurance at Bidder's Option. The City has not taken any steps to qualify the Series 2014-R1 Certificates for municipal bond insurance and makes no representation as to whether the Series 2014-R1 Certificates will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. **In particular, the City will not amend or supplement the documents authorizing the execution and delivery of the Series 2014-R1 Certificates in any way, nor will either agree to enter into any additional agreement with respect to the provision of any such policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE SERIES 2014-R1 CERTIFICATES.**

If the Purchaser exercises this option, the Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two (2) business days following the award of the Series 2014-R1 Certificates by the City. The City will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Series 2014-R1 Certificates, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Sidley Austin LLP and Garcia, Hernández, Sawhney & Bermudez, LLP, Co-Special Counsel (collectively, "Co-Special Counsel"). **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CITY TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT EVENT WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

Tax Matters. Upon delivery of the Series 2014-R1 Certificates, Co-Special Counsel will deliver their separate legal opinions that, under existing law and assuming compliance with certain covenants in the documents pertaining to the Series 2014-R1 Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest with respect to the Series 2014-R1 Certificates is not includable in the gross income of the owners of the Series 2014-R1 Certificates for federal income tax purposes. In the further opinion of Co-Special Counsel, interest with respect to the Series 2014-R1 Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the Series 2014-R1 Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Co-Special Counsel, interest with respect to the Series 2014-R1 Certificates is exempt from personal income taxes imposed by the State of California. Co-Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to the Series 2014-R1 Certificates. See "TAX MATTERS" in the Preliminary Official Statement.

Legal Opinion. A complete copy of the proposed form of the separate legal opinions of Co-Special Counsel is set forth in Appendix F to the Preliminary Official Statement. The separate legal opinions of Co-Special Counsel with respect to the Series 2014-R1 Certificates, approving the validity of the Series 2014-R1 Certificates, will be furnished, without cost, to the Purchaser upon delivery of the Series 2014-R1 Certificates.

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for the Series 2014-R1 Certificates must be (1) for not less than all of the Series 2014-R1 Certificates hereby offered for sale, (2) for not less than 99% of the par value of the Series 2014-R1 Certificates, (3) unconditional and (4) submitted either (a) via Parity or (b) by written sealed bids on the Official Bid Form attached hereto as Exhibit B (the "Official Bid Form") and signed by a duly authorized signatory of the bidder. No telephone, telefax or telegraph bids will be accepted or considered.

If a bidder chooses to submit its bids via Parity, such bidder must follow the instructions under "–Use of Parity." If a bidder chooses to submit its bid as a written sealed bid, written sealed bids must be enclosed in a sealed envelope and delivered to the City c/o Angela Whittaker of the Office of Public Finance of the City and County of San Francisco at the address set forth on the cover of this Official Notice of Sale and clearly marked "Bid for the City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (San Francisco Courthouse Project)" or words of similar import.

To the extent any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact (i) either of the Co-Financial Advisors (Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111; telephone: (415) 982-5544 (office), Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com); or Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone: (415) 912-5612 (office), Attention: Peter J. Ross (email: rossfinancial@smkc.com)); or (ii) Parity, phone: (212) 849-5021. Bids may include a premium on the par value of the Series 2014-R1 Certificates. No bid submitted to the City is subject to withdrawal or modification by the bidder. **All bids will be deemed to incorporate and be subject to all of the terms of this Official Notice of Sale. The City retains absolute discretion to determine whether any bid, whether electronic or written sealed, is timely and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete or nonconforming with this Official Notice of Sale or has not been received.**

Use of Parity: **The use of Parity shall be at the bidder's option and risk and each bidder thereby agrees to the following terms and conditions:** (1) if any provision in this Official Notice of Sale with respect to the Series 2014-R1 Certificates conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through a News Service and/or Parity, will control; (2) each bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, nor will the City be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid; (4) the City is permitting the use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Series 2014-R1 Certificates; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the electronic transmission of a bid through Parity (including information regarding the purchase price for the Series 2014-R1 Certificates or the interest rates for any maturity of the Series 2014-R1 Certificates) is the bidder's binding offer to purchase the Series 2014-R1 Certificates; and (7) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale.

Process of Award. The City will take final action awarding the Series 2014-R1 Certificates or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

The following six (6) steps constitute the City's process for a final award of the Series 2014-R1 Certificates:

(1) The Co-Financial Advisors, on behalf of the City, will give a verbal notice of award to the apparent winning bidder (the "Apparent Winning Bidder") to be determined as described below under "–Basis of Award;"

(2) The Apparent Winning Bidder shall provide within the time specified by the City the initial reoffering prices and the Reoffering Price Certificate described under "–Public Offering; Initial Offering Prices," and "CLOSING PROCEDURES AND DOCUMENTS–Reoffering Price Certificate;"

(3) If the Apparent Winning Bidder submitted its bid via Parity, such Apparent Winning Bidder shall, promptly after verbal award, but no later than one hour after the City award, fax or email to the City (in c/o its Co-Financial Advisors and to the City's Director of Public Finance at the fax and/or email addresses provided for such purpose) the executed and completed Official Bid Form (attached hereto as <u>Exhibit B</u>), executed on the Bidder's behalf by duly authorized signatory;

(4) The Apparent Winning Bidder shall provide the Good Faith Deposit by wire transfer, as described under "–Good Faith Deposit;"

(5) The Co-Financial Advisors will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Series 2014-R1 Certificates, after adjustments, if any, are made, as described under "TERMS RELATING TO THE SERIES 2014-R1 CERTIFICATES–Adjustment of Principal Payments;" and

(6) The City will fax or email to the Apparent Winning Bidder its written final award.

Upon completion of all six (6) steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series 2014-R1 Certificates (the "Purchaser") and will be bound by the terms of the contract to purchase the Series 2014-R1 Certificates, which contract shall consist of: (a) this Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity or provided in the bidder's written sealed bid, as applicable; (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATED TO THE CERTIFICATES–Adjustment of Principal Payment;" and (d) the Official Bid Form executed and delivered, provided, however, in case of any inconsistencies between the information in the bid as originally transmitted by the Apparent Winning Bidder (either electronically or in the form of a written sealed bid) and the Official Bid Form subsequently submitted by such Apparent Winning Bidder, the data submitted electronically through Parity (or the written sealed bid, as applicable) shall control.

Basis of Award. Unless all bids are rejected, the Series 2014-R1 Certificates will be awarded to the responsible bidder whose bid represents the lowest true interest cost ("TIC") to the City, taking into account the interest rate or rates and the discount or premium, if any, specified in the bid. The TIC will be that nominal annual interest rate which, when compounded semiannually and used to discount to the dated date of the Series 2014-R1 Certificates all payments of principal and interest represented by the Series 2014-R1 Certificates, results in an amount equal to the purchase price of such Series 2014-R1 Certificates to be received by the City. In the event that two or more bidders offer bids for the Series 2014-R1 Certificates at the same lowest TIC, the City will determine by lot which bidder will be awarded such Series 2014-R1 Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of True Interest Cost. Each bidder is requested, but not required, to state in its bid the amount of interest payable on the Series 2014-R1 Certificates during the life of the issue and the percentage TIC to the City (determined as described above under "-Basis of Award"), which estimate will be considered as informative only and not binding on either the bidder or the City.

Multiple Bids. In the event multiple bids are received from a single bidder by any means or combination thereof, the City will have the right to accept the bid representing the lowest TIC to the City, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder to comply with the terms of its bid, a good faith deposit in the amount of $150,000 for the Series 2014-R1 Certificates (the "Good Faith Deposit") must be provided by the Apparent Winning Bidder.

Upon the determination by the City of the Apparent Winning Bidder of the Series 2014-R1 Certificates (as described above under "-Process of Award"), the Co-Financial Advisors will request the Apparent Winning Bidder to (i) immediately wire the Good Faith Deposit, as described below, and

(ii) provide, within ninety (90) minutes of such request by the Co-Financial Advisors, the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors: Public Financial Management, Inc., Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com) and Ross Financial, Attention: Peter J. Ross (email: rossfinancial@smkc.com) and to Angela Whittaker, telephone: (415) 554-6643 or fax: (415) 554-4864. The wire transfer is to be made to U.S. Bank, ABA: # 091000022, BNF: U.S. Bank National Association, Acct: #180121167365, Ref: CCSF 2014-R1; Attention: Andrew Fung.

In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit as required, or does not provide the Federal wire reference number confirming the wire-transfer of such deposit to the Co-Financial Advisors and Angela Whittaker within the time specified above, the City may reject the bid of the Apparent Winning Bidder and may award the Series 2014-R1 Certificates to a responsible bidder that submitted a confirming bid that represents the next lowest TIC to the City.

No interest will be paid upon a Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Series 2014-R1 Certificates purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Series 2014-R1 Certificates, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Series 2014-R1 Certificates or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, except pursuant to a right of cancellation. See "CLOSING PROCEDURES AND DOCUMENTS–Right of Cancellation." In the event of nonpayment for the Series 2014-R1 Certificates by a successful bidder, the City reserves any and all rights granted by law to recover the full purchase price of the Series 2014-R1 Certificates and, in addition, any damages suffered by the City.

Public Offering; Initial Offering Prices. The Purchaser of the Series 2014-R1 Certificates must actually reoffer all Series 2014-R1 Certificates to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers). As soon as is practicable, but not later than one hour after the award of the Series 2014-R1 Certificates, the Purchaser shall provide to the City the initial offering prices at which it has offered the Series 2014-R1 Certificates of each maturity to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), in a bona fide public offering. The Purchaser will be required to provide a certificate as to the reoffering prices and actions. The City, Co-Special Counsel and the Co-Financial Advisors will rely on the Purchaser's certification of the initial public offering prices in determining the arbitrage yield on the Series 2014-R1 Certificates. See "CLOSING PROCEDURES AND DOCUMENTS–Reoffering Price Certificate."

The price and yield will, at the discretion of the City, be reflected in the Official Statement and the Purchaser will be required to certify as to the accuracy of such information. See "CLOSING PROCEDURES AND DOCUMENTS–Purchaser Certificate Concerning Official Statement."

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through a News Service and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Series 2014-R1 Certificates, in the form of one certificate for each maturity, will be made to the Purchaser through the facilities of DTC in New York, New York, or through the facilities of the Trustee via FAST transfer, and is presently expected to take place on May 1, 2014*.** Payment for the Series 2014-R1 Certificates (including any premium) must be made at the time of delivery by wire transfer in funds immediately available in San Francisco. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The costs of preparing the Series 2014-R1 Certificates will be borne by the City. The City will deliver to the Purchaser, dated as of the delivery date, the separate legal opinions of Co-Special Counsel in the form set forth in APPENDIX F – "PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS" to the Preliminary Official Statement, subject to changes, as set forth in "TAX MATTERS" in the Preliminary Official Statement.

Qualification for Sale; Blue Sky. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Series 2014-R1 Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however*, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Series 2014-R1 Certificates, the Purchaser assumes all responsibility for qualifying the Series 2014-R1 Certificates for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Series 2014-R1 Certificates, including the payment of fees for such qualification. **The Purchaser will not sell, offer to sell or solicit any offer to buy, Series 2014-R1 Certificates in any jurisdiction where it is unlawful for such Purchaser to make such sale, offer or solicitation, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells Series 2014-R1 Certificates.**

Right of Cancellation. The Purchaser will have the right, at its option, to cancel its obligation to purchase the Series 2014-R1 Certificates only if the City fails to execute the Series 2014-R1 Certificates and tender the same for delivery within 30 days from the date of sale thereof, and in such event the Purchaser will only be entitled to the return of the Good Faith Deposit, without interest thereon.

No Litigation. The City Attorney will deliver a certificate stating that no litigation is pending (with service of process having been accomplished), or, to the knowledge of City Attorney, threatened, concerning the validity of the Trust Agreement (as defined in the Preliminary Official Statement), the San Francisco Courthouse Facilities Lease and the San Francisco Courthouse Lease Agreement (as defined in the Preliminary Official Statement, and together, the "Leases"), or the Series 2014-R1 Certificates, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Series 2014-R1 Certificates, the Trust Agreement and the Leases.

CUSIP Numbers and other Fees. It is anticipated that CUSIP numbers will be printed on the Series 2014-R1 Certificates and in the Official Statement, but neither the failure to print such numbers on any Series 2014-R1 Certificates or the Official Statement nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Series

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* Preliminary, subject to change.

2014-R1 Certificates in accordance with the terms of this Official Notice of Sale. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The City will not take any responsibility for the accuracy of such numbers. The expenses associated with printing CUSIP numbers on the Series 2014-R1 Certificates will be paid by the City.

The Purchaser will be required to pay all fees required by DTC, Securities Industry and Financial Markets Association, Municipal Securities Rulemaking Board, and other similar entity imposing a fee in connection with the execution and delivery of the Series 2014-R1 Certificates (including the California Debt and Investment Advisory Commission as described below).

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within 60 days from the sale date the statutory fee for the Series 2014-R1 Certificates purchased.

Official Statement. Copies of the Preliminary Official Statement prepared by the City will be available electronically at www.i-dealprospectus.com or will be furnished to any interested bidder upon request to the Co-Financial Advisors. The contact information for the Co-Financial Advisors is set forth on pages one and two of this Official Notice of Sale. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Series 2014-R1 Certificates, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge, for distribution in connection with the resale of the Series 2014-R1 Certificates. Upon the request of the Purchaser made within two (2) days of the award of the Series 2014-R1 Certificates, the City will supply additional copies of the Official Statement at the expense of the Purchaser.

By submitting a bid for the Series 2014-R1 Certificates, each bidder agrees, if awarded the Series 2014-R1 Certificates, (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12, and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Series 2014-R1 Certificates to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each investor who purchases Series 2014-R1 Certificates.

The form and content of the final Official Statement of the City is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

City Certificate Regarding Official Statement. At the time of delivery of the Series 2014-R1 Certificates, the Purchaser will receive a certificate, signed by the Controller of the City, confirming to the Purchaser that, to the best knowledge of said officer, the Official Statement relating to the Series 2014-R1 Certificates (excluding information regarding underwriting, the policy of municipal bond insurance and the provider thereof, if any, and DTC and its book-entry system, as to which no view will be expressed), as of the date of sale of the Series 2014-R1 Certificates and as of the date of delivery thereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Reoffering Price Certificate. On the day prior to delivery of the Series 2014-R1 Certificates, the Purchaser shall provide to the City; Sidley Austin LLP, 555 California Street, 20th Floor, San Francisco. California 94111: fax (415) 772-7400; Attention: Eric Tashman, Esq.; e-mail: etashman@sidley.com; and Garcia, Hernández, Sawhney & Bermudez, LLP, 1330 Broadway, Suite 1701, Oakland, California 94612; fax: (510) 380-7704; Attention: Krishna L. Pettitt, Esq.; e-mail: kpettitt@ghsblaw.com, a reoffering price certificate for the Series 2014-R1 Certificates in the form attached hereto as Exhibit C, which shall be dated the date of the closing and be in a form and substance acceptable to and include such additional information as may be requested by Co-Special Counsel including information necessary to complete IRS form 8038G and information regarding its sales of the Series 2014-R1 Certificates. For the purposes of this paragraph, sales of the Series 2014-R1 Certificates to other securities brokers or dealers will not be considered sales to the general public.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Series 2014-R1 Certificates, the Purchaser of the Series 2014-R1 Certificates will be required to execute and deliver to the City, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the City the initial reoffering prices or yields on the Series 2014-R1 Certificates as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Series 2014-R1 Certificates to the public at the prices and yields so shown;

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement, has been afforded an opportunity to speak to officials at the City and has not notified the City of the need to modify or supplement the final Official Statement; and

(iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist the Purchaser in complying with paragraph (b)(5) of Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("LBE") Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, 8th Floor, San Francisco, California; phone: (415) 252-2500.

Dated: April 1, 2014

EXHIBIT A CERTIFICATE OF BOND INSURER

The undersigned, the duly authorized and acting ______________________________ of ______________________________ (the "Bond Insurer"), hereby certifies on behalf of the Bond Insurer as follows:

1. The statements contained in the Official Statement dated [April 8, 2014] (the "Official Statement"), relating to the $__________ City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (San Francisco Courthouse Project) (the "Series 2014-R1 Certificates"), provided by the Insurer for use under the captions ____, which statements constitute descriptions or summaries of the municipal bond insurance policy (the "Policy") of the Bond Insurer covering the Series 2014-R1 Certificates, the Bond Insurer, and financial information concerning the Bond Insurer, accurately reflect and fairly present the information set forth therein, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

2. The form of Policy set forth in Appendix __ of the Official Statement is a true and complete copy of the Policy (except for omissions therefrom of particulars relating to the Series 2014-R1 Certificates).

[NAME OF BOND INSURER]

By: ___________________________________ Title: _________________________________

Phone: _________________________________

Date: [Date of Delivery]

EXHIBIT B

BID TIME: 8:30 a.m. (California time) ________________, 2014

OFFICIAL BID FORM FOR THE PURCHASE OF

$14,180,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R1
(SAN FRANCISCO COURTHOUSE PROJECT)

Controller
City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirmation Number: (415) 554-6643

BIDDING FIRM'S NAME:

____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated April 1, 2014, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Certificates (the "Certificates") and hereby offer to purchase all of the $14,180,000* aggregate principal amount of the Certificates described in the Official Notice of Sale on the following terms, including the submission of the required Good Faith Deposit in the amount of $150,000 by wire transfer; and to pay therefor the price of $_____________ (such amount being the "Purchase Price"), which is equal to the combined par value of the Series 2014-R1 Certificates, less an underwriters' discount of $__________, and (complete one): less a net original issue discount of $___________ or plus a net original issue premium of $__________. The Certificates shall not be subject to prepayment and shall mature in the amounts and years and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%), as set forth in the schedule below.

PAYMENT SCHEDULE
SERIES 2014-R1 CERTIFICATES

Certificate Payment Date (April 1)*	Principal Amount*	Interest Rate
2015	$ 1,790,000	______
2016	1,820,000	______
2017	1,910,000	______
2018	2,010,000	______
2019	2,110,000	______
2020	2,215,000	______
2021	2,325,000	______

____
Authorized Signatory
Title: ______________________________________
Phone Number: _______________________________
Fax Number: _________________________________

True Interest Cost (optional and not binding): __________________

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE AND COMPLETE AND CONFORMS TO THE OFFICIAL NOTICE OF SALE. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY THE DELIVERY METHOD SPECIFIED IN THE NOTICE OF SALE.

* Preliminary, subject to change.

EXHIBIT C

FORM OF REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED AND COMPLETED BY THE PURCHASER OF SERIES 2014-R1 CERTIFICATES, AS DESCRIBED UNDER "REOFFERING PRICE AND CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

This Certificate is being delivered by ______________________________________, as the purchaser (the "Purchaser"), in connection with its purchase of the $________________ aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (San Francisco Courthouse Project) (the "Series 2014-R1 Certificates"). The Purchaser hereby certifies and represents the following:

A. Issue Price.

1. The Purchaser, beginning on _________, 2014, which is the date on which it agreed to purchase the Series 2014-R1 Certificates (the "Sale Date") offered all of the Series 2014-R1 Certificates of each maturity to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide offering at their respective initial offering prices, as set forth in Schedule I attached hereto (each, an "Initial Public Offering Price").

2. The aggregate of the Initial Public Offering Prices is $_____________ (representing $____________ aggregate principal amount of the Series 2014-R1 Certificates, [plus] [minus] [net] original issue [premium] [discount] of $_________________).

3. [Except for the Series 2014-R1 Certificates maturing on April __, 20__, April __, 20__, and April __, 20__ (the "Undersold Certificates"), with] [With] respect to each maturity of the Series 2014-R1 Certificates, the Purchaser first sold for cash at least 10% of the aggregate principal amount of the Series 2014-R1 Certificates to the General Public at their Initial Public Offering Price.

4. With respect to [each maturity of] the Undersold Certificates, despite the reasonable expectation of the Purchaser to sell the Series 2014-R1 Certificates at their [respective] Initial Public Offering Price[s], the Purchaser did not sell at least 10% of the Series 2014-R1 Certificates [of the maturity] to the General Public at their [respective] Initial Public Offering Price[s]. [PROVIDE EXPLANATION].*

5. For purposes of this Certificate, the term "**General Public**" excludes bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers.

B. Compensation.

All compensation received by the Purchaser for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Series 2014-R1 Certificates will be paid in the form of a purchase discount in the amount of $_________, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Series 2014-R1 Certificates.

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* For any maturity of Undersold Certificates, the successful bidder will be required to supply an explanation, satisfactory to the issuer, as to why the successful bidder did not sell at least 10% of each such maturity.

The undersigned is an authorized representative of the Purchaser and is duly authorized by the Purchaser to execute and deliver this Certificate on behalf of the Purchaser. The Purchaser understands that the representations contained in this Certificate will be relied upon by the City and County of San Francisco in making certain of its representations in its Tax Certificate for the Series 2014-R1 Certificates and in completing and filing the Information Return for the Series 2014-R1 Certificates with the Internal Revenue Service, and by Sidley Austin LLP and Garcia, Hernández, Sawhney & Bermudez, LLP, Co-Special Counsel to the City and County of San Francisco, in rendering certain legal opinions in connection with the execution and delivery of the Series 2014-R1 Certificates.

Dated: ________________
[Closing Date]

By: ____
(Name of Purchaser)

Execution by: ____
Type Name: ____
Title: ____

OFFICIAL NOTICE OF SALE

and

OFFICIAL BID FORM

$31,770,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R2
(JUVENILE HALL PROJECT)

The City and County of San Francisco will receive bids for the above-referenced Series 2014-R2 Certificates by either the electronic bidding system specified on this Official Notice of Sale or via written sealed bids, on the date and up to the time specified below:

SALE DATE:	Tuesday, April 8, 2014 (Subject to postponement or cancellation in accordance with this Official Notice of Sale)
TIME:	9:00 a.m. (California time)
PLACE:	1 Dr. Carlton B. Goodlett Place, Room 336 San Francisco, California 94102

Telephone, telefax, or telegraph bids will not be accepted. If the Series 2014-R2 Certificates are awarded by the City, it is anticipated that delivery will be made on or about Tuesday, May 1, 2014.*

* Subject to adjustment is accordance with this Official Notice of Sale.

OFFICIAL NOTICE OF SALE

$31,770,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R2
(JUVENILE HALL PROJECT)

NOTICE IS HEREBY GIVEN that either electronic or written sealed all-or-nothing bids will be received by the City and County of San Francisco (the "City") for the purchase of $31,770,000* City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (the "Series 2014-R2 Certificates").

Electronic bids must be submitted solely through the Ipreo LLC's BiDCOMP™/PARITY® System ("Parity"), as the only approved electronic bidding service for the Series 2014-R2 Certificates, and written sealed bids must be delivered at the Office of Public Finance, City Hall, Room 336, 1 Dr. Carlton B. Goodlett Place, San Francisco, California 94102, on the date and up to the time specified below:

Tuesday, April 8, 2014, until 9:00 a.m. California Time

(Subject to postponement in accordance with this Official Notice of Sale)

Bidding procedures and sale terms are as described in this Official Notice of Sale. No telephone, telefax, or telegraph bids will be accepted or considered. The Series 2014-R2 Certificates are described in the City's Preliminary Official Statement for the Series 2014-R2 Certificates dated April 1, 2014 (the "Preliminary Official Statement").

Each bidder choosing to submit a bid via Parity shall be solely responsible for registering to bid via Parity and for all costs, fees or other expenses incurred by the bidder in connection with the bid and/or the use of Parity. The use of Parity shall be at the bidder's risk. Each bidder expressly assumes the risk for any error contained in any bid submitted through Parity, or for failure of any bid to be transmitted or received including without limitation the risk of any incomplete or untimely bid submitted by such bidder by reason of failed or garbled transmissions, mechanical failure, engaged telecommunications lines, or any other cause. None of the City, the City Attorney, or any City consultant or legal representative of the City, assumes any responsibility for any such error or failed or garbled transmission of any bid. The official time of receipt of bids will be determined by the City's Director of Public Finance, and the City will not be required to accept the time kept by Parity as the official time. Additional terms and conditions regarding the use of Parity are set forth below in "TERMS OF SALE–Form of Bids; Delivery of Bids."

Postponement or Cancellation of Sale; Notice. **THE RECEIPT OF BIDS ON APRIL 8, 2014 MAY BE POSTPONED OR CANCELLED BY THE CITY AT OR PRIOR TO THE TIME BIDS ARE TO BE RECEIVED. NOTICE OF SUCH POSTPONEMENT OR CANCELLATION WILL BE COMMUNICATED THROUGH ANY OF THE BOND BUYER WIRE, THOMSON FINANCIAL OR BLOOMBERG BUSINESS NEWS (EACH, A "NEWS SERVICE") AND/OR PARITY AS SOON AS PRACTICABLE FOLLOWING SUCH POSTPONEMENT OR CANCELLATION.** Notice of the new date and time for receipt of bids shall be given through a News Service and/or Parity as soon as practicable following a postponement and no later than 1:00 p.m., California time, on the business day preceding the new date for receiving bids. If the sale is canceled, all written sealed bids will be returned unopened. Failure of any potential bidder to receive notice of postponement or cancellation will not affect the sufficiency of any such

* Subject to adjustment is accordance with this Official Notice of Sale.

notice. In the event of a postponement of the sale only, any subsequent bid submitted by a bidder will supersede any prior bid made.

As an accommodation to bidders, notice of such postponement and of the new sale date and time will be given to any bidder requesting such notice from: Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111; telephone: (415) 982-5544 (office), Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com); and Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone: (415) 912-5612 (office), Attention: Peter J. Ross (email: rossfinancial@smkc.com) (the "Co-Financial Advisors"); provided, however, that failure of any bidder to receive such supplemental notice shall not affect the sufficiency of any such notice or the legality of the sale.

Modification or Amendment; Notice. Other than with respect to postponement or cancellation as described above, the City reserves the right to modify or amend this Official Notice of Sale in any respect. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale. See "TERMS OF SALE–Right to Modify or Amend."

Notice of Sale; Posting; Priority. This Official Notice of Sale will be submitted for posting to the Parity bid delivery system (as described in "TERMS OF SALE – Form of Bids; Delivery of Bids" below). In the event the summary of the terms of sale of the Series 2014-R2 Certificates posted on Parity conflicts with this Official Notice of Sale, or any amendment hereto, in any respect, the terms of this Official Notice of Sale and any amendment hereto shall control.

TERMS RELATING TO THE SERIES 2014-R2 CERTIFICATES

THE TERMS, AUTHORITY FOR EXECUTION AND DELIVERY, PURPOSES, REPAYMENT, SECURITY, FORM OF LEGAL OPINIONS OF CO-SPECIAL COUNSEL AND OTHER INFORMATION REGARDING THE SERIES 2014-R2 CERTIFICATES ARE PRESENTED IN THE PRELIMINARY OFFICIAL STATEMENT, WHICH EACH BIDDER IS DEEMED TO HAVE OBTAINED AND REVIEWED PRIOR TO BIDDING FOR THE SERIES 2014-R2 CERTIFICATES. THIS OFFICIAL NOTICE OF SALE GOVERNS ONLY THE TERMS OF SALE, BIDDING, AWARD AND CLOSING PROCEDURES FOR THE SERIES 2014-R2 CERTIFICATES. THE DESCRIPTION OF THE SERIES 2014-R2 CERTIFICATES CONTAINED IN THIS OFFICIAL NOTICE OF SALE IS QUALIFIED IN ALL RESPECTS BY THE DESCRIPTION OF THE SERIES 2014-R2 CERTIFICATES CONTAINED IN THE PRELIMINARY OFFICIAL STATEMENT.

Subject to the foregoing, the Series 2014-R2 Certificates are generally described as follows:

Issue. The $31,770,000* aggregate principal amount of the Series 2014-R2 Certificates will be issued as fully registered certificates without coupons in book-entry form in denominations of $5,000 or any integral multiple thereof, all dated the date of execution and delivery, which is expected to be May 1, 2014*. See "CLOSING PROCEDURES AND DOCUMENTS-Delivery and Payment." If the sale is postponed, notice of the new date of the sale will also set forth the new date of delivery of the Series 2014-R2 Certificates.

Book-Entry Only. The Series 2014-R2 Certificates will be registered in the name of a nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2014-R2 Certificates. Individual purchases will be made in book-entry form only, and the Purchaser (as defined below under "TERMS OF SALE–Process of Award") will not receive

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* Preliminary, subject to change.

certificates representing its interest in the Series 2014-R2 Certificates purchased. As of the date of award of the Series 2014-R2 Certificates, the Purchaser must either participate in DTC or must clear through or maintain a custodial relationship with an entity that participates in DTC.

Interest Rates. Interest evidenced and represented by the Series 2014-R2 Certificates will be payable semiannually on April 1 and October 1 of each year (each, an "Interest Payment Date"), commencing on October 1, 2014. Interest on a Series 2014-R2 Certificate will be payable continuing to and including the Certificate Payment Date (defined below) or on prepayment prior thereto. Interest with respect to the Series 2014-R2 Certificates will be calculated on the basis of a 30-day month, 360-day year from the date of the Series 2014-R2 Certificates, as further described in the Preliminary Official Statement.

Bidders must specify the rate or rates of interest which each Series 2014-R2 Certificate will bear. Bidders may specify any number of separate rates, and the same rate or rates may be repeated as often as desired, provided that:

(i) The maximum interest rate bid shall not exceed six percent (6%) per annum;

(ii) Each interest rate specified in any bid must be a multiple of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum and a zero rate of interest cannot be named;

(iii) Each Series 2014-R2 Certificate shall bear interest from its date to its stated payment date at the single rate of interest specified in the bid;

(iv) A single interest payment shall be due on each Series 2014-R2 Certificate on each Interest Payment Date, and no supplemental payments will be permitted; and

(v) All Series 2014-R2 Certificate payments due at any one time shall bear the same rate of interest.

Principal Payments. The Series 2014-R2 Certificates shall be serial and/or term Series 2014-R2 Certificates, as specified by each bidder and principal shall be payable on April 1 of each year, commencing on April 1, 2015 (each, a "Certificate Payment Date"), calculated to produce approximately level annual debt service on a fiscal year basis. No term Series 2014-R2 Certificate shall require sinking fund payments prior to April 1, 2023. The final Certificate Payment Date shall be no later than April 1, 2034. No serial 2014-R2 Certificates may have a Certificate Payment Date following the commencement of the first mandatory sinking fund payment. For any term certificates specified, the principal amount for a given year may be allocated only to a single term certificate and must be part of an uninterrupted annual sequence from the first sinking account installment prepayment to the term certificate final Certificate Payment Date.

The principal amount of the serial payments or mandatory sinking fund payments for the Series 2014-R2 Certificates is shown below for information purposes only. Subject to adjustment as herein provided, the principal amount of the serial payments or sinking account installment prepayment for the Series 2014-R2 Certificates in each year is as follows:

Certificate Payment Date (April 1) *	Certificate Principal Amount*
2015	$1,080,000
2016	1,005,000
2017	1,055,000
2018	1,105,000
2019	1,165,000
2020	1,225,000
2021	1,280,000
2022	1,345,000
2023	1,415,000
2024	1,485,000
2025	1,560,000
2026	1,640,000
2027	1,720,000
2028	1,805,000
2029	1,895,000
2030	1,990,000
2031	2,085,000
2032	2,195,000
2033	2,305,000
2034	2,415,000
Total	$31,770,000

*Subject to adjustment in accordance with this Official Notice of Sale.

Adjustment of Principal Payments. The principal amounts set forth in this Official Notice of Sale reflect certain estimates of the City with respect to the likely interest rates of the winning bid. **Potential bidders will be notified via a News Service and/or Parity prior to the sale of any change to the principal payment schedule for the Series 2014-R2 Certificates to be utilized for the bidding process.** The City reserves the right to change the Certificate Payment Amounts set forth above after the determination of the apparent winning bidder (see "TERMS OF SALE–Process of Award"), by increasing or decreasing the aggregate principal amount of Series 2014-R2 Certificates and/or by adjusting one or more principal payments of the Series 2014-R2 Certificates in increments of $5,000, as determined in the sole discretion of the City. Any such adjustment of principal payments with respect to the Series 2014-R2 Certificates shall be based on the schedule of principal payments provided by the City to be used as the basis of bids for the Series 2014-R2 Certificates. Any such adjustment will not change the average per Certificate dollar amount of the Purchaser's discount. See also "TERMS OF SALE–Right to Modify or Amend," regarding the City's right to modify or amend this Official Notice of Sale in any respect including, without limitation, increasing or decreasing the principal amount of any serial maturity for the Series 2014-R2 Certificates and adding or deleting serial or term maturity payment dates, along with corresponding principal amounts with respect thereto.

IN THE EVENT OF ANY SUCH ADJUSTMENT, NO REBIDDING OR RECALCULATION OF THE BIDS SUBMITTED WILL BE REQUIRED OR PERMITTED AND NO SUCCESSFUL BID MAY BE WITHDRAWN. A PURCHASER MAY NOT CHANGE THE INTEREST RATES IN ITS BID OR THE REOFFERING PRICES IN ITS REOFFERING PRICE CERTIFICATE AS A RESULT OF ANY CHANGES MADE TO THE PRINCIPAL PAYMENTS OF THE SERIES OF THE SERIES 2014-R2 CERTIFICATES IN ACCORDANCE WITH THIS OFFICIAL NOTICE OF SALE.

Optional Prepayment. The Series 2014-R2 Certificates with a Certificate Payment Date on or after April 1, 2023, are subject to optional prepayment prior to their respective Certificate Payment Dates in whole or in part (and if in part, in such order of maturity as the City specifies and within a maturity by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations) on any date on or after April 1, 2022, at the option of the City, if the City exercises its option under the Juvenile Hall Lease Agreement (as defined in the Preliminary Official Statement) to prepay the principal component of the Base Rental payments at a prepayment price equal to sum of the principal component of the Series 2014-R2 Certificates called for prepayment plus the interest component of such Series 2014-R2 Certificates to the prepayment date, without premium.

Sinking Fund Prepayment. The Series 2014-R2 Certificates are further subject to prepayment prior to their respective stated Certificate Payment Dates on April 1 of each year for which a sinking account installment prepayment as specified by the bidder, by lot in the principal amount to be prepaid and accrued interest thereon to the prepayment date, without premium, but only in amounts equal to, and in accordance with, the scheduled prepaid components of the Base Rental represented by the Series 2014-R2 Certificates to be prepaid.

Special Mandatory Prepayment. The Series 2014-R2 Certificates are subject to mandatory prepayment prior to their respective Certificate Payment Dates in whole or in part on any date, at the Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts received following an event of damage, destruction or condemnation of the Leased Property (as defined in the Preliminary Official Statement) or any portion thereof or loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

Municipal Bond Insurance at Bidder's Option. The City has not taken any steps to qualify the Series 2014-R2 Certificates for municipal bond insurance and makes no representation as to whether the Series 2014-R2 Certificates will qualify for municipal bond insurance. Payment of any insurance premium and satisfaction of any conditions to the issuance of a municipal bond insurance policy and payment of any additional rating agency fees shall be the sole responsibility of the bidder. **In particular, the City will not amend or supplement the documents authorizing the execution and delivery of the Series 2014-R2 Certificates in any way, nor will either agree to enter into any additional agreement with respect to the provision of any such policy. FAILURE OF THE INSURANCE PROVIDER TO ISSUE ITS POLICY SHALL NOT CONSTITUTE CAUSE FOR A FAILURE OR REFUSAL BY THE PURCHASER TO ACCEPT DELIVERY OF OR PAY FOR THE SERIES 2014-R2 CERTIFICATES.**

If the Purchaser exercises this option, the Purchaser must provide the City with the municipal bond insurance commitment, including the amount of the policy premium, as well as information with respect to the municipal bond insurance policy and the insurance provider for inclusion in the final Official Statement within two (2) business days following the award of the Series 2014-R2 Certificates by the City. The City will require a certificate from the insurance provider substantially in the form attached hereto as Exhibit A on or prior to the date of delivery of the Series 2014-R2 Certificates, as well as an opinion of counsel to the insurance provider regarding the enforceability of the municipal bond insurance policy and a tax certificate, each in form reasonably satisfactory to the City and Sidley Austin LLP and Garcia, Hernández, Sawhney & Bermudez, LLP, Co-Special Counsel (collectively, "Co-Special Counsel"). **THE PURCHASER SHALL PAY ALL COSTS ASSOCIATED WITH ANY DECISION OF THE CITY TO AMEND, SUPPLEMENT, REPRINT AND/OR "STICKER" THE FINAL OFFICIAL STATEMENT AS A RESULT OF A FAILURE BY THE PURCHASER TO TIMELY PROVIDE INFORMATION FOR THE FINAL OFFICIAL STATEMENT OR ANY SUBSEQUENT EVENT WHICH RESULTS IN THE MUNICIPAL BOND INSURANCE DISCLOSURE PRINTED IN THE FINAL OFFICIAL STATEMENT BEING INACCURATE OR OTHERWISE INADEQUATE.**

Tax Matters. Upon delivery of the Series 2014-R2 Certificates, Co-Special Counsel will deliver their separate legal opinions that, under existing law and assuming compliance with certain covenants in the documents pertaining to the Series 2014-R2 Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest with respect to the Series 2014-R2 Certificates is not includable in the gross income of the owners of the Series 2014-R2 Certificates for federal income tax purposes. In the further opinion of Co-Special Counsel, interest with respect to the Series 2014-R2 Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the Series 2014-R2 Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Co-Special Counsel, interest with respect to the Series 2014-R2 Certificates is exempt from personal income taxes imposed by the State of California. Co-Special Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest with respect to the Series 2014-R2 Certificates. See "TAX MATTERS" in the Preliminary Official Statement.

Legal Opinion. A complete copy of the proposed form of the separate legal opinions of Co-Special Counsel is set forth in Appendix F to the Preliminary Official Statement. The separate legal opinions of Co-Special Counsel with respect to the Series 2014-R2 Certificates, approving the validity of the Series 2014-R2 Certificates, will be furnished, without cost, to the Purchaser upon delivery of the Series 2014-R2 Certificates.

TERMS OF SALE

Form of Bids; Delivery of Bids. Each bid for Series 2014-R2 Certificates must be (1) for not less than all of the Series 2014-R2 Certificates hereby offered for sale, (2) for not less than 99% of the par value of the Series 2014-R2 Certificates, (3) unconditional and (4) submitted either (a) via Parity or (b) by written sealed bids on the Official Bid Form attached hereto as Exhibit B (the "Official Bid Form") and signed by a duly authorized signatory of the bidder. No telephone, telefax or telegraph bids will be accepted or considered.

If a bidder chooses to submit its bids via Parity, such bidder must follow the instructions under "–Use of Parity." If a bidder chooses to submit its bid as a written sealed bid, written sealed bids must be enclosed in a sealed envelope and delivered to the City c/o Angela Whittaker of the Office of Public Finance of the City and County of San Francisco at the address set forth on the cover of this Official

Notice of Sale and clearly marked "Bid for the City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (Juvenile Hall Project)" or words of similar import.

To the extent any instructions or directions set forth in Parity conflict with this Official Notice of Sale, the terms of this Official Notice of Sale shall control. For further information about Parity, potential bidders may contact (i) either of the Co-Financial Advisors (Public Financial Management, Inc., 50 California Street, Suite 2300, San Francisco, California 94111; telephone: (415) 982-5544 (office), Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com); or Ross Financial, 1736 Stockton Street, Suite 1, San Francisco, California 94133; telephone: (415) 912-5612 (office), Attention: Peter J. Ross (email: rossfinancial@smkc.com)); or (ii) Parity, phone: (212) 849-5021. Bids may include a premium on the par value of the Series 2014-R2 Certificates. No bid submitted to the City is subject to withdrawal or modification by the bidder. **All bids will be deemed to incorporate and be subject to all of the terms of this Official Notice of Sale. The City retains absolute discretion to determine whether any bid, whether electronic or written sealed, is timely and complete and conforms to this Official Notice of Sale. The City takes no responsibility for informing any bidder prior to the time for receiving bids that its bid is incomplete or nonconforming with this Official Notice of Sale or has not been received.**

Use of Parity: **The use of Parity shall be at the bidder's option and risk and each bidder thereby agrees to the following terms and conditions:** (1) if any provision in this Official Notice of Sale with respect to the Series 2014-R2 Certificates conflicts with information or terms provided or required by Parity, this Official Notice of Sale, including any amendments or modifications issued through a News Service and/or Parity, will control; (2) each bidder is solely responsible for making necessary arrangements to access Parity for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Sale; (3) the City will not have any duty or obligation to provide or assure access to Parity to any bidder, nor will the City be responsible for proper operation of, or have any liability for, any delays, interruptions or damages caused by use of Parity or any incomplete, inaccurate or untimely bid; (4) the City is permitting the use of Parity as a communication mechanism, and not as an agent of the City, to facilitate the submission of electronic bids for the Series 2014-R2 Certificates; Parity is acting as an independent contractor, and is not acting for or on behalf of the City; (5) the City is not responsible for ensuring or verifying bidder compliance with any procedures established by Parity; (6) the electronic transmission of a bid through Parity (including information regarding the purchase price for the Series 2014-R2 Certificates or the interest rates for any maturity of the Series 2014-R2 Certificates) is the bidder's binding offer to purchase the Series 2014-R2 Certificates; and (7) information provided by Parity to bidders will form no part of any bid or of any contract between the Purchaser and the City unless that information is included in this Official Notice of Sale.

Process of Award. The City will take final action awarding the Series 2014-R2 Certificates or rejecting all bids not later than thirty (30) hours after the time for receipt of bids, unless such time period is waived by the Purchaser.

The following six (6) steps constitute the City's process for a final award of the Series 2014-R2 Certificates:

(1) The Co-Financial Advisors, on behalf of the City, will give a verbal notice of award to the apparent winning bidder (the "Apparent Winning Bidder") to be determined as described below under "–Basis of Award;"

(2) The Apparent Winning Bidder shall provide within the time specified by the City the initial reoffering prices and the Reoffering Price Certificate described under "–Public Offering; Initial Offering Prices," and "CLOSING PROCEDURES AND DOCUMENTS–Reoffering Price Certificate;"

(3) If the Apparent Winning Bidder submitted its bid via Parity, such Apparent Winning Bidder shall, promptly after verbal award, but no later than one hour after the City award, fax or email to the City (in c/o its Co-Financial Advisors and to the City's Director of Public Finance at the fax and/or email addresses provided for such purpose) the executed and completed Official Bid Form (attached hereto as Exhibit B), executed on the Bidder's behalf by duly authorized signatory;

(4) The Apparent Winning Bidder shall provide the Good Faith Deposit by wire transfer, as described under "–Good Faith Deposit;"

(5) The Co-Financial Advisors will fax or email to the Apparent Winning Bidder confirmation of the final principal amortization schedule and purchase price for the Series 2014-R2 Certificates, after adjustments, if any, are made, as described under "TERMS RELATING TO THE SERIES 2014-R2 CERTIFICATES–Adjustment of Principal Payments;" and

(6) The City will fax or email to the Apparent Winning Bidder its written final award.

Upon completion of all six (6) steps described above, the Apparent Winning Bidder will be deemed the Purchaser of the Series 2014-R2 Certificates (the "Purchaser") and will be bound by the terms of the contract to purchase the Series 2014-R2 Certificates, which contract shall consist of: (a) this Official Notice of Sale; (b) the information that is transmitted electronically by the bidder through Parity or provided in the bidder's written sealed bid, as applicable; (c) any adjustments to the final principal amortization schedule and purchase price made as described under "TERMS RELATED TO THE CERTIFICATES–Adjustment of Principal Payment;" and (d) the Official Bid Form executed and delivered, provided, however, in case of any inconsistencies between the information in the bid as originally transmitted by the Apparent Winning Bidder (either electronically or in the form of a written sealed bid) and the Official Bid Form subsequently submitted by such Apparent Winning Bidder, the data submitted electronically through Parity (or the written sealed bid, as applicable) shall control.

Basis of Award. Unless all bids are rejected, the Series 2014-R2 Certificates will be awarded to the responsible bidder whose bid represents the lowest true interest cost ("TIC") to the City, taking into account the interest rate or rates and the discount or premium, if any, specified in the bid. The TIC will be that nominal annual interest rate which, when compounded semiannually and used to discount to the dated date of the Series 2014-R2 Certificates all payments of principal and interest represented by the Series 2014-R2 Certificates, results in an amount equal to the purchase price of such Series 2014-R2 Certificates to be received by the City. In the event that two or more bidders offer bids for the Series 2014-R2 Certificates at the same lowest TIC, the City will determine by lot which bidder will be awarded such Series 2014-R2 Certificates. Bid evaluations or rankings made by Parity are not binding on the City.

Estimate of True Interest Cost. Each bidder is requested, but not required, to state in its bid the amount of interest payable on the Series 2014-R2 Certificates during the life of the issue and the percentage TIC to the City (determined as described above under "-Basis of Award"), which estimate will be considered as informative only and not binding on either the bidder or the City.

Multiple Bids. In the event multiple bids are received from a single bidder by any means or combination thereof, the City will have the right to accept the bid representing the lowest TIC to the City, and each bidder agrees by submitting any bid to be bound by the bid representing the lowest TIC to the City.

Good Faith Deposit. To secure the City from any loss resulting from the failure of the Apparent Winning Bidder to comply with the terms of its bid, a good faith deposit in the amount of $350,000 for the Series 2014-R2 Certificates (the "Good Faith Deposit") must be provided by the Apparent Winning Bidder.

Upon the determination by the City of the Apparent Winning Bidder of Series 2014-R2 Certificates (as described above under "-Process of Award"), the Co-Financial Advisors will request the Apparent Winning Bidder to (i) immediately wire the Good Faith Deposit, as described below, and (ii) provide, within ninety (90) minutes of such request by the Co-Financial Advisors, the Federal wire reference number of such Good Faith Deposit to the Co-Financial Advisors: Public Financial Management, Inc., Attention: Sarah Hollenbeck (email: hollenbecks@pfm.com) and Ross Financial, Attention: Peter J. Ross (email: rossfinancial@smkc.com) and to Angela Whittaker, telephone: (415) 554-6643 or fax: (415) 554-4864. The wire transfer is to be made to U.S. Bank, ABA: # 091000022, BNF: U.S. Bank National Association, Acct: #180121167365, Ref: CCSF 2014-R2; Attention: Andrew Fung.

In the event that the Apparent Winning Bidder does not wire the Good Faith Deposit as required, or does not provide the Federal wire reference number confirming the wire-transfer of such deposit to the Co-Financial Advisors and Angela Whittaker within the time specified above, the City may reject the bid of the Apparent Winning Bidder and may award the Series 2014-R2 Certificates to a responsible bidder that submitted a confirming bid that represents the next lowest TIC to the City.

No interest will be paid upon a Good Faith Deposit made by any bidder. The Good Faith Deposit of the Purchaser will immediately become the property of the City. The Good Faith Deposit will be held and invested for the exclusive benefit of the City. The Good Faith Deposit, without interest thereon, will be credited against the purchase price of the Series 2014-R2 Certificates purchased by the Purchaser at the time of delivery thereof.

If the purchase price is not paid in full upon tender of the Series 2014-R2 Certificates, the City shall retain the Good Faith Deposit and the Purchaser will have no right in or to the Series 2014-R2 Certificates or to the recovery of its Good Faith Deposit, or to any allowance or credit by reason of such deposit, except pursuant to a right of cancellation. See "CLOSING PROCEDURES AND DOCUMENTS–Right of Cancellation." In the event of nonpayment for the Series 2014-R2 Certificates by a successful bidder, the City reserves any and all rights granted by law to recover the full purchase price of the Series 2014-R2 Certificates and, in addition, any damages suffered by the City.

Public Offering; Initial Offering Prices. The Purchaser of the Series 2014-R2 Certificates must actually reoffer all Series 2014-R2 Certificates to the general public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers). As soon as is practicable, but not later than one hour after the award of the Series 2014-R2 Certificates, the Purchaser shall provide to the City the initial offering prices at which it has offered the Series 2014-R2 Certificates of each maturity to the general public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters or wholesalers), in a bona fide public offering. The Purchaser will be required to provide a certificate as to the reoffering prices and actions. The City, Co-Special Counsel and the Co-Financial Advisors will rely on the Purchaser's certification of the initial public offering prices in determining the arbitrage yield on the Series 2014-R2 Certificates. See "CLOSING PROCEDURES AND DOCUMENTS–Reoffering Price Certificate."

The price and yield will, at the discretion of the City, be reflected in the Official Statement and the Purchaser will be required to certify as to the accuracy of such information. See "CLOSING PROCEDURES AND DOCUMENTS–Purchaser Certificate Concerning Official Statement."

Right of Rejection and Waiver of Irregularity. The City reserves the right, in its sole and absolute discretion, to reject any and all bids, for any reason, and to waive any irregularity or informality in any bid.

Right to Modify or Amend. The City reserves the right to modify or amend this Official Notice of Sale in any respect; *provided*, that any such modification or amendment will be communicated to potential bidders through a News Service and/or Parity not later than 1:00 p.m. (California time) on the business day preceding the date for receiving bids. Failure of any potential bidder to receive notice of any modification or amendment will not affect the sufficiency of any such notice or the legality of the sale.

CLOSING PROCEDURES AND DOCUMENTS

Delivery and Payment. **Delivery of the Series 2014-R2 Certificates, in the form of one certificate for each maturity, will be made to the Purchaser through the facilities of DTC in New York, New York, or through the facilities of the Trustee via FAST transfer, and is presently expected to take place on May 1, 2014*.** Payment for the Series 2014-R2 Certificates (including any premium) must be made at the time of delivery by wire transfer in funds immediately available in San Francisco. Any expense for making payment in immediately available funds shall be borne by the Purchaser. The costs of preparing the Series 2014-R2 Certificates will be borne by the City. The City will deliver to the Purchaser, dated as of the delivery date, the separate legal opinions of Co-Special Counsel in the form set forth in "APPENDIX F – PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS" to the Preliminary Official Statement, subject to changes, as set forth in "TAX MATTERS" in the Preliminary Official Statement.

Qualification for Sale; Blue Sky. The City will furnish such information and take such action not inconsistent with law as the Purchaser may request and the City may deem necessary or appropriate to qualify the Series 2014-R2 Certificates for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States of America as may be designated by the Purchaser; *provided, however*, that the City will not execute a general or special consent to service of process or qualify to do business in connection with such qualification or determination in any jurisdiction. By submitting its bid for the Series 2014-R2 Certificates, the Purchaser assumes all responsibility for qualifying the Series 2014-R2 Certificates for offer and sale under the Blue Sky or other securities laws and regulations of the states and jurisdictions in which the Purchaser offers or sells the Series 2014-R2 Certificates, including the payment of fees for such qualification. **The Purchaser will not sell, offer to sell or solicit any offer to buy, Series 2014-R2 Certificates in any jurisdiction where it is unlawful for such Purchaser to make such sale, offer or solicitation, and the Purchaser shall comply with the Blue Sky and other securities laws and regulations of the states and jurisdictions in which the Purchaser sells Series 2014-R2 Certificates.**

Right of Cancellation. The Purchaser will have the right, at its option, to cancel its obligation to purchase the Series 2014-R2 Certificates only if the City fails to execute the Series 2014-R2 Certificates and tender the same for delivery within 30 days from the date of sale thereof, and in such event the Purchaser will only be entitled to the return of the Good Faith Deposit, without interest thereon.

No Litigation. The City Attorney will deliver a certificate stating that no litigation is pending (with service of process having been accomplished), or, to the knowledge of City Attorney, threatened, concerning the validity of the Trust Agreement (as defined in the Preliminary Official Statement), the Juvenile Hall Facilities Lease and the Juvenile Hall Lease Agreement (as defined in the Preliminary

* Preliminary, subject to change.

Official Statement, and together, the "Leases") or the Series 2014-R2 Certificates, the corporate existence of the City, or the title to their respective offices of the officers of the City who will execute the Series 2014-R2 Certificates, the Trust Agreement and the Leases.

CUSIP Numbers and other Fees. It is anticipated that CUSIP numbers will be printed on the Series 2014-R2 Certificates and in the Official Statement, but neither the failure to print such numbers on any Series 2014-R2 Certificates or the Official Statement nor any error with respect thereto will constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Series 2014-R2 Certificates in accordance with the terms of this Official Notice of Sale. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP numbers will be provided for convenience of reference only. The City will not take any responsibility for the accuracy of such numbers. The expenses associated with printing CUSIP numbers on the Series 2014-R2 Certificates will be paid by the City.

The Purchaser will be required to pay all fees required by DTC, Securities Industry and Financial Markets Association, Municipal Securities Rulemaking Board, and other similar entity imposing a fee in connection with the execution and delivery of the Series 2014-R2 Certificates (including the California Debt and Investment Advisory Commission as described below).

California Debt and Investment Advisory Commission Fee. Pursuant to Section 8856 of the California Government Code, the Purchaser must pay to the California Debt and Investment Advisory Commission within 60 days from the sale date the statutory fee for the Series 2014-R2 Certificates purchased.

Official Statement. Copies of the Preliminary Official Statement prepared by the City will be available electronically at www.i-dealprospectus.com or will be furnished to any interested bidder upon request to the Co-Financial Advisors. The contact information for the Co-Financial Advisors is set forth on pages one and two of this Official Notice of Sale. In accordance with Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), the City deems such Preliminary Official Statement final as of its date, except for the omission of certain information permitted by Rule 15c2-12. Within seven business days after the date of award of the Series 2014-R2 Certificates, the Purchaser will be furnished with a reasonable number of copies (not to exceed 100) of the final Official Statement, without charge, for distribution in connection with the resale of the Series 2014-R2 Certificates. Upon the request of the Purchaser made within two (2) days of the award of the Series 2014-R2 Certificates, the City will supply additional copies of the Official Statement at the expense of the Purchaser.

By submitting a bid for the Series 2014-R2 Certificates, each bidder agrees, if awarded the Series 2014-R2 Certificates, (i) to disseminate to all members of the underwriting syndicate, if any, copies of the final Official Statement, including any supplements prepared by the City, (ii) to promptly file a copy of the final Official Statement, including any supplements prepared by the City, with a nationally recognized municipal securities information repository, as defined in Rule 15c2-12, and (iii) to take any and all other actions necessary to comply with applicable Securities and Exchange Commission and Municipal Securities Rulemaking Board rules governing the offering, sale and delivery of the Series 2014-R2 Certificates to the ultimate purchasers, including without limitation the delivery of a final Official Statement to each investor who purchases Series 2014-R2 Certificates.

The form and content of the final Official Statement of the City is within the sole discretion of the City. The Purchaser's name will not appear on the cover of the Official Statement.

City Certificate Regarding Official Statement. At the time of delivery of the Series 2014-R2 Certificates, the Purchaser will receive a certificate, signed by the Controller of the City, confirming to the Purchaser that, to the best knowledge of said officer, the Official Statement relating to the Series

2014-R2 Certificates (excluding information regarding underwriting, the policy of municipal bond insurance and the provider thereof, if any, and DTC and its book-entry system, as to which no view will be expressed), as of the date of sale of the Series 2014-R2 Certificates and as of the date of delivery thereof, did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Reoffering Price Certificate. On the day prior to delivery of the Series 2014-R2 Certificates, the Purchaser shall provide to the City; Sidley Austin LLP, 555 California Street, 20th Floor, San Francisco. California 94111: fax (415) 772-7400; Attention: Eric Tashman, Esq.; e-mail: etashman@sidley.com; and Garcia, Hernández, Sawhney & Bermudez, LLP, 1330 Broadway, Suite 1701, Oakland, California 94612; fax: (510) 380-7704; Attention: Krishna L. Pettitt, Esq.; e-mail: kpettitt@ghsblaw.com, a reoffering price certificate for the Series 2014-R2 Certificates in the form attached hereto as Exhibit C, which shall be dated the date of the closing and be in a form and substance acceptable to and include such additional information as may be requested by Co-Special Counsel including information necessary to complete IRS form 8038G and information regarding its sales of the Series 2014-R2 Certificates. For the purposes of this paragraph, sales of the Series 2014-R2 Certificates to other securities brokers or dealers will not be considered sales to the general public.

Purchaser Certificate Concerning Official Statement. As a condition of delivery of the Series 2014-R2 Certificates, the Purchaser of the Series 2014-R2 Certificates will be required to execute and deliver to the City, prior to the date of closing, a certificate to the following effect:

(i) The Purchaser has provided to the City the initial reoffering prices or yields on the Series 2014-R2 Certificates as printed in the final Official Statement, and the Purchaser has made a bona fide offering of the Series 2014-R2 Certificates to the public at the prices and yields so shown;

(ii) The Purchaser has not undertaken any responsibility for the contents of the final Official Statement. The Purchaser, in accordance with and as part of its responsibilities under the federal securities laws, has reviewed the information in the final Official Statement, has been afforded an opportunity to speak to officials at the City and has not notified the City of the need to modify or supplement the final Official Statement; and

(iii) The foregoing statements will be true and correct as of the date of closing.

Continuing Disclosure. In order to assist the Purchaser in complying with paragraph (b)(5) of Rule 15c2-12, the City will undertake, pursuant to a Continuing Disclosure Certificate, to provide certain annual financial information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Equal Opportunity. Pursuant to the spirit and intent of the City's Local Business Enterprise ("LBE") Ordinance, Chapter 14B of the Administrative Code of the City, the City strongly encourages the inclusion of Local Business Enterprises certified by the San Francisco Human Rights Commission in prospective bidding syndicates. A list of certified LBEs may be obtained from the San Francisco Human Rights Commission, 25 Van Ness Avenue, 8th Floor, San Francisco, California; phone: (415) 252-2500.

Dated: April 1, 2014

EXHIBIT A CERTIFICATE OF BOND INSURER

The undersigned, the duly authorized and acting ______________________________ of ______________________________ (the "Bond Insurer"), hereby certifies on behalf of the Bond Insurer as follows:

1. The statements contained in the Official Statement dated [April 8, 2014] (the "Official Statement"), relating to the $__________________ City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (Juvenile Hall Project)(the "Series 2014-R2 Certificates"), provided by the Insurer for use under the captions ____, which statements constitute descriptions or summaries of the municipal bond insurance policy (the "Policy") of the Bond Insurer covering the Series 2014-R2 Certificates, the Bond Insurer, and financial information concerning the Bond Insurer, accurately reflect and fairly present the information set forth therein, and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and

2. The form of Policy set forth in Appendix __ of the Official Statement is a true and complete copy of the Policy (except for omissions therefrom of particulars relating to the Series 2014-R2 Certificates).

[NAME OF BOND INSURER]

By: ___________________________________ Title: _________________________________

Phone: _________________________________

Date: [Date of Delivery]

EXHIBIT B

BID TIME: 9:00 a.m. (California time) ________________, 2014

OFFICIAL BID FORM FOR THE PURCHASE OF
$31,770,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2014-R2
(JUVENILE HALL PROJECT)

Controller
City and County of San Francisco
c/o Office of Public Finance
1 Dr. Carlton B. Goodlett Place, Room 336
San Francisco, California 94102
Confirmation Number: (415) 554-6643

BIDDING FIRM'S NAME:

____

Subject to the provisions and in accordance with the terms of the Official Notice of Sale dated April 1, 2014, which is incorporated herein and made a part of this proposal, we have reviewed the Preliminary Official Statement relating to the above-referenced Certificates (the "Series 2014-R2 Certificates") and hereby offer to purchase all of the $31,770,000* aggregate principal amount of the Series 2014-R2 Certificates described in the Official Notice of Sale on the following terms, including the submission of the required Good Faith Deposit in the amount of $350,000 by wire transfer; and to pay therefor the price of $_____________ (such amount being the "Purchase Price"), which is equal to the combined par value of the Series 2014-R2 Certificates, less an underwriters' discount of $__________, and (complete one): less a net original issue discount of $___________ or plus a net original issue premium of $__________. The Series 2014-R2 Certificates shall mature and will be subject to mandatory sinking fund prepayment commencing no earlier than April 1, 2023 (if term Series 2014-R2 Certificates are specified below) in the amounts and years, and bear interest at the rates per annum (in multiples of 1/8 or 1/20 of 1%, as set forth in the schedule below).

PAYMENT SCHEDULE
SERIES 2014-R2 CERTIFICATES

Certificate Payment Date (April 1)*	Principal Amount*	Serial Maturity (Check one)[(1)]	Mandatory Sinking Fund Prepayment (Check one)[(1)]	Interest Rate	Certificate Payment Date (April 1)*	Principal Amount*	Serial Maturity (Check one)[(1)]	Mandatory Sinking Fund Prepayment (Check one)[(1)]	Interest Rate
2015	$1,080,000	______	______	______	2025	$1,560,000	______	______	______
2016	1,005,000	______	______	______	2026	1,640,000	______	______	______
2017	1,055,000	______	______	______	2027	1,720,000	______	______	______
2018	1,105,000	______	______	______	2028	1,805,000	______	______	______
2019	1,165,000	______	______	______	2029	1,895,000	______	______	______
2020	1,225,000	______	______	______	2030	1,990,000	______	______	______
2021	1,280,000	______	______	______	2031	2,085,000	______	______	______
2022	1,345,000	______	______	______	2032	2,195,000	______	______	______
2023	1,415,000	______	______	______	2033	2,305,000	______	______	______
2024	1,485,000	______	______	______	2034	2,415,000	______	______	______

(1) Circle the final maturity of each term certificate specified. There shall be no serial maturities for dates after the first mandatory sinking fund redemption payment.

____
Authorized Signatory
Title: _______________________________________
Phone Number: ________________________________
Fax Number: __________________________________

True Interest Cost (optional and not binding): _____________________

THE BIDDER EXPRESSLY ASSUMES THE RISK OF ANY INCOMPLETE, UNTIMELY OR OTHERWISE NONCONFORMING BID. THE CITY RETAINS ABSOLUTE DISCRETION TO DETERMINE WHETHER ANY BID IS TIMELY, LEGIBLE AND COMPLETE AND CONFORMS TO THE OFFICIAL NOTICE OF SALE. NO BID SUBMITTED WILL BE CONSIDERED TIMELY UNLESS, BY THE TIME FOR RECEIVING BIDS, THE ENTIRE BID FORM HAS BEEN RECEIVED BY THE DELIVERY METHOD SPECIFIED IN THE NOTICE OF SALE.

* Preliminary, subject to change.

EXHIBIT C

FORM OF REOFFERING PRICE CERTIFICATE

(TO BE DELIVERED AND COMPLETED BY THE PURCHASER OF SERIES 2014-R2 CERTIFICATES, AS DESCRIBED UNDER "REOFFERING PRICE AND CERTIFICATE" IN THE OFFICIAL NOTICE OF SALE)

This Certificate is being delivered by ____, as the purchaser (the "Purchaser"), in connection with its purchase of the $________________ aggregate principal amount of City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (Juvenile Hall Project) (the "Series 2014-R2 Certificates"). The Purchaser hereby certifies and represents the following:

A. Issue Price.

1. The Purchaser, beginning on _________, 2014, which is the date on which it agreed to purchase the Series 2014-R2 Certificates (the "Sale Date") offered all of the Series 2014-R2 Certificates of each maturity to the public (excluding bond houses, brokers, or similar persons acting in the capacity of underwriters or wholesalers) in a bona fide offering at their respective initial offering prices, as set forth in Schedule I attached hereto (each, an "Initial Public Offering Price").

2. The aggregate of the Initial Public Offering Prices is $_____________ (representing $____________ aggregate principal amount of the Series 2014-R2 Certificates, [plus] [minus] [net] original issue [premium] [discount] of $_________________).

3. [Except for the Series 2014-R2 Certificates maturing on April ___, 20__, April ___, 20__, and April __, 20__ (the **"Undersold Certificates"),** with] [With] respect to each maturity of the Series 2014-R2 Certificates, the Purchaser first sold for cash at least 10% of the aggregate principal amount of the Series 2014-R2 Certificates to the General Public at their Initial Public Offering Price.

4. With respect to [each maturity of] the Undersold Certificates, despite the reasonable expectation of the Purchaser to sell the Certificates at their [respective] Initial Public Offering Price[s], the Purchaser did not sell at least 10% of the Series 2014-R2 Certificates [of the maturity] to the General Public at their [respective] Initial Public Offering Price[s]. [PROVIDE EXPLANATION].*

5. For purposes of this Certificate, the term "**General Public**" excludes bond houses, brokers and similar persons or organizations acting in the capacity of underwriters or wholesalers.

B. Compensation.

All compensation received by the Purchaser for underwriting services (which includes certain expenses) in connection with the sale and delivery of the Series 2014-R2 Certificates will be paid in the form of a purchase discount in the amount of $_________, and no part of such compensation includes any payment for any property or services other than underwriting services relating to sale and delivery of the Series 2014-R2 Certificates.

---

* For any maturity of Undersold Certificates, the successful bidder will be required to supply an explanation, satisfactory to the issuer, as to why the successful bidder did not sell at least 10% of each such maturity.

The undersigned is an authorized representative of the Purchaser and is duly authorized by the Purchaser to execute and deliver this Certificate on behalf of the Purchaser. The Purchaser understands that the representations contained in this Certificate will be relied upon by the City and County of San Francisco in making certain of its representations in its Tax Certificate for the Series 2014-R2 Certificates and in completing and filing the Information Return for the Certificates with the Internal Revenue Service, and by Sidley Austin LLP and Garcia, Hernández, Sawhney & Bermudez, LLP, Co-Special Counsel to the City and County of San Francisco, in rendering certain legal opinions in connection with the execution and delivery of the Series 2014-R2 Certificates.

Dated: ________________
[Closing Date]

By: ____
(Name of Purchaser)

Execution by: ____

Type Name: ____

Title: ____

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Certificates, by any person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

The information set forth herein other than that provided by the City, although obtained from sources which are believed to be reliable, is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

The City maintains a website. The information presented on such website is ***not*** incorporated by reference as part of this Official Statement and should not be relied upon in making investment decisions with respect to the Certificates. Various other websites referred to in this Official Statement also are not incorporated herein by such references.

This Official Statement is not to be construed as a contract with the Purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. No representation is made that past experience, as it might be shown by financial and other information, will necessarily continue or be repeated in the future. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget," "intend," "projection" or other similar words. All projections, forecasts, assumptions, expressions of opinions, estimates, and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when their expectations, or events, conditions or circumstances on which such statements are based do or do not occur.

The execution and sale of the Certificates have not been registered under the Securities Act of 1933 in reliance upon the exemption provided thereunder by Section 3(a)2 for the issuance and sale of municipal securities.

IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE PURCHASERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT LEVELS ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

David Chiu, *Board President*, *District 3*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Katy Tang, *District 4*
London Breed, *District 5*
Jane Kim, *District 6*

Norman Yee, *District 7*
Scott Wiener, *District 8*
David Campos, *District 9*
Malia Cohen, *District 10*
John Avalos, *District 11*

CITY ATTORNEY

Dennis J. Herrera

CITY TREASURER

José Cisneros

OTHER CITY AND COUNTY OFFICIALS

Naomi M. Kelly, *City Administrator*
Benjamin Rosenfield, *Controller*
Nadia Sesay, *Director of Public Finance*

PROFESSIONAL SERVICES

Co-Special Counsel

Sidley Austin LLP
San Francisco, California

Garcia, Hernández, Sawhney & Bermudez, LLP
Oakland, California

Co-Financial Advisors

Public Financial Management, Inc.
San Francisco, California

Ross Financial
San Francisco, California

Disclosure Counsel

Hawkins Delafield & Wood LLP
San Francisco, California

Trustee

U.S. Bank National Association
San Francisco, California

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OFFICIAL STATEMENT

$14,180,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2014-R1
(SAN FRANCISCO COURTHOUSE PROJECT)

$31,770,000*
CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2014-R2
(JUVENILE HALL PROJECT)

evidencing proportionate interests of the Owners thereof in certain Lease Agreements, including the right to receive Base Rental payments to be made by the CITY AND COUNTY OF SAN FRANCISCO

INTRODUCTION

This Official Statement, including the cover page and the appendices hereto, is provided to furnish information in connection with the offering by the City and County of San Francisco (the "City") of its $14,180,000* City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (the "Series 2014-R1 Certificates") and the $31,770,000* City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (the "Series 2014-R2 Certificates," and together with the Series 2014-R1 Certificates, the "Certificates" and each a "Series" of Certificates). Any capitalized term not defined herein will have the meaning given to such term in APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – Definitions." The references to any legal documents, instruments and the Certificates in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions.

This Introduction is designed to give an overview of the transactions and serve as a guide to the contents of this Official Statement.

Overview of the Transaction. The City, exercising its powers under the Charter of the City (the "Charter") to convey and lease property for City purposes, will convey certain real property to U.S. Bank National Association, as trustee (the "Trustee") under two separate Facilities Leases, each dated as of April 1, 2014 (each a "Facilities Lease" and together, the "Facilities Leases"), by and between the City, as lessor, and the Trustee, as lessee at a nominal annual rent. The Trustee will lease the Leased Properties (as defined hereafter) back to the City for the City's use under two separate Lease Agreements, each dated as of April 1, 2014, by and between the Trustee and the City (each a "Lease Agreement" and together, the "Lease Agreements"). The "Leased Properties" generally consist of the San Francisco Courthouse and the City's Juvenile Hall, both located in San Francisco, California (each, a "Leased Property" and together, the "Leased Properties"). See "PLAN OF REFUNDING AND THE LEASED PROPERTIES." The City will be obligated under each Lease Agreement to pay Base Rental payments and other payments to the Trustee each year during the term of such Lease Agreement (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental will consist of principal and interest components, and when received by the Trustee in each rental period, will be deposited in trust for payment of the related Certificates. The Trustee will create the "certificates of participation" in each Lease Agreement, representing proportional interests in the principal and interest components of Base Rental it will receive from the City. The Trustee will apply Base Rental it receives to pay principal and interest with respect to the related Series of Certificates when due according to the Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), by and between the City and the Trustee, which governs the security and terms of payment of the Certificates. The money received from the sale of the Certificates will be applied by the Trustee, at the City's direction, to refund certain outstanding certificates of participation of the City (as further described herein, the "Refunded Certificates"), which financed certain capital improvements to the Leased Properties, and to pay costs of execution and delivery of the Certificates. See "PLAN OF REFUNDING AND THE LEASED PROPERTIES."

* Preliminary, subject to change.

Guide to this Official Statement. The Refunded Certificates and the Leased Properties are described herein in the section "PLAN OF REFUNDING AND THE LEASED PROPERTIES." The application of the proceeds of sale of the Certificates is described in the sections "PLAN OF REFUNDING AND THE LEASED PROPERTIES" and "SOURCES AND USES OF FUNDS." The terms of the Certificates and repayment thereof and security for the Certificates are described in the sections "THE CERTIFICATES," "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES," and other sections in the front portion of this Official Statement. Current information about the City, its finances and governance, are provided in APPENDIX A. The City's most recent comprehensive annual financial report appears in APPENDIX B. A summary of the Lease Agreements, the Facilities Leases, the Trust Agreement, and other basic legal documents are provided in APPENDIX C.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Except as required by the Continuing Disclosure Certificate to be executed by the City, the City has no obligation to update the information in this Official Statement. See "CONTINUING DISCLOSURE" and APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Lease Agreements, the Facilities Leases, the resolutions providing for the execution and delivery of the Certificates, other legal documents and provisions of the constitution and statutes of the State of California (the "State"), the City's Charter and ordinances, and other documents described herein, do not purport to be complete, and reference is made to said laws and documents for the complete provisions thereof. Copies of those documents and information concerning the Certificates are available from the City through the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, CA 94102-4682. Reference is made herein to various other documents, reports, websites, etc., which were either prepared by parties other than the City, or were not prepared, reviewed and approved by the City with a view towards making an offering of public securities, and such materials are therefore not incorporated herein by such references nor deemed a part of this Official Statement.

THE CITY AND COUNTY OF SAN FRANCISCO

The City is the economic and cultural center of the San Francisco Bay Area and northern California. The limits of the City encompass over 93 square miles, of which 49 square miles are land, with the balance consisting of tidelands and a portion of the San Francisco Bay (the "Bay"). The City is located at the northern tip of the San Francisco Peninsula, bounded by the Pacific Ocean to the west, the Bay and the San Francisco-Oakland Bay Bridge to the east, the entrance to the Bay and the Golden Gate Bridge to the north, and San Mateo County to the south. Silicon Valley is about a 40-minute drive to the south, and the wine country is about an hour's drive to the north. The City's 2013 population is approximately 839,100.

The San Francisco Bay Area consists of the nine counties contiguous to the Bay: Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma Counties (collectively, the "Bay Area"). The economy of the Bay Area includes a wide range of industries, supplying local needs as well as the needs of national and international markets. Major business sectors in the Bay Area include retail, entertainment and the arts, conventions and tourism, service businesses, banking, professional and financial services, corporate headquarters, international and wholesale trade, multimedia and advertising, technology and higher education.

The City is a major convention and tourist destination. According to the San Francisco Travel Association, a nonprofit membership organization, during the calendar year 2012, approximately 16.5 million people visited the City and spent an estimated $8.93 billion during their stay. The City is also a leading center for financial activity in the State and is the headquarters of the Twelfth Federal Reserve District, the Eleventh District Federal Home Loan Bank, and the San Francisco regional Office of Thrift Supervision.

The City benefits from a highly skilled, educated and professional labor force. The CAFR estimates that per-capita personal income of the City for fiscal year 2012-13 was $73,197. The San Francisco Unified School District operates 72 elementary and K-8 school sites, 13 middle schools, 18 senior high schools (including two continuation schools and an independent study school), and 34 state-funded preschool sites, and sponsors 13 independent charter schools. Higher education institutions located in the City include the University of San

Francisco, California State University – San Francisco, University of California – San Francisco (a medical school and health science campus), the University of California Hastings College of the Law, the University of the Pacific's School of Dentistry, Golden Gate University, City College of San Francisco (a public community college), the Art Institute of California – San Francisco, the San Francisco Conservatory of Music, the California Culinary Academy, and the Academy of Art University.

San Francisco International Airport ("SFO"), located 14 miles south of downtown San Francisco in an unincorporated area of San Mateo County and owned and operated by the City, is the principal commercial service airport for the Bay Area and one of the nation's principal gateways for Pacific traffic. In fiscal year 2012-13, SFO serviced approximately 44.7 million passengers and handled 370,195 metric tons of cargo. The City is also served by the Bay Area Rapid Transit District (electric rail commuter service linking the City with the East Bay and the San Francisco Peninsula, including SFO), Caltrain (a conventional commuter rail line linking the City with the San Francisco Peninsula), and bus and ferry services between the City and residential areas to the north, east and south of the City. San Francisco Municipal Railway, operated by the City, provides bus and streetcar service within the City. The Port of San Francisco (the "Port"), which administers 7.5 miles of Bay waterfront held in "public trust" by the Port on behalf of the people of the State, promotes a balance of maritime-related commerce, fishing, recreational, industrial and commercial activities and natural resource protection.

The City is governed by a Board of Supervisors elected from eleven districts to serve four-year terms, and a Mayor who serves as chief executive officer, elected citywide to a four-year term. Edwin M. Lee is the 43rd and current Mayor of the City, having been elected by the voters of the City in November 2011. The City's Original Budget for fiscal years 2013-14 and 2014-15 totals $7.91 billion and $7.93 billion respectively. The General Fund portion of each year's budget is $3.95 billion in fiscal year 2013-14 and $4.05 billion in fiscal year 2014-15, with the balance being allocated to all other funds, including enterprise fund departments, such as SFO, the San Francisco Municipal Transportation Agency, the Port Commission and the San Francisco Public Utilities Commission. The City employed 28,387 full-time-equivalent employees at the end of fiscal year 2012-13. According to the Controller of the City (the "Controller"), fiscal year 2013-14 total net assessed valuation of taxable property in the City is approximately $172.5 billion.

More detailed information about the City's governance, organization and finances may be found in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" and in APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

RECENT DEVELOPMENTS

The information contained in APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES" was prepared by the City for inclusion in official statements relating to debt obligations of the City and updated as of December 1, 2013. The following information supplements and amends the information set forth in such Appendix as of the date of this Official Statement:

City's Six-Month Budget Status Report. On February 11, 2014, the Controller's Office issued the Fiscal Year 2013-14 Six-Month Budget Status Report (the "Six-Month Report"). The Six-Month Report projects a current year ending balance of $207.8 million, of which $111.6 million has been appropriated in the Fiscal Year 2014-15 budget and $4.5 million will be required to replenish current year uses of the General Reserve, resulting in a projected surplus of $91.7 million. The increase in fund balance is driven by an improvement in the City's general tax revenues above budgeted levels and expenditure savings and additional revenues in the Department of Public Health and Human Services Agency. This represents an improvement to current year fund balance of approximately $62.7 million versus the assumptions contained in the Mayor's Budget Instructions issued in December 2013.

Projected revenue growth in the Six-Month Report currently exceeds the threshold for deposit to the Rainy Day Reserve by $6.0 million, resulting in a projected total deposit of $4.5 million. Charter provisions require 50% of excess revenue, or $3.0 million, be deposited to the Rainy Day Economic Stabilization Reserve and 25%, or $1.5 million, to the Rainy Day One-Time Reserve. Any revenue growth beyond current projections will increase deposits to the Rainy Day Reserve. The City is not projected to be able to withdraw from the Economic Stabilization fund in either of the budget years but may use One-Time Reserve funds for capital and other one-time expenditures.

See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET."

Proposed State Budget. On January 9, 2014, Governor Edmund G. Brown released the 2014-15 Proposed Budget (the "Fiscal Year 2014-15 Proposed State Budget"). A summary of the Fiscal Year 2014-15 Proposed State Budget is provided in "CERTAIN RISK FACTORS – State of California Financial Condition" herein. The City will review and estimate the impact of the State budget prior to adopting the City's budget. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

Joint Report. On March 6, 2014, the Mayor, the Board of Supervisors Budget Analyst and the Controller released the Five Year Financial Plan Update for General Fund Supported Operations FY 2014-15 through FY 2017-18 (the "Joint Report"). The San Francisco Administrative Code Section 3.6(b) requires that in each even-numbered year, the Mayor, Board of Supervisors Budget Analyst and Controller submit an updated estimated summary budget for the remaining four years of the City's Five-Year Financial Plan. The Joint Report provides updated expenditure and revenue projections assuming no changes to current policies and staffing levels. The Joint Report projects shortfalls of $66.7 million in fiscal year 2014-15, $133.4 million in fiscal year 2015-16, $282.6 million in fiscal year 2016-17 and $339.4 million in fiscal year 2017-18.

While the projected shortfalls reflect the difference in projected revenues and expenditures over the next four years if current service levels and policies continue, the City Charter requires that each year's budget be balanced. Balancing the budgets will require some combination of expenditure reductions and/or additional revenues. These projections assume no ongoing solutions are implemented. To the extent budgets are balanced with ongoing solutions, future shortfalls will decrease. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET."

SFERS Actuarial Valuation. On March 12, 2014, Cheiron, Inc. presented its July 1, 2013 actuarial valuation of the City and County of San Francisco Employees' Retirement System ("SFERS") to the Retirement Board. While the funding ratio using the actuarial value of assets declined from 82.6% to 80.6%, the funding ratio using the market value of assets increased from 78.9% to 84.1%. The net employer contribution rate of 26.76% approved by the Retirement Board at this meeting for fiscal year 2014-2015, an increase from the prior year rate of 24.82%, represents the peak rate the City anticipates as it is the last year of smoothing in losses incurred during the financial crisis. The City's Charter (as amended by Proposition C effective July 1, 2012) requires employees to pay a portion of this net employer contribution rate, depending on the net employer contribution rate, the employee group, and the employee's level of pay. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS – San Francisco Employees' Retirement System."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates will be executed and delivered pursuant to the Trust Agreement. Each Certificate will represent a proportionate interest in the right of the Trustee to receive Base Rental payments (comprising principal and interest components) payable by the City pursuant to related Lease Agreement. The City will be obligated under each Lease Agreement to pay the Base Rental in consideration for its use and occupancy of the related Leased Property. Each Leased Property will be leased by the City to the Trustee pursuant to the related Facilities Lease.

The Trust Agreement, the Facilities Leases, and the Lease Agreements were approved by the Board of Supervisors of the City by its Resolution No. 299-13, adopted by the Board of Supervisors on July 30, 2013 and approved by the Mayor on August 7, 2013 (the "Resolution"), and the sale of the Certificates was authorized by the same Resolution. The Resolution authorized the execution and delivery of up to $236,000,000 aggregate principal amount of the Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under one or more lease agreements. Under Section 9.108 of the Charter of the City, the City is authorized to enter into lease-financing agreements with a public agency or nonprofit corporation only with the assent of the majority of the voters voting upon a proposition for the purpose. The lease-financing arrangements with the Trustee for the Certificates do not fall under this provision, since the Trustee is neither a public agency nor a nonprofit corporation.

Payment of Principal and Interest

The principal evidenced and represented by the Certificates will be payable on April 1 of each year shown on the inside cover hereof, or upon prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental Payments designated as principal components coming due on each April 1. Payment of the principal and premium, if any, of the Certificates upon prepayment or upon a Certificate Payment Date will be made upon presentation and surrender of such Certificates at the Principal Office of the Trustee. Principal and premium will be payable in lawful money of the United States of America.

Interest evidenced and represented by the Certificates will be payable on April 1 and October 1 of each year, commencing on October 1, 2014 (each, an "Interest Payment Date"). Interest will be payable continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence and represent the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest with respect to the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by each Certificate of a Series will accrue from the Interest Payment Date next preceding the date of execution and delivery thereof, unless (i) it is executed after a Regular Record Date and before the close of business on the immediately following Interest Payment Date, in which event interest represented thereby will be payable from such Interest Payment Date; or (ii) it is executed prior to the close of business on the first Regular Record Date, in which event interest represented thereby will be payable from the date of delivery; provided, however, that if at the time of execution of any Certificate interest thereon is in default, such interest will be payable from the Interest Payment Date to which interest has previously been paid or made available for payment or, if no interest has been paid or made available for payment, from the date of delivery.

Interest evidenced and represented by the Certificates will be payable in lawful money of the United States of America. Payments of interest represented by the Certificates of a Series will be made on each Interest Payment Date by check of the Trustee sent by first-class mail, postage prepaid, or by wire transfer to any Owner of $1,000,000 or more of such Series of Certificates to the account in the United States of America specified by such Owner in a written request delivered to the Trustee on or prior to the Regular Record Date for such Interest Payment Date, to the Owner thereof on the Regular Record Date.

Form and Registration

Each Series of Certificates will be executed and delivered in the aggregate principal amounts shown on the cover hereof.

The Certificates will be delivered in fully registered form, without coupons, dated their date of delivery, and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), who will act as securities depository for the Certificates. Individual purchases of the Certificates will be made in book-entry form only in the principal amount of $5,000 or any integral multiple thereof. Principal and interest evidenced and represented by the Certificates will be paid by the Trustee to DTC which will in turn remit such principal and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Certificates. Beneficial owners of the Certificates will not receive physical certificates representing their interest in the Certificates. For further information concerning the Book-Entry Only System, see APPENDIX E: "DTC AND THE BOOK-ENTRY ONLY SYSTEM."

Prepayment of the Certificates

Optional Prepayment

The Series 2014-R1 Certificates are not subject to optional prepayment prior to their respective Certificate Payment Dates.

The Series 2014-R2 Certificates maturing on or before April 1, 2022 are not subject to optional prepayment prior to their respective Certificate Payment Dates. The Series 2014-R2 Certificates maturing on or after April 1, 2023 are subject to optional prepayment prior to their respective stated Certificate Payment Dates in whole or in part on any date (and if in part, in such order of maturity as the City specifies and within a maturity by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations) on or after April 1, 2022, at a prepayment price equal to the sum of the principal component of the Series 2014-R2 Certificates called for prepayment plus the interest component of such Series 2014-R2 Certificates to the prepayment date, without premium.

Sinking Fund Prepayment

The Series 2014-R2 Certificates with a Certificate Payment Date of April 1, 20__ are subject to mandatory sinking fund prepayment on April 1, 20__ and on each April 1 thereafter, upon notice as provided in the Trust Agreement, in part in Authorized Denominations, at a prepayment price equal to the principal amount of the Series 2014-R2 Certificates called plus accrued interest thereon to the prepayment date, in the years and principal amount as follows:

April 1	Principal Amount
*	

* Maturity

Special Mandatory Prepayment

Each Series of Certificates will be subject to mandatory prepayment prior to their respective Certificate Payment Dates, as a whole or in part on any date, at a Prepayment Price equal to the principal amount thereof (plus accrued but unpaid interest to the prepayment date), without premium, from amounts deposited in the related account of the Base Rental Fund following an event of damage, destruction or condemnation of the applicable Leased Property or any portion thereof or upon loss of the use or possession of the applicable Leased Property or any portion thereof due to a title defect.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of Certificates of a Series and less than all of the Outstanding Certificates of such Series will be prepaid, the City will direct the principal amount of each Certificate Payment Date to be prepaid. Within a Certificate Payment Date, the Trustee, with the consent of the City, will select Certificates for prepayment by lot in any manner which the Trustee in its sole discretion deems fair and appropriate; provided, however, that the portion of any Certificate to be prepaid will be in Authorized Denominations and all Certificates to remain Outstanding after any prepayment in part will be in Authorized Denominations.

Notice of Prepayment

Notice of prepayment will be given to the respective Owners of Certificates designated for prepayment by Electronic Notice or first-class mail, postage prepaid, at least 20 but not more than 45 days before any prepayment date, at their addresses appearing on the registration books maintained by the Trustee; provided, however, that so long as the DTC book-entry system is used for any Certificates, notice with respect thereto will be given to DTC, as nominee of the registered Owner, in accordance with its operational requirements. Notice will also be given as required by the Continuing Disclosure Certificate. See "CONTINUING DISCLOSURE" herein.

Each notice of prepayment will specify: (i) the Certificates, Series and designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (ii) the date of prepayment, (iii) the place or places where the prepayment will be made, including the name and address of the Trustee, (iv) the prepayment price, (v) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (vi) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (vii) the original delivery date and stated Certificate Payment Date of each Certificate to be prepaid in whole or in part. Each notice will further state that on the specified date there will become due and payable with respect to each Certificate or portion thereof being prepaid the prepayment price, together with interest represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest with respect thereto will cease to accrue and be payable. Neither the failure to receive any notice nor any defect therein will affect the proceedings for such prepayment.

Effect of Prepayment

If, on the designated prepayment date, money for the prepayment of all of the Certificates to be prepaid, together with accrued interest to such prepayment date, is held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice has been given as described above, then from and after such prepayment date, no additional interest will become due with respect to the Certificates to be prepaid, and such Certificate or portion thereof will no longer be deemed Outstanding under the provisions of the Trust Agreement; however, all money held by or on behalf of the Trustee for the prepayment of such Certificates will be held in trust for the account of the Owners thereof.

If the City acquires any Certificate by purchase or otherwise, such Certificate will no longer be deemed Outstanding and will be surrendered to the Trustee for cancellation.

Purchase of Certificates

Unless expressly provided in the Trust Agreement, money held in the Base Rental Fund may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayments from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least 10 days prior to the date on which the Trustee is required to select Certificates for prepayment. The purchase price of any Certificates purchased by the City will not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of the provisions of the Trust Agreement described in this paragraph. Any such purchase must be completed prior to the time notice would otherwise be required to be given to prepay the related Certificates. All Certificates so purchased will be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

PLAN OF REFUNDING AND THE LEASED PROPERTIES

Plan of Refunding. A portion of the proceeds of the Certificates will be used to current refund the City and County of San Francisco Refunding Certificates of Participation, Series 2004-R1 (San Francisco Courthouse Project), originally issued in the aggregate principal amount of $39,350,000 (the "Series 2004-R1 Certificates"). The Series 2004-R1 Certificates will be outstanding as of the date of delivery of the Certificates in the aggregate principal amount of $15,260,000. The proceeds of the Series 2004-R1 Certificates were used to refund approximately $41 million of the City and County of San Francisco Certificates of Participation (San Francisco Courthouse Project), Series 1995, which certificates funded the construction, furnishing and equipping of the San Francisco Courthouse (the "Courthouse") described below.

A portion of the proceeds of the Certificates will be used to current refund the City and County of San Francisco Certificates of Participation, Series 2003 (Juvenile Hall Replacement Project), originally issued in the aggregate principal amount of $41,965,000 (the "Series 2003 Certificates," and together with the Series 2004-R1 Certificates, the "Refunded Certificates"). The Series 2003 Certificates will be outstanding as of the date of delivery of the Certificates in the aggregate principal amount of $33,795,000. The proceeds of the Series 2003 Certificates were used to finance a portion of the costs of acquisition, improvement, construction and/or reconstruction of the City's Juvenile Hall (the "Juvenile Hall") as described below.

The Leased Properties. The Leased Properties are comprised of the Courthouse and the Juvenile Hall.

San Francisco Courthouse. The Courthouse is the Leased Property with respect to the Series 2014-R1 Certificates, and is located in the City's Civic Center at the corners of Polk and McAllister Streets in San Francisco, including the real property on which it is located. The Courthouse was completed in 1997. The Courthouse is a six-story building with approximately 231,000 square feet of space, including 38 courtrooms and hearing rooms. The Courthouse is the forum for the hearing of all civil, small claims, family law, probate and juvenile dependency matters by the City's courts.

The total cost of construction of the Courthouse project was approximately $68.2 million, consisting of approximately $48.9 million for construction costs and the balance consisting of costs in connection with the acquisition of a portion of the construction site, demolition of the former building on such site, preconstruction costs, design costs and acquisition and installation of furnishings, fixtures and equipment.

The Courthouse was constructed to then-current earthquake engineering standards using site specific response analysis that took into consideration the potential for earthquake damage. The City retained the firm of Treadwell & Rollo, Inc. as environmental and geotechnical consultants to the Courthouse project.

The Courthouse is subject to a Transfer Agreement, dated December 31, 2008 (as it may be amended from time to time, the "Transfer Agreement"), between the City and the Judicial Council of California, Administrative Office of the Courts (the "AOC"). The Transfer Agreement was executed by the parties pursuant to the Lockyer-Isenberg Trial Court Funding Act of 1977 ("AB 233") and the Trial Court Facilities Act of 2002 (Cal. Gov. Code §70301-70404), as amended (the "Act"). The Act provides for the transfer of responsibility for funding and operation of trial court facilities from counties to the AOC, thereby eliminating the dual system of county and State funding of trial court operations.

Pursuant to the Transfer Agreement, the City transferred management and control of the Courthouse to the AOC. The Transfer Agreement states that upon the transfer of responsibility from the City to the AOC, the Courthouse will remain subject to "bonded indebtedness." The Transfer Agreement defines "bonded indebtedness" by reference to the definition of such term under the Act. The Act defines "bonded indebtedness" as including certificates of participation (*i.e.,* the Series 2004-R1 Certificates) and any refunding of the existing bonded indebtedness (*i.e*., the Series 2014-R1 Certificates). The Transfer Agreement also provides that upon the discharge of "bonded indebtedness" secured by the Courthouse the fee title to the Courthouse will vest with the AOC.

Pursuant to the Transfer Agreement, the City will remain solely responsible to meet its obligations under the Trust Agreement, the Facilities Lease relating to the Series 2014-R1 Certificates and the Lease Agreement relating to the Series 2014-R1 Certificates (collectively, the "Series 2014-R1 Documents"). Until the "bonded indebtedness" is fully paid, the AOC has covenanted under the Transfer Agreement to maintain and operate the Courthouse in compliance with the requirements of the Series 2014-R1 Documents.

The Transfer Agreement requires the City to use any insurance proceeds from any damage to the Courthouse in compliance with the Series 2014-R1 Documents. The Transfer Agreement also provides that, in the event of an actual condemnation of the Courthouse, the proceeds arising from such condemnation, conveyance or transfer will be subject to the Series 2014-R1 Documents. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Properties" and " – Eminent Domain."

Juvenile Hall. The Leased Property with respect to the Series 2014-R2 Certificates consists of the juvenile detention facility and related improvements occupying approximately half of the 14-acre San Francisco City and County Youth Guidance Center (the "Youth Guidance Center") located at 375 Woodside Avenue in San Francisco, including the real property on which it is located. The Youth Guidance Center also includes certain court facilities (the "Court Facilities"), an administration building, a utilities building and parking facilities, which are not part of the Leased Property. Improvements to the Juvenile Hall were completed in 2008. The Juvenile Hall is approximately 82,500 gross square feet, consisting of recreation, sleeping, education and medical space, along with ancillary administrative and oversight space for staff. The total cost of this project was approximately $52 million.

The City has fee title to the site of the Juvenile Hall. The Juvenile Hall is subject to a Joint Occupancy Agreement, executed on December 31, 2009 (as it may be amended from time to time, the "JOA"), between the City and the AOC. Under the JOA, the City has exclusive use of the Juvenile Hall and certain areas (collectively, the "County Exclusive Use Area") and the AOC has exclusive use of the Court Facilities and certain other areas (collectively, the "Court Exclusive Use Area," and together with the County Exclusive Use Area, the "Exclusive Use Areas"). The JOA also identifies common areas that are used non-exclusively by or for the common benefit of the City and the AOC (collectively, the "Common Use Area").

Under the JOA, each of the City and the AOC is responsible for the operation of its Exclusive Use Area at its sole cost and expense. Pursuant to the JOA, the City is responsible for the administration, management, maintenance and repair of the Common Use Area, subject to contributions from the AOC for shared costs such as repairs, utilities, equipment permits and insurance.

Generally, the JOA provides that all of its provisions are subject to "bonded indebtedness," which is defined as the Series 2014-R2 Certificates or any bonded indebtedness or refunding of bonded indebtedness permitted by the Act. Until the "bonded indebtedness" is fully paid, the City and the AOC have covenanted under the JOA to use the Common Use Area in compliance with the requirements of the documents evidencing such bonded indebtedness (*i.e.,* the Trust Agreement, the Facilities Lease relating to the Series 2014-R2 Certificates and the Lease Agreement relating to the Series 2014-R2 Certificates (collectively, the "Series 2014-R2 Documents")). Until the "bonded indebtedness" is fully paid, the JOA requires the City to use any insurance proceeds from any damage to the Youth Guidance Center in compliance with the Series 2014-R2 Documents. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Properties."

SOURCES AND USES OF FUNDS

The following are the sources and uses of funds with respect to the Certificates.

	Series 2014-R1	Series 2014-R2	Total
Sources of Funds:			
Certificate Par Amount			
Original Issue Premium / Discount			
Less: Purchaser's Discount			
Total Sources			
Uses of Funds:			
Prepayment of Refunded Certificates			
Costs of Delivery[1]			
Total Uses			

[1] Includes amounts for legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, appraisals and property condition report fees, title insurance fees, rounding amounts, printing costs and any other delivery costs.

BASE RENTAL PAYMENT SCHEDULE

Series 2014-R1 Certificates. The Lease Agreement relating to the Series 2014-R1 Certificates (the "San Francisco Courthouse Lease Agreement") requires the City to make Base Rental payments in arrears on each March 25 and September 25, commencing September 25, 2014, in payment for the use and occupancy of the Courthouse during the term of the San Francisco Courthouse Lease Agreement.

The Trust Agreement requires that Base Rental payments with respect to the Courthouse be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing on October 1, 2014, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments with respect to the Series 2014-R1 Certificates as the same become due and payable, as shown in the following table.

City and County of San Francisco
Refunding Certificates of Participation Series 2014-R1
Base Rental Payment Schedule

Payment Date	Principal	Interest	Debt Service	Fiscal Year Debt Service
October 1, 2014				
April 1, 2015				
October 1, 2015				
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				
October 1, 2019				
April 1, 2020				
October 1, 2020				
April 1, 2021				
October 1, 2021				
Total				

Series 2014-R2 Certificates. The Lease Agreement relating to the Series 2014-R2 Certificates (the "Juvenile Hall Lease Agreement") requires the City to make Base Rental payments in arrears on each March 25 and September 25, commencing September 25, 2014, in payment for the use and occupancy of the Juvenile Hall during the term of the Juvenile Hall Lease Agreement.

The Trust Agreement requires that Base Rental payments with respect to the Juvenile Hall be deposited in the Base Rental Fund maintained by the Trustee. Pursuant to the Trust Agreement, on April 1 and October 1 of each year, commencing on October 1, 2014, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments with respect to the Series 2014-R2 Certificates as the same become due and payable, as shown in the following table.

City and County of San Francisco
Refunding Certificates of Participation Series 2014-R2
Base Rental Payment Schedule

Payment Date	Principal	Interest	Debt Service	Fiscal Year Debt Service
October 1, 2014				
April 1, 2015				
October 1, 2015				
April 1, 2016				
October 1, 2016				
April 1, 2017				
October 1, 2017				
April 1, 2018				
October 1, 2018				
April 1, 2019				
October 1, 2019				
April 1, 2020				
October 1, 2020				
April 1, 2021				
October 1, 2021				
April 1, 2022				
October 1, 2022				
April 1, 2023				
October 1, 2023				
April 1, 2024				
October 1, 2024				
April 1, 2025				
October 1, 2025				
April 1, 2026				
October 1, 2026				
April 1, 2027				
October 1, 2027				
April 1, 2028				
October 1, 2028				
April 1, 2029				
October 1, 2029				
April 1, 2030				
October 1, 2030				
April 1, 2031				
October 1, 2031				
April 1, 2032				
October 1, 2032				
April 1, 2033				
October 1, 2033				
April 1, 2034				
October 1, 2034				
Total				

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

Each Series of Certificates will evidence and represent proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the related Lease Agreement so long as the City has use and occupancy of the related Leased Property. The San Francisco Courthouse Lease Agreement terminates on April 1, 2021, or upon early payment of all of the Series 2014-R1 Certificates in accordance with the Trust Agreement, unless extended upon the event of abatement. The Juvenile Hall Lease Agreement terminates on April 1, 2034, or upon early payment of all of the Series 2014-R2 Certificates in accordance with the Trust Agreement, unless extended upon the event of abatement. See "– Abatement of Base Rental Payments" below.

Pursuant to the Trust Agreement, the City will grant to the Trustee, for the benefit of the Owners, a first and exclusive lien on, and security interest in, all amounts on hand from time to time in the funds and accounts established under the Trust Agreement (excluding the Rebate Fund), including: (i) all Base Rental payments received by the Trustee from the City; (ii) the proceeds of any insurance (including the proceeds of any self-insurance and any liquidated damages received in respect of a Leased Property), and eminent domain award not required to be used for repair or replacement of a Leased Property; (iii) proceeds of rental interruption insurance policies with respect to a Leased Property, (iv) all amounts on hand from time to time in the Base Rental Fund established under the Trust Agreement, including amounts transferred to the Base Rental Fund from other funds and accounts, as provided in the Trust Agreement (including proceeds of the Certificates no longer needed to pay costs of execution and delivery of the Certificates); and (v) any additional property subjected to the lien of the Trust Agreement by the City or anyone on its behalf. The City will pay to the Trustee the Base Rental payments to the extent required under the Lease Agreements, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest represented by the Certificates. **The Certificates are not secured by any reserve fund.**

Covenant to Budget

The City will covenant in each Lease Agreement to take such action as may be necessary to include all Rental Payments as a separate line item in its annual budget and to make the necessary annual appropriations for all such Rental Payments. Each Lease Agreement provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law and by the Charter, and it is the duty of each and every public official of the City to take such action and do such things as are required by law and by the Charter in the performance of the official duty of such officials to enable the City to carry out and perform the covenants and agreements in the Lease Agreements agreed to be carried out and performed by the City.

If the City defaults on its covenant in a Lease Agreement to include all related Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may either re-let the related Leased Property for the account of the City or may retain such Lease Agreement and hold the City liable for all related Rental Payments on an annual basis.

The obligation of the City to make Rental Payments is an obligation payable from any legally available funds of the City. For a discussion of the budget and finances of the City, see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET" and APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2013." For a discussion of the City's investment policy regarding pooled cash, see APPENDIX G: "CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY."

Limited Obligation

The obligation of the City to make Base Rental or Additional Rental payments under each Lease Agreement does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. See "CERTAIN RISK FACTORS – Rental Payments Not a Debt of the City."

Base Rental Payments; Additional Rental

Base Rental Payments. The City has covenanted in each Lease Agreement that, so long as the City has the full use and occupancy of the related Leased Property, it will make Base Rental payments to the Trustee from any legally available funds of the City. The Trustee is required by the Trust Agreement to deposit in the Base Rental Fund all Base Rental payments and certain other amounts received and required to be deposited therein, including investment earnings. The total Rental Payment due in any fiscal year will not be in excess of the total fair rental value of the Leased Properties for such Fiscal Year.

Base Rental payments relating to the Series 2014-R1 Certificates will be payable by the City on March 25 and September 25 of each year during the term of the related Lease Agreement, commencing September 25, 2014, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Courthouse. Base Rental payments relating to the Series 2014-R2 Certificates will be payable by the City on March 25 and September 25 of each year during the term of the related Lease Agreement, commencing September 25, 2014, provided that any such payment will be for that portion of the applicable period that the City has use and occupancy of all or a portion of the Juvenile Hall. In the event that during any such period the City does not have use and occupancy of all or a portion of a Leased Property due to material damage to, destruction of or condemnation of or defects in the title to such Leased Property, the related Base Rental payments are subject to abatement. See "– Abatement of Base Rental Payments" and "CERTAIN RISK FACTORS – Abatement." The obligation of the City to make Base Rental payments is payable solely from annual appropriations of the City from any legally available funds of the City and the City has covenanted in each Lease Agreement to take such action as may be necessary to include all Base Rental and Additional Rental due under each Lease Agreement as a separate line item in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under each Lease Agreement. See "– Covenant to Budget" above.

Additional Rental. Additional Rental payments due from the City to the Trustee include, among other things, amounts sufficient to pay any taxes and insurance premiums, and to pay all fees, costs and expenses of the Trustee in connection with the Trust Agreement, deposits required to be made to the Rebate Fund, if any, and all other fees, costs and expenses of the Trustee incurred from time to time in administering each Lease Agreement and the Trust Agreement. The City is also responsible for repair and maintenance of the Courthouse and the Juvenile Hall during the term of the related Lease Agreement.

Abatement of Base Rental Payments

The Trustee will collect and receive all of the Base Rental payments, and all payments of Base Rental received by the Trustee under the Lease Agreements will be deposited into the Base Rental Fund. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified in each Lease Agreement is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of each Lease Agreement regarding rental abatement. See "CERTAIN RISK FACTORS – Abatement."

Rental Payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of a Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of such Leased Property or any portion thereof, or due to defects in title to such Leased Property, or any portion thereof, except to the extent of (i) available amounts held by the Trustee in the related account within the Base Rental Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for Rental Payments or to the Trustee for payments in respect of the related Series of Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues do not exceed the annual fair rental value of the portions of such Leased Property with respect to which there has not been substantial interference. Abatement will commence with such damage, destruction or condemnation and end when use and occupancy or possession is restored. In the event of abatement, the term of the San Francisco Courthouse Lease Agreement may be extended until all amounts due under such Lease Agreement and the Trust Agreement are fully paid, but in no event later than April 1, 2031. In the event of abatement, the term of the Juvenile Hall Lease Agreement may be extended until all amounts due under such Lease Agreement and the Trust Agreement are fully paid, but in no event later than April 1, 2044. See "CERTAIN RISK FACTORS – Abatement" and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Rental Abatement."

In order to mitigate the risk that an abatement event will cause a disruption in payment of Base Rental, each Lease Agreement requires the City to maintain rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to the related Facilities Lease for a period of at least 24 months. Pursuant to each Lease Agreement, rental interruption insurance is required to insure only against loss of rental income from the related Leased Property caused by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by the City's all risk property insurance on the related Leased Property. The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under each Lease Agreement and the City does not currently have earthquake or flood insurance on the Leased Properties. See "– Insurance with Respect to the Leased Properties" below and APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Insurance." During any period of abatement with respect to all or any part of a Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance to make payments of principal and interest represented by the related Certificates. The City is also required by each Lease Agreement to use insurance proceeds to replace or repair the related Leased Property destroyed or damaged to the extent that there is substantial interference with the City's use and occupancy, or to prepay the related Certificates such that resulting Rental Payments are sufficient to pay all amounts due under the related Lease Agreement and the Trust Agreement with respect to the related Certificates remaining Outstanding. See "– Replacement, Maintenance and Repairs" below. In lieu of abatement of Rental Payments, the City in its sole discretion may elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the substitution provisions of the related Lease Agreement. See "– Substitution, Release and Addition of Leased Properties" below.

Replacement, Maintenance and Repairs

Each Lease Agreement requires the City, at its own expense and as determined and specified by the Director of Property of the City, to maintain or cause to be maintained the related Leased Property in good order, condition and repair during the term of the related Lease Agreement. The Trust Agreement requires that if a Leased Property or any portion thereof is damaged or destroyed or taken by eminent domain, the City must elect to either prepay the related Series of Certificates or replace or repair the affected portion of such Leased Property in accordance with the related Lease Agreement, provided however that the City's obligation to repair or replace any portion of such Leased Property pursuant to the related Lease Agreement will be subject to the availability of proceeds of insurance or condemnation for such purpose. Under each Lease Agreement, the City must replace any portion of the related Leased Property that is destroyed or damaged or taken by eminent domain, to such an extent that there is substantial interference with its right to the use and occupancy of such Leased Property or any portion thereof that would result in an abatement of Rental Payments or any portion thereof pursuant to the related Lease Agreement; provided, however, that the City is not required to repair or replace any such portion of such Leased Property if there is applied to the prepayment of the related Series of Outstanding Certificates insurance or condemnation proceeds or other legally available funds are sufficient to prepay: (i) all of the related Series of Certificates Outstanding and to pay all other amounts due under the related Lease Agreement and under the Trust Agreement or (ii) any portion of the related Series of Certificates such that the resulting Rental Payments payable in any Lease Agreement Year following such partial prepayment are sufficient to pay in the then current and any future Lease Agreement Year the principal and interest evidenced and represented by all related Series of Certificates to remain Outstanding and all other amounts due under the related Lease Agreement and under the Trust Agreement to the extent they are due and payable in such Lease Agreement Year. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Replacement, Maintenance and Repairs."

Insurance with Respect to the Leased Properties

Each Lease Agreement requires the City to maintain or cause to be maintained throughout the term of such Lease Agreement: (i) general liability insurance against damages occasioned by construction of improvements to or operation of the related Leased Property with minimum coverage limits of $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence, which general liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained; (ii) all risk property insurance on all structures constituting any part of the related Leased Property in an amount equal to the Outstanding principal amount of the related Series of Certificates, with such insurance covering, as nearly as practicable, loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke and such other hazards as are normally covered by such insurance (excluding earthquakes and flood), including a replacement cost endorsement; (iii) boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident; and (iv) rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to such Lease Agreement for a period of 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental payments due under such Lease Agreement for the next succeeding 24 months) to insure against loss of rental income from the related Leased Property caused by perils covered by the insurance described in (ii) above. All policies of insurance required under a Lease Agreement may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City is also required under each Lease Agreement to deliver to the Trustee, on the date of execution and delivery of the Certificates, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the related Series of Certificates, showing a leasehold interest in the related Leased Property in the name of the Trustee and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the related Series of Certificates, and to deliver such policy to the Trustee promptly after the execution and delivery of the Certificates.

The City is not required to maintain earthquake or flood insurance (or rental interruption insurance relating to such coverage) under the Lease Agreements and the City does not currently have earthquake or flood insurance on the Leased Properties. APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Insurance."

THE CITY MAY SELF-INSURE AGAINST ANY OF THE RISKS REQUIRED TO BE INSURED AGAINST IN THE LEASE AGREEMENTS, EXCEPT FOR SELF-INSURANCE FOR RENTAL INTERRUPTION INSURANCE AND TITLE INSURANCE. The City expects to self-insure for general liability insurance only.

Eminent Domain

If all of a Leased Property, or so much thereof as to render the remainder of such Leased Property unusable for the City's purposes under the related Lease Agreement, is taken under the power of eminent domain: (i) the City may, at its option, replace such Leased Property, or (ii) the related Lease Agreement will terminate and the proceeds of any condemnation award will be paid to the Trustee for application to the prepayment of the related Series of Certificates. If less than a substantial portion of a Leased Property is taken under the power of eminent domain, and the remainder is useable for the City's purposes, the related Lease Agreement will continue in full force and effect as to the remaining portions of such Leased Property, subject only to its rental abatement provisions. Any condemnation award will be paid to the Trustee for application to the replacement of the portion of such Leased Property taken or to the partial prepayment of the related Series of Certificates. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – TRUST AGREEMENT – Repair or Replacement – Eminent Domain" and "– LEASE AGREEMENTS – Eminent Domain."

Substitution, Release, and Addition of Leased Properties

If no Event of Default has occurred and is continuing under a Lease Agreement, such Lease Agreement may be modified or amended at any time, and the Trustee may consent thereto without the consent of the Owners, if such amendment is to modify or amend the description of the related Leased Property or to release from such Lease Agreement any portion of the related Leased Property, or to add other property and improvements to the related Leased Property or substitute other property and improvements for the related Leased Property, upon satisfaction of the conditions to such amendment and substitution in such Lease Agreement. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Substitution of Leased Property," "– Release of Leased Property" and "– Addition of Leased Property."

CERTAIN RISK FACTORS

The following risk factors should be considered, along with all other information in this Official Statement, by potential investors in evaluating the risks inherent in the purchase of the Certificates. The following discussion is not meant to be a comprehensive or definitive list of the risks associated with an investment in the Certificates. The order in which this information is presented does not necessarily reflect the relative importance of the various issues. Any one or more of the risk factors discussed below, among others, could lead to a decrease in the market value and/or in the liquidity of the Certificates. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Rental Payments Not a Debt of the City

The obligation of the City to make Base Rental or Additional Rental payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligation of the City to make Base Rental or Additional Rental payments does not constitute an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificates represent and are payable solely from Base Rental payments made by the City pursuant to the Lease Agreements and amounts held in the Base Rental Fund established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application of such amounts for the purposes and on the terms and conditions set forth therein. The City will be obligated to make Rental Payments subject to the terms of the Lease Agreements, and neither the City nor any of its officers will incur any liability or any other obligation with respect to the delivery of the Certificates.

Additional Obligations

Subject to certain City Charter restrictions, the City may incur other obligations, which may constitute additional charges against its revenues, without the consent of the Owners of the Certificates. There are no restrictions in the Trust Agreement against the City incurring additional lease and other obligations payable from the City's General Fund. To the extent that the City incurs additional obligations, the funds available to make payments of Base Rental may be decreased. The City is currently liable on other obligations payable from its general revenues. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CAPITAL FINANCING AND BONDS – Overlapping Debt," "– Tax Supported Debt Service," and "– Lease Payments and Other Long-Term Obligations." See also APPENDIX B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013."

Abatement

The obligation of the City under each Lease Agreement to make Base Rental payments is in consideration for the use and right of occupancy of a Leased Property. Under certain circumstances, the City's obligation to make Base Rental payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the related Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of such Leased Property or any portion thereof, or due to defects in title to such Leased Property, or any portion thereof. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Base Rental Payments."

In the case of abatement relating to a Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Lease Agreement Year during which such interference continues do not exceed the annual fair rental value of the portions of such Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement would continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of such Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the related Lease Agreement will be extended by the period during which the rental is abated under such Lease Agreement, except that such extension will in no event extend (i) beyond April 1, 2031 in the case of the San Francisco Courthouse Lease Agreement, and (ii) beyond April 1, 2044 in the case of the Juvenile Hall Lease Agreement. Proceeds of rental interruption insurance may be used by the Trustee to make payments with respect to the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest represented by the Certificates as such amounts become due. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Properties." and "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Properties.

If damage, destruction, condemnation or title defect with respect to a Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with any available insurance proceeds, are insufficient to make all payments with respect to the related Series of Certificates during the period that such Leased Property, or portion thereof, is being restored, then all or a portion of such payments may not be made and no remedy is available to the Trustee or the Owners under the related Lease Agreement or Trust Agreement for nonpayment under such circumstances. Failure to pay principal of, premium, if any, or interest with respect to such Series of Certificates as a result of abatement of the City's obligation to make Rental Payments under the related Lease Agreement is not an event of default under the Trust Agreement or the related Lease Agreement.

Notwithstanding the provisions of the Lease Agreements and the Trust Agreement specifying the extent of abatement in the event of the City's failure to have use and possession of the Leased Properties, such provisions may be superseded by operation of law, and, in such event, the resulting Base Rental payments of the City may not be sufficient to pay all of that portion of the remaining principal and interest with respect to the Certificates. It is not possible to predict the circumstances under which such an abatement of Base Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured.

No Reserve Fund

The Certificates are not secured by any reserve fund.

Limited Recourse on Default; Re-letting of the Leased Properties

Each Lease Agreement and the Trust Agreement provide that, if there is a default by the City, the Trustee may take possession of and re-let the related Leased Property for the account of the City. The amounts received from such re-letting may be insufficient to pay the scheduled principal and interest represented by the related Series of Certificates when due. In addition, the Trust Agreement provides that no remedies such as re-letting may be exercised (i) in violation of the Tax Certificate unless waived by the Owners of not less than the majority in the aggregate principal amount of the related Series of Certificates then Outstanding, or (ii) in violation of any applicable provision of law. The enforcement of any remedies provided for in the Lease Agreements and in the Trust Agreement could prove to be both expensive and time consuming.

The Lease Agreements provide that any remedies on default will be exercised by the Trustee. Upon the occurrence and continuance of the City's failure to deposit with the Trustee any Base Rental and/or Additional Rental payments when due, or if the City breaches any other terms, covenants, conditions or agreements contained in a Lease Agreement (and does not remedy such breach within 60 days after notice thereof or, if such breach cannot be remedied within such 60-day period, the City fails to take corrective action within such 60-day period and diligently pursue the same to completion), the Trustee may proceed (and, upon written request of the Owners of not less than a majority in aggregate principal amount of the related Series of Certificates then outstanding and receipt of indemnification of its fees and expenses, will proceed), without any further notice: (i) to reenter the related Leased Property and without terminating the related Lease Agreement, re-let such Leased Property as the agent and for the account of the City upon such terms and conditions as the Trustee may deem advisable or (ii) to enforce all of its rights and remedies under the related Lease Agreement, including the right to recover Base Rental payments as they become due, by pursuing any remedy available in law or in equity.

Enforcement of Remedies

The enforcement of any remedies provided in the Lease Agreements and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Lease Agreements and the Trust Agreement may be limited by and are subject to the limitations on legal remedies against cities and counties in the State, including State constitutional limits on expenditures and limitations on the enforcement of judgments against funds needed to serve the public welfare and interest; by federal bankruptcy laws, as now or hereafter enacted; applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Constitution; the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against municipal corporations in the State. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the Owners of the Certificates to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreements and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See also "CERTAIN RISK FACTORS – Bankruptcy; City; Trustee" herein.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the total Base Rental payments for the term of the Lease Agreements. Any suit for money damages would be subject to the legal limitations on remedies against cities and counties in the State, including a limitation on enforcement of judgments against funds needed to serve the public welfare and interest.

Release and Substitution of the Leased Properties

Each Lease Agreement permits the release of portions of the related Leased Property or the substitution of other real property for all or a portion of the related Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – LEASE AGREEMENTS – Substitution of Leased Property" and "– Release of Leased Property." Although each Lease Agreement requires that the substitute property have an annual fair rental value upon becoming part of the related Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to such Leased Property being replaced, it does not require that such substitute property have an annual fair rental value equal to the total annual fair rental value at the time of replacement of such Leased Property or portion thereof being replaced. In addition, such replacement property could be located anywhere within the City's boundaries. Therefore, release or substitution of all or a portion of a Leased Property could have an adverse effect on the security for the related Series of Certificates.

Seismic Risks

The City is located in a seismically active region. Active earthquake faults underlie both the City and the surrounding Bay Area, including the San Andreas Fault, which passes about 3 miles to the southeast of the City's border, and the Hayward Fault, which runs under Oakland, Berkeley and other cities on the east side of San Francisco Bay, about 10 miles away. Significant recent seismic events include the 1989 Loma Prieta earthquake, centered about 60 miles south of the City, which registered 6.9 on the Richter scale of earthquake intensity. That earthquake caused fires, building collapses, and structural damage to buildings and highways in the City and environs. The San Francisco-Oakland Bay Bridge, the only east-west vehicle access into the City, was closed for a month for repairs, and several highways in the City were permanently closed and eventually removed.

In April 2008, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Society, and the Southern California Earthquake Center) reported that there is a 63% chance that one or more quakes of about magnitude 6.7 or larger will occur in the Bay Area before the year 2038. Such earthquakes may be very destructive. For example, the U.S.G.S. predicts a magnitude 7 earthquake occurring today on the Hayward Fault would likely cause hundreds of deaths and almost $100 billion of damage. In addition to the potential damage to City-owned buildings and facilities, including the Leased Properties (on which the City does not generally carry earthquake insurance), due to the importance of San Francisco as a tourist destination and regional hub of commercial, retail and entertainment activity, a major earthquake anywhere in the Bay Area may cause significant temporary and possibly longer-term harm to the City's economy, tax receipts, and residential and business real property values.

In addition, each Leased Property is located in a seismically active region. The obligation of the City to make payments of Base Rental may be abated, in whole or in part, if the Leased Properties or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City is not obligated under the Lease Agreements to maintain earthquake or flood insurance, and the City does not currently have earthquake or flood insurance on the Leased Properties. There can be no assurance that the Leased Properties would not be damaged in whole or in part by seismic activity.

Climate Change Regulations

The U.S. Environmental Protection Agency (the "EPA") has taken steps towards the regulation of greenhouse gas ("GHG") emissions under existing federal law. On December 14, 2009, the EPA made an "endangerment and cause or contribute finding" under the Clean Air Act, codified at 40 C.F.R. 1. In the finding, the EPA determined that the body of scientific evidence supported a finding that six identified GHGs – carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, and sulfur hexafluoride – cause global warming, and that global warming endangers public health and welfare. The EPA also found that GHGs are a pollutant and that GHG emissions from motor vehicles cause or contribute to air pollution. This finding requires that the EPA regulate emissions of certain GHGs from motor vehicles.

Regulation by the EPA can be initiated by private parties or by governmental entities other than the EPA. On July 11, 2008, the EPA issued an Advanced Notice of Proposed Rulemaking (the "ANPR") relating to GHG emissions and climate change. The final rule, the Mandatory Reporting of Greenhouse Gases Rule (74 FR 56260), requires reporting of GHG data and other relevant information from large stationary sources and electricity and fuel suppliers.

In addition to these regulatory actions, other laws and regulations limiting GHG emissions have been adopted by a number of states, including California, and have been proposed on the federal level. California passed Assembly Bill 32, the "California Global Warming Solutions Act of 2006," which requires the Statewide level of GHGs to be reduced to 1990 levels by 2020. On October 20, 2011, the California Air Resources Board ("CARB") made the final adjustments to its implementation of Assembly Bill 32: the "California Cap-and-Trade Program" (the "Program") which was implemented in January 2012. The Program covers regulated entities emitting 25,000 MtCO2e per year or more and entities in certain listed industries, including major industrial sources, electricity generating facilities, and fuel suppliers. Non-covered entities are encouraged to opt-in and voluntarily participate in the Program. It is expected that the Program will result in rising electricity and fuel costs, which may adversely affect the City and the local economy.

The City is unable to predict what additional federal or State laws and regulations with respect to GHG emissions or other environmental issues (including but not limited to air, water, hazardous substances and waste regulations) will be adopted, or what effects such laws and regulations will have on the City or the local economy. The effects, however, could be material.

Risk of Sea Level Changes and Flooding

In May 2009, the California Climate Change Center released a final paper, for informational purposes only, which was funded by the California Energy Commission, the California Environmental Protection Agency, the Metropolitan Transportation Commission, the California Department of Transportation and the California Ocean Protection Council. The title of the paper is "The Impacts of Sea-Level Rise on the California Coast." The paper posits that increases in sea level will be a significant consequence of climate change over the next century. The paper evaluated the population, infrastructure, and property at risk from projected sea-level rise if no actions are taken to protect the coast. The paper concluded that significant property is at risk of flooding from 100-year flood events as a result of a 1.4 meter sea level rise. The paper further estimates that two-thirds of this at-risk property (with a replacement value of approximately $62 billion in 2000 dollars) is concentrated in San Francisco Bay, indicating that this region is particularly vulnerable to impacts associated with sea-level rise due to extensive development on the margins of the Bay. A wide range of critical infrastructure, such as roads, hospitals, schools, emergency facilities, wastewater treatment plants, power plants, and wetlands is also vulnerable. Continued development in vulnerable areas will put additional assets at risk and raise protection costs.

The City is unable to predict whether sea-level rise or other impacts of climate change or flooding from a major storm will occur, when they may occur, and if any such events occur, whether they will have a material adverse effect on the business operations or financial condition of the City and the local economy.

Natural Gas Transmission and Distribution Pipelines

In September 2010, a Pacific Gas and Electric Company ("PG&E") high pressure natural gas transmission pipeline exploded in San Bruno, California, with catastrophic results. There are numerous gas transmission and distribution pipelines owned, operated and maintained by PG&E throughout the City. The City cannot provide any assurances as to the condition of PG&E pipelines in the City, or predict the extent of damage to surrounding property that would occur if a PG&E pipeline located within the City were to explode. The obligation of the City to make payments of Base Rental may be abated if a Leased Property or any improvements thereon are damaged or destroyed by a pipeline explosion. There can be no assurance that the Leased Properties would not be damaged in whole or in part by a pipeline explosion.

Other Natural Events

Seismic events, wildfires and other calamitous events may damage City infrastructure and adversely impact the City's ability to provide municipal services. In August 2013, a massive wildfire in Tuolumne County and the Stanislaus National Forest burned over 257,135 acres (the "Rim Fire"), which area included portions of the City's Hetch Hetchy Project. The Hetch Hetchy Project is comprised of dams (including O'Shaughnessy Dam), reservoirs (including Hetch Hetchy Reservoir which supplies 85% of San Francisco's drinking water), hydroelectric generator and transmission facilities and water transmission facilities. Hetch Hetchy facilities affected by the Rim Fire included two power generating stations and the southern edge of the Hetch Hetchy Reservoir. There was no impact to drinking water quality. The City's hydroelectric power generation system was interrupted by the fire, forcing the San Francisco Public Utilities Commission to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E. The Rim Fire inflicted approximately $40 million in damage to parts of the City's water and power infrastructure located in the region.

Risk Management and Insurance

Each Lease Agreement obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the related Leased Property for repair or replacement in the event of damage or destruction to such Leased Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Properties." The City is also required to maintain rental interruption insurance in an amount equal to but not less than 24 months Base Rental payments. The Lease Agreements allow the City to insure against any or all risks, except rental interruption and title defects, through an alternative risk management program such as self-insurance. The City expects to self-insure for general liability insurance only. The City makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in each Lease Agreement and no assurance can be given as to the adequacy of any such insurance to fund necessary repair or replacement or to pay principal of and interest with respect to the related Series of Certificates when due.

The City employs a full-time Risk Manager, as well as safety and loss control professionals, for the prevention and mitigation of property, liability and employee claims for injury or damage. For information concerning the self-insurance and risk management programs of the City see APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – LITIGATION AND RISK MANAGEMENT – Risk Retention Program."

State Law Limitations on Appropriations

Article XIII B of the State Constitution limits the amount that local governments can appropriate annually. The ability of the City to make Base Rental payments may be affected if the City should exceed its appropriations limit. The State may increase the appropriation limit of counties in the State by decreasing the State's own appropriation limit. The City does not anticipate exceeding its appropriations limit in the foreseeable future. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Article XIII B of the California Constitution" herein.

Changes in Law

The City cannot provide any assurance that the State Legislature or the City's Board of Supervisors will not enact legislation that will result in a reduction of the City's General Fund revenues and therefore a reduction of the funds legally available to the City to make Base Rental payments. See, for example, APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES – Articles XIII C and XIII D of the California Constitution" herein.

The General Fund of the City, which is the source of payment of the principal and interest evidenced by the Certificates, may also be adversely affected by actions taken (or not taken) by voters. Under the State Constitution, the voters of the State have the ability to initiate legislation and require a public vote on legislation passed by the State Legislature through the powers of initiative and referendum, respectively. Under the City's Charter, the voters of the City can restrict or revise the powers of the City through the approval of a Charter amendment. The City is unable to predict whether any such initiatives might be submitted to or approved by the voters, the nature of such initiatives, or their potential impact on the City.

Bankruptcy; City; Trustee

In addition to the limitations on remedies contained in the Trust Agreement and the Lease Agreements, the rights and remedies in the Trust Agreement and the Lease Agreements may be limited and are subject to the provisions of federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect the enforcement of creditors' rights. The legal opinions to be delivered concurrently with the delivery of the Certificates will be qualified, as to the enforceability of the Certificates, the Trust Agreement, the Lease Agreements and other related documents, by bankruptcy, insolvency, reorganization, moratorium, arrangement, fraudulent conveyance and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against charter cities and counties and non-profit public benefit corporations in the State. See "CERTAIN RISK FACTORS – Enforcement of Remedies" herein.

The City is authorized under California law to file for bankruptcy protection under Chapter 9 of the United States Bankruptcy Code (Title 11, United States Code) (the "Bankruptcy Code"), which governs the bankruptcy proceedings for public agencies such as the City. Third parties, however, cannot bring involuntary bankruptcy proceedings against the City. If the City were to file a petition under Chapter 9 of the Bankruptcy Code, the rights of the Owners of the Certificates may be materially and adversely affected as follows: (i) the application of the automatic stay provisions of the Bankruptcy Code, which, until relief is granted, would prevent collection of payments from the City or the commencement of any judicial or other action for the purpose of recovering or collecting a claim against the City and could prevent the Trustee from making payments from funds in its possession; (ii) the avoidance of preferential transfers occurring during the relevant period prior to the filing of a bankruptcy petition; (iii) the existence of unsecured or secured debt which may have a priority of payment superior to that of Owners of the Certificates; and (iv) the possibility of the adoption of a plan (an "Adjustment Plan") for the adjustment of the City's various obligations over the objections of the Trustee or all of the Owners of the Certificates and without their consent, which Adjustment Plan may restructure, delay, compromise or reduce the amount of any claim of the Owners of the Certificates if the Bankruptcy Court finds that such Adjustment Plan is "fair and equitable" and in the best interests of creditors. The adjustment of similar obligations is currently being litigated in federal court in connection with bankruptcy applications by the cities of San Bernardino and Stockton. The Adjustment Plans in these cities propose significant reductions in the amounts payable by the cities under lease revenue obligations substantially similar to the Certificates. The City can provide no assurances about the outcome of the bankruptcy cases of other California municipalities or the nature of any Adjustment Plan if it were to file for bankruptcy. The City is not currently considering filing for protection under the Bankruptcy Code.

In addition, if a Lease Agreement was determined to constitute a "true lease" by the bankruptcy court (rather than a financing lease providing for the extension of credit), the City could choose to reject the Lease Agreements despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Lease Agreements, the Trustee, on behalf of the Owners of the Certificates, would have a pre-petition unsecured claim that may be substantially limited in amount, and this claim would be treated in a manner under an Adjustment Plan over the objections of the Trustee or Owners of the Certificates. Moreover, such rejection would terminate the Lease Agreements and the City's obligations to make payments thereunder. The City may also be permitted to assign the Lease Agreements (or the Facilities Leases) to a third party, regardless of the terms of the transaction documents. In any event, the mere filing by the City for bankruptcy protection likely would have a material adverse effect on the marketability and market price of the Certificates.

The Trust Agreement will state that the Trustee has entered into such agreement in its capacity as trustee and not in its individual corporate capacity. Were the Trustee to fail or become insolvent, federal regulatory authorities such as the Federal Deposit Insurance Corporation, the United States Comptroller of the Currency and the Federal Reserve Bank of the United States would have broad authority respecting the assets and liabilities of the Trustee. No opinion will be delivered in connection with the delivery of the Certificates to the effect that the Leased Properties or payments by the City under the Lease Agreements do not constitute property of the Trustee or that the Trust Agreement or the Certificates do not constitute obligations of the Trustee. Were the Trustee to fail or become insolvent, the Lease Agreements, the Trust Agreement and/or the Certificates could be determined to be assets and/or liabilities of the Trustee. In such event, the Owners of the Certificates could suffer a significant delay in payment and/or a loss of some portion or all of their investment.

State of California Financial Condition

The State has for a number of years experienced significant financial and budgetary stress. The City receives a significant portion of its funding from the State. On January 9, 2014, Governor Brown released the Fiscal Year 2014-15 Proposed State Budget, which projects Fiscal Year 2013-14 general fund revenues and transfers of \$100.15 billion, total expenditures of \$98.5 billion and a year-end surplus of \$4.21 billion, of which \$955 million would be reserved for liquidation of encumbrances and \$3.26 billion would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget projects Fiscal Year 2014-15 general fund revenues and transfers of \$104.5 billion, total expenditures of \$106.79 billion and a year-end surplus of \$1.92 billion, of which $955 million would be reserved for liquidation of encumbrances and $967 million would be deposited in a reserve for economic uncertainties. The Fiscal Year 2014-15 Proposed State Budget also proposes a deposit of $1.59 billion into the State's Rainy Day Fund. The Fiscal Year 2014-15 Proposed State Budget proposes a constitutional amendment to strengthen the Rainy Day Fund, scheduled to appear on the ballot in November 2014. Under the proposal, revenues would be deposited into the Rainy Day Fund when capital gains revenues rise to more than 6.5% of general fund tax revenues. The Rainy Day Fund would also allow supplemental payments to long-term liabilities of the State and would smooth spikes in funding to schools under Proposition 98. Amounts that could be withdrawn from the Rainy Day Fund in the first year of a recession would be limited to half of the fund's balance. The Fiscal Year 2014-15 Proposed State Budget recognizes recent improvements in the State's budget situation, but warns that there remain a number of major risks that threaten the State's fiscal stability, including threats of future recession, federal fiscal changes, stock market performance, the prison population cap, issues regarding the dissolution of redevelopment agencies in the State, rising health care costs, and an unprecedented level of debts, deferrals and budgetary obligations accumulated by the State over the prior decade (known as the "Wall of Debt").

Certain of the features of the Fiscal Year 2014-15 Proposed State Budget which could affect counties in the State include the following:

1. The Governor has budgeted for a 3% deposit for Fiscal Year 2014-15 into the Rainy Day Fund. Under current law, half of this amount will be used to make a supplemental payment to pay off the State's Economic Recovery Bonds, which were sold in 2004 to balance the budget. In connection with the sale of those bonds, the State Legislature enacted provisions that changed how sales and use taxes and other revenues are distributed to schools and local governments on and after July 1, 2004 (known as the "Triple Flip"). The supplemental payment will accelerate the final payment of those bonds and thereby eliminate the need for Triple Flip.

2. The Fiscal Year 2014-15 Proposed State Budget reflects the full implementation of federal health care reform in California. As part of the Fiscal Year 2013-14 State Budget Act, a portion of the funding that counties use to provide health care to uninsured, low-income residents were shifted to the State's general fund, in order to offset the State's general fund costs for the CalWORKs program. Up to $300 million will be shifted from counties to the State in Fiscal Year 2013-14, rising to an estimated $900 million in Fiscal Year 2014-15.

3. In 2011, the State Legislature realigned responsibility for certain lower-level offenders from the State to counties. Currently, these offenders may receive either a "straight sentence" (jail time only) or a "split sentence" (jail time followed by mandatory supervisions). The Governor proposes to require the use of split sentences for any county jail felony sentence unless the court finds it to be in the interests of justice to impose a straight sentence, in order to help reduce recidivism and relieve jail overcrowding. Additionally, the Fiscal Year 2014-15 Proposed State Budget proposes that lower-level offenders who receive sentences longer than 10 years be required to serve their time in State prison rather than in county jail. Finally, the Fiscal Year 2014-15 Proposed State Budget includes $500 million to build county jail facilities, with counties subject to a 10% matching requirement.

4. The Fiscal Year 2014-15 Proposed State Budget reflects the increase in CalWORKs grant that was adopted in the Fiscal Year 2013-14 State Budget Act, but assumes no additional grant increase in Fiscal year 2014-15. The Fiscal Year 2014-15 Proposed State Budget also includes a pilot program that would provide additional assistance to approximately 2,000 CalWORKs families by providing such families access to licensed child care and activities designed to enhance parenting and life skills.

5. The Governor proposes to expand the use of Infrastructure Financing Districts ("IFDs"), which use tax increment financing to divert future tax revenue from other local agencies in order to finance economic development. The Governor proposes to reduce voter approval of IFDs from the current two-thirds requirement to 55% and seeks to expand the list of local projects that can be financed through IFDs to include projects that have "quality of life benefits" such as affordable housing and urban infill. In cases where a city or county formerly operated a redevelopment agency, the Fiscal Year 2014-15 Proposed State Budget would require the entity to meet certain goals prior to establishing an IFD, including paying in full any amounts owed to cities, counties and/or school districts and complying with State audit findings. Further, if the new IFD overlaps with a dissolved redevelopment agency, the amount of funding available for the IFD would depend on the extent to which the redevelopment agency's existing payment obligations have been met.

The City cannot predict the extent of the budgetary problems the State will encounter in this or in any future fiscal years, and, it is not clear what measures would be taken by the State to balance its budget, as required by law. Accordingly, the City cannot predict the final outcome of future State budget negotiations, the impact that such budgets will have on its finances and operations or what actions will be taken in the future by the State Legislature and Governor to deal with changing State revenues and expenditures. Current and future State budgets will be affected by national and State economic conditions and other factors over which the City has no control. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – City Budget Adopted for Fiscal Years 2013-14 and 2014-15" and "– Impact of the State of California Budget on Local Finances."

U.S. Government Finances

The City receives substantial federal funds for assistance payments, social service programs and other programs. A portion of the City's assets are also invested in securities of the United States government. The City's finances may be adversely impacted by fiscal matters at the federal level, including but not limited to cuts to federal spending. On March 1, 2013 automatic spending cuts to federal defense and other discretionary spending (referred to as "sequestration") went into effect, and Congress was unable to enact a regular budget or a continuing resolution for the 2014 fiscal year, which began on October 1, 2013. As a result, certain appropriations lapsed on October 1, 2013 and the United States federal government entered a partial shutdown with furloughs of certain federal workers and suspension of certain services not exempted by law until October 16, 2013. Among other impacts, the City's receipt of federal subsidies for the interest payments on its obligations issued as "Build America Bonds" was delayed (the City's payment of interest on such obligations is not dependent upon federal subsidies and were not adversely affected by such delay). The City cannot predict the outcome of future federal budget deliberations. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances." See also APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – OTHER CITY TAX REVENUES" and "– INVESTMENT OF CITY FUNDS."

Other

There may be other risk factors inherent in ownership of the Certificates in addition to those described in this section.

TAX MATTERS

In the opinion of Sidley Austin LLP, San Francisco, California, and Garcia, Hernández, Sawhney & Bermudez, LLP, Oakland, California (collectively, "Co-Special Counsel"), under existing law and assuming compliance with certain covenants in the Trust Agreement, the Lease Agreements, the Facilities Leases, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Certificates and the timely payment of certain investment earnings to the United States, interest with respect to the Certificates is not includable in the gross income of the owners of the Certificates for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest with respect to the Certificates to be included in gross income retroactive to the date of execution and delivery of the Certificates.

In the further opinion of Co-Special Counsel, interest with respect to the Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Co-Special Counsel express no opinion with respect to any collateral tax consequences and, accordingly, prospective purchasers of the Certificates should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Trust Agreement or in other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Co-Special Counsel express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without the approval of Co-Special Counsel or in reliance upon the advice of counsel other than Co-Special Counsel with respect to the exclusion from gross income of the interest with respect to the Certificates for federal income tax purposes.

Original Issue Discount. The initial public offering price of certain of the Certificates (collectively, the "Discount Certificates") may be less than the principal amount of the Discount Certificates. The difference between the principal amount of a Discount Certificate and its initial public offering price is original issue discount. Original issue discount on a Discount Certificate accrues over the term of such Discount Certificate at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Certificate is treated as interest excludable from gross income for federal income tax purposes subject to the assumptions, conditions and limitations described above. The amount of original issue discount that accrues in each year to an owner of a Discount Certificate that is a corporation, however, is included in the calculation of the corporation's federal alternative minimum tax liability. In addition, the amount of original issue discount that accrues in each year to an owner of a Discount Certificate is included in determining the distribution requirements of certain regulated investment companies, and also may result in one or more of the collateral federal income tax consequences described above. Consequently, owners of Discount Certificates should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Certificate will increase an owner's adjusted basis in such Discount Certificate. This will affect the amount of taxable gain or loss realized by the owner of the Discount Certificate upon the prepayment, sale or other disposition of such Discount Certificate. The effect of the accrual of original issue discount on the federal income tax consequences of a prepayment, sale or other disposition of a Discount Certificate that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Certificates should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Certificates, other federal income tax consequences of owning and disposing of the Discount Certificates and any state and local tax consequences of owning and disposing of the Discount Certificates.

Premium Certificates. Certain of the Certificates may be sold at an initial offering price in excess of their stated principal amount. The excess, if any, of the tax adjusted basis of Certificates purchased as part of the initial public offering to a purchaser (other than a purchaser who holds such Certificates as inventory, stock in trade or for sale to customers in the ordinary course of business) over the amount payable at such Certificates' maturity is "bond premium." Bond premium is amortized over the term of such Certificates for federal income tax purposes (or, in the case of a Certificate with bond premium callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such Certificate). Owners of Certificates with bond premium are required to decrease their adjusted basis in such Certificates by the amount of amortizable bond premium attributable to each taxable year such Certificates are held. The amortizable bond premium on such Certificates attributable to a taxable year is not deductible for federal income tax purposes. Such amortizable bond premium is treated as an offset to the interest received with respect to such Certificates. Owners of such Certificates should consult their tax advisors with respect to the determination for federal income tax purposes of the treatment of bond premium upon the sale or other disposition of such Certificates and with respect to the state and local tax consequences of owning and disposing of such Certificates.

Information Reporting and Backup Withholding. Interest paid with respect to the Certificates will be subject to information reporting in a manner similar to interest paid on taxable obligations. Although such reporting requirement does not, in and of itself, affect the excludability of such interest from gross income for federal income tax purposes, such reporting requirement causes the payment of interest with respect to the Certificates to be subject to backup withholding if such interest is paid to beneficial owners who (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the Internal Revenue Service as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner would be allowed as a refund or a credit against such beneficial owner's federal income tax liability provided the required information is furnished to the Internal Revenue Service.

State Tax Exemption. In the further opinion of Co-Special Counsel, interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

Future Developments. Future or pending legislative proposals, if enacted, regulations, rulings or court decisions may cause interest with respect to the Certificates to be subject, directly or indirectly, to federal income taxation or to State or local income taxation, or may otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Legislation or regulatory actions and future or pending proposals may also affect the economic value of the federal or State tax exemption or the market value of the Certificates. Prospective purchasers of the Certificates should consult their tax advisors regarding any future, pending or proposed federal or State tax legislation, regulations, rulings or litigation as to which Co-Special Counsel express no opinion.

For example, various proposals have been made in Congress and by the President (the "Proposed Legislation"), which, if enacted, would subject interest on obligations that is otherwise excludable from gross income for federal income tax purposes, including interest with respect to the Certificates, to a tax payable by certain owners with adjusted gross income in excess of thresholds specified in the Proposed Legislation. It is unclear if the Proposed Legislation will be enacted, whether in its current or an amended form, or if other legislation that would subject interest with respect to the Certificates to a tax or cause interest with respect to the Certificates to be included in the computation of a tax, will be introduced or enacted. Prospective purchasers should consult their tax advisors as to the effect of the Proposed Legislation, if enacted in its current form or as it may be amended, or such other legislation on their individual situations.

Copies of the proposed forms of opinion of Co-Special Counsel are attached hereto as APPENDIX F.

OTHER LEGAL MATTERS

Certain legal matters incident to the authorization, issuance and sale of the Certificates and with regard to the tax status of the interest represented by the Certificates (see "TAX MATTERS" herein) are subject to the separate legal opinions of Sidley Austin LLP, San Francisco, California and Garcia, Hernández, Sawhney & Bermudez, LLP, Oakland, California Co-Special Counsel. The signed legal opinions of Co-Special Counsel, dated and premised on facts existing and law in effect as of the date of original delivery of the Certificates, will be delivered to the initial purchasers of the Certificates at the time of original delivery of the Certificates.

The proposed form of the legal opinions of Co-Special Counsel are set forth in APPENDIX F hereto. The legal opinions to be delivered may vary that text if necessary to reflect facts and law on the date of delivery. The opinions will speak only as of their date, and subsequent distributions of it by recirculation of this Official Statement or otherwise will create no implication that Co-Special Counsel have reviewed or express any opinion concerning any of the matters referred to in the opinion subsequent to its date. In rendering their opinions, Co-Special Counsel will rely upon certificates and representations of facts to be contained in the transcript of proceedings for the Certificates, which Co-Special Counsel will not have independently verified.

Certain legal matters will be passed upon for the City by the City Attorney and by Hawkins Delafield & Wood LLP, San Francisco, California, Disclosure Counsel.

Hawkins Delafield & Wood LLP, San Francisco, California has served as disclosure counsel to the City and in such capacity has advised the City with respect to applicable securities laws and participated with responsible Commission and City officials and staff in conferences and meetings where information contained in this Official Statement was reviewed for accuracy and completeness. Disclosure Counsel is not responsible for the accuracy or completeness of the statements or information presented in this Official Statement and has not undertaken to independently verify any of such statements or information. Rather, the City is solely responsible for the accuracy and completeness of the statements and information contained in this Official Statement. Upon the delivery of the Certificates, Disclosure Counsel will deliver a letter to the City which advises the City, subject to the assumptions, exclusions, qualifications and limitations set forth therein, that no facts came to the attention of such firm which caused them to believe that this Official Statement as of its date and as of the date of delivery of the Certificates contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No purchaser or holder of the Certificates, or other person or party other than the City, will be entitled to or may rely on such letter or Hawkins Delafield & Wood LLP's having acted in the role of disclosure counsel to the City.

The legal opinions and other letters of counsel to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions or advice regarding the legal issues and other matters expressly addressed therein. By rendering a legal opinion or advice, the giver of such opinion or advice does not become an insurer or guarantor of the result indicated by that opinion, or the transaction on which the opinion or advice is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

PROFESSIONALS INVOLVED IN THE OFFERING

Public Financial Management, Inc. and Ross Financial have served as Co-Financial Advisors to the City with respect to the sale of the Certificates. The Co-Financial Advisors have assisted the City in the City's review and preparation of this Official Statement and in other matters relating to the planning, structuring, and sale of the Certificates. The Co-Financial Advisors have not independently verified any of the data contained herein nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement and assume no responsibility for the accuracy or completeness of any of the information contained herein. The Co-Financial Advisors, Co-Special Counsel and Disclosure Counsel will all receive compensation from the City contingent upon the sale and delivery of the Certificates.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of the Owners of the Certificates to provide certain financial information and operating data relating to the City (the "Annual Report") not later than 270 days after the end of the City's fiscal year (which currently ends on June 30), commencing with the report for fiscal year 2013-14, which is due not later than March 27, 2015, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the City with the Municipal Securities Rulemaking Board ("MSRB"). The notices of enumerated events will be filed by the City with the MSRB. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is summarized in APPENDIX D: "FORM OF CONTINUING DISCLOSURE CERTIFICATE." These covenants have been made to assist the initial purchasers of the Certificates to comply with Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"). In the last five years, the City has not failed to comply in all material respects with any previous undertakings with regard to the Rule to provide annual reports or notices of material events.

The City may, from time to time, but is not obligated to, post its Comprehensive Annual Financial Report and other financial information on the City Controller's web site at www.sfgov.org/controller.

ABSENCE OF LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Lease Agreements, the Facilities Leases, the corporate existence of the City, or the entitlement to their respective offices of the officers of the City who will execute and deliver the Certificates and other documents and certificates in connection therewith. The City will furnish to the initial purchasers of the Certificates a certificate of the City as to the foregoing matters as of the time of the original delivery of the Certificates.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Service ("S&P") and Fitch Ratings ("Fitch") have assigned municipal bond ratings of "Aa3," "AA" and "AA-," respectively, to the Certificates. Certain supplemental information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Certificates. Any explanation of the significance of any rating may be obtained only from the respective credit rating agencies: Moody's, at www.moodys.com; S&P, at www.sandp.com; and Fitch, at www.fitchratings.com. The ratings reflect only the views of each rating agency. Investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision. No assurance can be given that any rating issued by a rating agency will be retained for any given period or that the same will not be revised or withdrawn entirely by such rating agency, if in such rating agency's judgment, circumstances so warrant. Any such revision or withdrawal of the ratings obtained, or other actions of a rating agency related to its rating, may have an adverse effect on the market or market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal, but the City has undertaken to provide notice to investors of any such change. See "CONTINUING DISCLOSURE" above.

SALE OF CERTIFICATES

The Certificates were sold at competitive bid on April ___, 2014. The Series 2014-R1 Certificates were awarded to _________ (the "Series 2014-R1 Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of $_______. Under the terms of its bid, the Series 2014-R1 Purchaser will be obligated to purchase all of the Series 2014-R1 Certificates if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Special Counsel, and certain other conditions to be satisfied by the City.

The Series 2014-R2 Certificates were awarded to _________ (the "Series 2014-R2 Purchaser," and together with the Series 2014-R1 Purchaser, the "Purchasers" and each, a "Purchaser"), who submitted the lowest true interest cost bid, at a purchase price of $_______. Under the terms of its bid, the Series 2014-R2 Purchaser will be obligated to purchase all of the Series 2014-R2 Certificates if any are purchased, the obligation to make such purchase being subject to the approval of certain legal matters by Co-Special Counsel, and certain other conditions to be satisfied by the City.

Each Purchaser has certified the reoffering prices or yields on the related Series of Certificates set forth on the inside cover of this Official Statement, and the City takes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium / discount on the reoffering of the Series 2014-R1 Certificates is $_______, and the Series 2014-R1 Purchaser's gross compensation (or "spread") is $_______. Based on the reoffering prices, the original issue premium / discount on the reoffering of the Series 2014-R2 Certificates is $_______, and the Series 2014-R2 Purchaser's gross compensation (or spread) is $_______.

The Purchasers may offer and sell the Certificates to certain dealers and others at prices lower than the offering prices stated on the inside cover page. The offering prices may be changed from time to time by the Purchasers.

MISCELLANEOUS

Any statements in this Official Statement involving estimates, forecasts or matters of opinion, whether or not expressly so stated, are intended solely as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City and the initial purchasers or Owners and beneficial owners of any of the Certificates.

The preparation and distribution of this Official Statement have been duly authorized by the Board of Supervisors of the City.

CITY AND COUNTY OF SAN FRANCISCO

By:____

Benjamin Rosenfield
Controller

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of December 1, 2013.

This Appendix A to the Official Statement of the City and County of San Francisco (the "City" or "San Francisco") covers general information about the City's governance structure, budget processes, property taxation system and other tax and revenue sources, City expenditures, labor relations, employment benefits and retirement costs, and investments, bonds and other long-term obligations.

The various reports, documents, websites and other information referred to herein are not incorporated herein by such references. The City has referred to certain specified documents in this Appendix A which are hosted on the City's website. A wide variety of other information, including financial information, concerning the City is available from the City's publications, websites and its departments. Any such information that is inconsistent with the information set forth in this Official Statement should be disregarded and is not a part of or incorporated into this Appendix A. The information contained in this Official Statement, including this Appendix A, speaks only as of its date, and the information herein is subject to change. Prospective investors are advised to read the entire Official Statement to obtain information essential to the making of an informed investment decision.

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CITY GOVERNMENT

City Charter

San Francisco is governed as a city and county chartered pursuant to Article XI, Sections 3, 4, 5 and 6 of the Constitution of the State of California (the "State"), and is the only consolidated city and county in the State. In addition to its powers under its charter in respect of municipal affairs granted under the State Constitution, San Francisco generally can exercise the powers of both a city and a county under State law. On April 15, 1850, several months before California became a state, the original charter was granted by territorial government to the City. New City charters were adopted by the voters on May 26, 1898, effective January 8, 1900, and on March 26, 1931, effective January 8, 1932. In November 1995, the voters of the City approved the current charter, which went into effect in most respects on July 1, 1996 (the "Charter").

The City is governed by a Board of Supervisors consisting of eleven members elected from supervisorial districts (the "Board of Supervisors"), and a Mayor elected at large who serves as chief executive officer (the "Mayor"). Members of the Board of Supervisors and the Mayor each serve a four-year term. The Mayor and members of the Board of Supervisors are subject to term limits as established by the Charter. Members of the Board of Supervisors may serve no more than two successive four-year terms and may not serve another term until four years have elapsed since the end of the second successive term in office. The Mayor may serve no more than two successive four-year terms, with no limit on the number of non-successive terms of office. The City Attorney, Assessor-Recorder, District Attorney, Treasurer and Tax Collector, Sheriff, and Public Defender are also elected directly by the citizens and may serve unlimited four-year terms. The Charter provides a civil service system for most City employees. School functions are carried out by the San Francisco Unified School District (grades K-12) ("SFUSD") and the San Francisco Community College District (post-secondary) ("SFCCD"). Each is a separate legal entity with a separately elected governing board.

Under its original charter, the City committed itself to a policy of municipal ownership of utilities. The Municipal Railway, when acquired from a private operator in 1912, was the first such city-owned public transit system in the nation. In 1914, the City obtained its municipal water system, including the Hetch Hetchy watershed near Yosemite. In 1927, the City dedicated Mill's Field Municipal Airport at a site in what is now San Mateo County 14 miles south of downtown San Francisco, which would grow to become today's San Francisco International Airport (the "Airport"). In 1969, the City acquired the Port of San Francisco (the "Port") in trust from the State. Substantial expansions and improvements have been made to these enterprises since their original acquisition. The Airport, the Port, the Public Utilities Commission ("Public Utilities Commission") (which now includes the Water Enterprise, the Wastewater Enterprise and the Hetch Hetchy Water and Power Project), the Municipal Transportation Agency ("MTA") (which operates the San Francisco Municipal Railway or "Muni" and the Department of Parking and Traffic ("DPT"), including the Parking Authority and its five public parking garages), and the City-owned hospitals (San Francisco General and Laguna Honda), are collectively referred to herein as the "enterprise fund departments", as they are not integrated into the City's General Fund operating budget. However, certain of the enterprise fund departments, including San Francisco General Hospital, Laguna Honda Hospital and the MTA receive significant General Fund transfers on an annual basis.

The Charter distributes governing authority among the Mayor, the Board of Supervisors, the various other elected officers, the City Controller and other appointed officers, and the boards and commissions that oversee the various City departments. Compared to the governance of the City prior to 1995, the Charter concentrates relatively more power in the Mayor and Board of Supervisors. The Mayor appoints most commissioners subject to a two-thirds vote of the Board of Supervisors, unless otherwise provided in the Charter. The Mayor appoints each department head from among persons nominated to the position by the appropriate commission, and may remove department heads.

Mayor and Board of Supervisors

Edwin M. Lee is the 43rd and current Mayor of the City. The Mayor is the chief executive officer of the City, with responsibility for general administration and oversight of all departments in the executive branch of the City. Mayor Lee was elected to his current four-year term as Mayor on November 8, 2011. Prior to being elected, Mayor Lee was appointed by the Board of Supervisors in January 2011 to fill the remaining year of former Mayor Gavin Newsom's term when Mayor Newsom was sworn in as the State's Lieutenant Governor. Mayor Lee served as the

City Administrator from 2005 up until his appointment to Mayor. He also previously served in each of the following positions: the City's Director of Public Works, the City's Director of Purchasing, the Director of the Human Rights Commission, the Deputy Director of the Employee Relations Division, and coordinator for the Mayor's Family Policy Task Force.

Table A-1 lists the current members of the Board of Supervisors. The Supervisors are elected for staggered four-year terms and are elected by district. Vacancies are filled by appointment by the Board of Supervisors.

TABLE A-1

CITY AND COUNTY OF SAN FRANCISCO
Board of Supervisors

Name	First Elected or Appointed	Current Term Expires
Eric Mar, *District 1*	2008	2017
Mark Farrell, *District 2*	2010	2015
David Chiu, *Board President, District 3*	2008	2017
Katy Tang, *District 4*	2013	2014
London Breed, *District 5*	2012	2017
Jane Kim, *District 6*	2010	2015
Norman Yee, *District 7*	2012	2017
Scott Wiener, *District 8*	2010	2015
David Campos, *District 9*	2008	2017
Malia Cohen, *District 10*	2010	2015
John Avalos, *District 11*	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his third four-year term as City Attorney in November 2009. The City Attorney represents the City in legal proceedings in which the City has an interest. Mr. Herrera was first elected City Attorney in December 2001. Before becoming City Attorney, Mr. Herrera had been a partner in a private law firm and had served in the Clinton Administration as Chief of Staff of the U.S. Maritime Administration. He also served as president of the San Francisco Police Commission and was a member of the San Francisco Public Transportation Commission.

Carmen Chu was elected Assessor-Recorder of the City in November 2013. The Assessor-Recorder administers the property tax assessment system of the City. Before becoming Assessor-Recorder, Ms. Chu was elected in November 2008 and November 2010 to the Board of Supervisors, representing the Sunset/Parkside District 4 after being appointed by then-Mayor Newsom in September 2007.

José Cisneros was re-elected to a four-year term as Treasurer of the City in November 2013. The Treasurer is responsible for the deposit and investment of all City moneys, and also acts as Tax Collector for the City. Mr. Cisneros has served as Treasurer since September 2004, following his appointment by then-Mayor Newsom. Prior to being appointed Treasurer, Mr. Cisneros served as Deputy General Manager, Capital Planning and External Affairs for the MTA.

Benjamin Rosenfield was appointed to a ten-year term as Controller of the City by then-Mayor Newsom in March 2008, and was confirmed by the Board of Supervisors in accordance with the Charter. The City Controller is responsible for timely accounting, disbursement, and other disposition of City moneys, certifies the accuracy of budgets, estimates the cost of ballot measures, provides payroll services for the City's employees, and, as the Auditor for the City, directs performance and financial audits of City activities. Before becoming Controller, Mr. Rosenfield served as the Deputy City Administrator under former City Administrator Edwin Lee from 2005 to 2008. He was responsible for the preparation and monitoring of the City's ten-year capital plan, oversight of a number of internal service offices under the City Administrator, and implementing the City's 311 non-emergency customer service center. From 2001 to 2005, Mr. Rosenfield worked as the Budget Director for then-Mayor Willie L. Brown, Jr. and then-Mayor Newsom. As Budget Director, Mr. Rosenfield prepared the City's proposed budget for each fiscal year and worked on behalf of the Mayor to manage City spending during the course of each year. From 1997 to 2001, Mr. Rosenfield worked as an analyst in the Mayor's Budget Office and a project manager in the Controller's Office.

Naomi M. Kelly was appointed to a five-year term as City Administrator by Mayor Lee on February 7, 2012. The City Administrator has overall responsibility for the management and implementation of policies, rules and regulations promulgated by the Mayor, the Board of Supervisors and the voters. In January 2012, Mrs. Kelly became Acting City Administrator. From January 2011, she served as Deputy City Administrator where she was responsible for the Office of Contract Administration, Purchasing, Fleet Management and Central Shops. Mrs. Kelly led the effort to successfully roll out the City's new Local Hire program last year by streamlining rules and regulations, eliminating duplication and creating administrative efficiencies. In 2004, Mrs. Kelly served as the City Purchaser and Director of the Office of Contract Administration. Mrs. Kelly has also served as Special Assistant in the Mayor's Office of Neighborhood Services, in the Mayor's Office of Policy and Legislative Affairs and served as the City's Executive Director of the Taxicab Commission.

CITY BUDGET

Overview

This section discusses the City's budget procedures, while following sections of this Appendix A describe the City's various sources of revenues and expenditure obligations.

The City manages the operations of its nearly 60 departments, commissions and authorities, including the enterprise fund departments, through its annual budget. In July 2013, the City adopted a full two-year budget. The City's fiscal year 2013-14 adopted budget appropriates annual revenues, fund balance, transfers, and reserves of approximately $7.91 billion, of which the City's General Fund accounts for approximately $3.95 billion. In fiscal year 2014-15 appropriated revenues, fund balance, transfers and reserves total approximately $7.93 billion and $4.05 billion of General Fund budget. For a further discussion of the fiscal years 2013-14 and 2014-15 adopted budgets, see "City Budget Adopted for Fiscal Years 2013-14 and 2014-15" herein.

Each year the Mayor prepares budget legislation for the City departments, which must be approved by the Board of Supervisors. Revenues consist largely of local property taxes, business taxes, sales taxes, other local taxes, and charges for services. A significant portion of the City's revenues come in the form of intergovernmental transfers from the State and Federal governments. Thus, the City's fiscal situation is affected by the health of the local real estate market, the local business and tourist economy, and by budgetary decisions made by the State and Federal governments which depend, in turn, on the health of the larger State and national economies. All of these factors are almost wholly outside the control of the Mayor, the Board of Supervisors, and other City officials. In addition, the State Constitution strictly limits the City's ability to raise taxes and property-based fees without a two-thirds popular vote. See “CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES”: herein. Also, the fact that the City's annual budget must be adopted before the State and federal budgets adds uncertainty to the budget process and necessitates flexibility so that spending decisions can be adjusted during the course of the Fiscal Year. See "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

Budget Process

The City's fiscal year commences on July 1. The City's budget process for each fiscal year begins in the middle of the preceding fiscal year as departments prepare their budgets and seek any required approvals from the applicable City board or commission. Departmental budgets are consolidated by the City Controller, and then transmitted to the Mayor no later than the first working day of March. By the first working day of May, the Mayor is required to submit a proposed budget to the Board of Supervisors for certain specified departments, based on criteria set forth in the Administrative Code. On or before the first working day of June, the Mayor is required to submit the complete budget, including all departments, to the Board of Supervisors.

Under the Charter, following the submission of the Mayor's proposed budget, the City Controller must provide an opinion to the Board of Supervisors regarding the accuracy of economic assumptions underlying the revenue estimates and the reasonableness of such estimates and revisions in the proposed budget (the City Controller's "Revenue Letter"). The City Controller may also recommend reserves that are considered prudent given the proposed resources and expenditures contained in the Mayor's proposed budget. The City Controller's current Revenue Letter can be viewed online at www.sfcontroller.org. The Revenue Letter and other information from the said website are not incorporated herein by reference. The City's Capital Planning Committee also reviews the proposed budget and provides recommendations based on the budget's conformance with the City's adopted ten-year capital plan. For a further discussion of the Capital Planning Committee and the City's ten-year capital plan, see "CAPITAL FINANCING AND BONDS – Capital Plan" herein.

The City is required by the Charter to adopt a budget which is balanced in each fund. During its budget approval process, the Board of Supervisors has the power to reduce or augment any appropriation in the proposed budget, provided the total budgeted appropriation amount in each fund is not greater than the total budgeted appropriation amount for such fund submitted by the Mayor. The Board of Supervisors must approve the budget by adoption of the Annual Appropriation Ordinance (also referred to herein as the "Original Budget") by no later than August 1 of each year.

The Annual Appropriation Ordinance becomes effective with or without the Mayor's signature after ten days; however, the Mayor has line-item veto authority over specific items in the budget. Additionally, in the event the Mayor were to disapprove the entire ordinance, the Charter directs the Mayor to promptly return the ordinance to the Board of Supervisors, accompanied by a statement indicating the reasons for disapproval and any recommendations which the Mayor may have. Any Annual Appropriation Ordinance so disapproved by the Mayor shall become effective only if, subsequent to its return, it is passed by a two-thirds vote of the Board of Supervisors.

Following the adoption and approval of the Annual Appropriation Ordinance, the City makes various revisions throughout the fiscal year (the Original Budget plus any changes made to date are collectively referred to herein as the "Revised Budget"). A "Final Revised Budget" is prepared at the end of the fiscal year reflecting the year-end revenue and expenditure appropriations for that fiscal year.

November 2009 Charter Amendment Instituting Two-Year Budgetary Cycle

On November 3, 2009, voters approved Proposition A amending the Charter to make changes to the City's budget and financial processes which are intended to stabilize spending by requiring multi-year budgeting and financial planning.

Proposition A requires three significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved in July 2012 by the Board of Supervisors for four departments for fiscal year 2012-13 and 2013-14: the Airport, the Port, the Public Utilities Commission, and MTA. All other departments prepared balanced, rolling two-year budgets beginning in fiscal year 2012-13.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The first five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was adopted by the Board of Supervisors on June 7, 2011, and was updated on March 7, 2012. A new five-year financial plan, covering fiscal years 2013-14 through 2017-18 was adopted by the Board of Supervisors on April 10, 2013. See "Five Year Financial Plan" below.

- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15. Charges the Controller's Office with proposing to the Mayor and Board of Supervisors financial policies addressing reserves, use of volatile revenues, debt, and financial measures in the case of disaster recovery and requires the City to adopt budgets consistent with these policies once approved. The Controller's Office may recommend additional financial policies or amendments to existing policies no later than October 1 of any subsequent year.

On April 13, 2010, the Board of Supervisors unanimously adopted policies to 1) codify the City's current practice of maintaining an annual General Reserve for current year fiscal pressures not anticipated in the budget and roughly double the size of the General Reserve by fiscal year 2015-16, and 2) create a new Budget Stabilization Reserve funded by excess receipts from volatile revenue streams to augment the existing Rainy Day Reserve to help the City mitigate the impact of multi-year downturns. On November 8 and 22, 2011, the Board of Supervisors unanimously adopted additional financial policies limiting the future approval of Certificates of Participation and other long-term obligations to 3.25% of discretionary revenue, and specifying that selected nonrecurring revenues may only be spent on nonrecurring expenditures. These policies are described in further detail below. The Controller's Office may propose additional financial policies by October 1 of any year.

Role of Controller; Budgetary Analysis and Projections

As Chief Fiscal Officer and City Services Auditor, the City Controller monitors spending for all officers, departments and employees charged with receipt, collection or disbursement of City funds. Under the Charter, no obligation to expend City funds can be incurred without a prior certification by the City Controller that sufficient revenues are or will be available to meet such obligation as it becomes due in the then-current fiscal year, which ends June 30. The City Controller monitors revenues throughout the fiscal year, and if actual revenues are less than estimated, the City Controller may freeze department appropriations or place departments on spending "allotments" which will constrain department expenditures until estimated revenues are realized. If revenues are in excess of what was estimated, or budget surpluses are created, the City Controller can certify these surplus funds as a source for supplemental appropriations that may be adopted throughout the year upon approval of the Mayor and the Board of Supervisors. The City's annual expenditures are often different from the estimated expenditures in the Annual Appropriation Ordinance due to supplemental appropriations, continuing appropriations of prior years, and unexpended current-year funds.

Charter Section 3.105 directs the City Controller to issue periodic or special financial reports during the fiscal year. Each year, the City Controller issues six-month and nine-month budget status reports to apprise the City's policymakers of the current budgetary status, including projected year-end revenues, expenditures and fund balances. The City Controller issued the most recent of these reports, the fiscal year 2012-13 Nine Month Budget Status Report (the "Nine Month Report"), on May 9, 2013. In addition, under Proposition A of November 2009, the Mayor must submit a Five-Year Financial Plan every two years to the Board of Supervisors which forecasts revenues and expenditures for the next five fiscal years and proposes actions to balance them. On April 10, 2013, the Board of Supervisors approved the City's second Five-Year Financial Plan. For details see "Five Year Financial Plan" below. Finally, as discussed above, the City Charter directs the Controller to annually report on the accuracy of economic assumptions underlying the revenue estimates in the Mayor's proposed budget. On June 11, 2013 the Controller released the Discussion of the Mayor’s FY 2013-14 and FY 2014-15 Proposed Budget (the "Revenue Letter"). All of these reports are available from the City Controller's website: www.sfcontroller.org. The information from said website is not incorporated herein by reference.

General Fund Results: Audited Financial Statements

The General Fund portions of the fiscal year 2013-14 and 2014-15 Original Budgets total $3.95 billion, and $4.05 billion respectively. This does not include expenditures of other governmental funds and enterprise fund departments such as the Airport, the MTA, the Public Utilities Commission, the Port, and the City-owned hospitals (San Francisco General and Laguna Honda). Table A-2 shows Final Revised Budget revenues and appropriations for the City's General Fund for fiscal years 2009-10 through 2012-13 and the Original Budgets for fiscal years 2013-14 through 2014-15. See "PROPERTY TAXATION –Tax Levy and Collection," "OTHER CITY TAX REVENUES" and "CITY GENERAL FUND PROGRAMS AND EXPENDITURES" herein.

The City's most recently completed Comprehensive Annual Financial Report (the "CAFR" which includes the City's audited financial statements) for fiscal year 2012-13 was issued on November 27, 2013. The fiscal year 2012-13 CAFR reported that as of June 30, 2013, the General Fund available for appropriation in subsequent years was $240.4 million (see Table A-4), of which $122.7 million was assumed in the fiscal year 2013-14 Original Budget and $111.6 million was assumed in the fiscal year 2014-15 Original Budget, and $6.1 million remains available for future appropriations. This represents a $20.1 million increase in available fund balance over the $220.3 million available as of June 30, 2012 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property tax and state realignment revenues, in fiscal year 2012-13. In addition to this available year-end General Fund balance, the City's Rainy Day Reserve Economic Stabilization Account totaled $23.3 million.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2009-10 through 2014-15
(000s)

	FY 2009-10 Final Revised Budget	FY 2010-11 Final Revised Budget	FY 2011-12 Final Revised Budget	FY 2012-13 Final Revised Budget	FY 2013-14 Original Budget [2, 3]	FY 2014-15 Original Budget [2]
Prior-Year Budgetary Fund Balance & Reserves	$390,512	$312,040	$427,886	$557,097	$156,426	$129,329
Budgeted Revenues						
Property Taxes	$1,021,015	$984,843	$1,028,677	$1,078,083	$1,153,417	$1,220,417
Business Taxes	371,848	342,350	389,878	452,806	532,988	564,180
Other Local Taxes	456,140	528,470	602,455	733,295	846,924	869,812
Licenses, Permits and Franchises	25,138	23,242	24,337	25,332	23,061	25,533
Fines, Forfeitures and Penalties	11,662	3,794	7,710	7,194	9,097	9,435
Interest and Investment Earnings	10,984	9,547	6,050	6,776	10,946	11,010
Rents and Concessions	19,884	22,346	22,894	21,424	25,534	20,597
Grants and Subventions	686,058	681,090	679,486	721,967	780,936	782,440
Charges for Services	146,680	145,443	153,678	168,963	177,048	177,805
Other	21,713	30,929	19,232	24,844	14,301	21,175
Total Budgeted Revenues	$2,771,122	$2,772,054	$2,934,397	$3,240,685	$3,574,252	$3,702,404
Bond Proceeds & Repayment of Loans	1,725	785	589	627	1,105	760
Expenditure Appropriations						
Public Protection	$954,816	$951,516	$991,840	$1,058,324	$1,130,932	$1,155,085
Public Works, Transportation & Commerce	44,276	25,763	53,878	68,351	80,797	111,993
Human Welfare & Neighborhood Development	657,274	650,622	677,953	670,958	700,254	717,018
Community Health	481,805	513,625	573,970	635,960	701,978	702,791
Culture and Recreation	93,755	100,043	99,762	105,580	119,579	115,632
General Administration & Finance	174,907	178,709	190,014	190,151	244,591	248,135
General City Responsibilities[1]	96,336	88,755	99,274	86,527	96,975	102,802
Total Expenditure Appropriations	$2,503,169	$2,509,032	$2,686,691	$2,815,852	$3,075,105	$3,153,456
Budgetary reserves and designations, net	$16,653	$6,213	$11,112	$4,191	$69,883	$50,121
Transfers In	$94,678	$119,027	$160,187	$195,388	$217,982	$214,792
Transfers Out	(564,945)	(504,740)	(567,706)	(646,018)	(804,777)	(843,708)
Net Transfers In/Out	($470,267)	($385,713)	($407,519)	($450,630)	($586,795)	($628,916)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$173,270	$183,921	$257,550	$527,736	$0	$0
Variance of Actual vs. Budget	138,770	243,965	299,547	146,901		
Total Actual Budgetary Fund Balance[3]	$312,040	$427,886	$557,097	$674,637	$0	$0

[1] Over the past five years, the City has consolidated various departments to achieve operational efficiencies. This has resulted in changes in how departments were summarized in the service area groupings above for the time periods shown.
[2] FY 2013-14 and FY 2014-15 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.
[3] Total Actual Budgetary Fund Balance for FY 2013-14 will be available upon release of the FY 2013-14 Final Revised Budget in the CAFR.

Source: Office of the Controller, City and County of San Francisco.

The City prepares its budget on a modified accrual basis. Accruals for incurred liabilities, such as claims and judgments, workers' compensation, accrued vacation and sick leave pay are funded only as payments are required to be made. The audited General Fund balance as of June 30, 2013 was $540.9 million (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $3.3 billion. Audited General Fund balances are shown in Table A-3 on both a budget basis and a GAAP basis with comparative financial information for the fiscal years ended June 30, 2009 through June 30, 2013.

TABLE A-3

CITY AND COUNTY OF SAN FRANCISCO
Summary of Audited General Fund Balances
Fiscal Year Ended June 30[1]
(000s)

	2009	2010	2011	2012	2013	
Restricted for rainy day (Economic Stabilization account)	$98,297	$39,582	$33,439	$31,099	$23,329	2
Restricted for rainy day (One-time Spending account)	-	-	-	3,010	3,010	2
Committed for budget stabilization (citywide)	-	-	27,183	74,330	121,580	
Committed for Recreation & Parks expenditure savings reserve	6,575	4,677	6,248	4,946	15,907	2
Assigned, not available for appropriation						
Assigned for encumbrances	65,902	69,562	57,846	62,699	74,815	2
Assigned for appropriation carryforward	91,075	60,935	73,984	85,283	112,327	2
Assigned for baseline appropriation funding mandates	-	-	-	-	-	2
Assigned for budget savings incentive program (citywide)	-	-	8,684	22,410	24,819	2
Assigned for salaries and benefits (MOU)	316	4,198	7,151	7,100	6,338	2
Assigned for litigation	-	-	-	-	-	2
Total Fund Balance Not Available for Appropriation	$262,165	$178,954	$214,535	$290,877	$382,125	3
Assigned and unassigned, available for appropriation						
Assigned for litigation & contingencies	$32,900	$27,758	$44,900	$23,637	$30,254	4
Assigned for General reserve				$22,306	$21,818	
Assigned for subsequent year's budget	95,447	105,328	159,390	104,284	122,689	5
Unassigned (available for future appropriation)	-	-	9,061	115,993	117,751	
Total Fund Balance Available for Appropriation	$128,347	$133,086	$213,351	$266,220	$292,512	6
Total Fund Balance, Budget Basis	$390,512	$312,040	$427,886	$557,097	$674,637	
Budget Basis to GAAP Basis Reconciliation						
Total Fund Balance - Budget Basis	$390,512	$312,040	$427,886	$557,097	$674,637	
Unrealized gain or loss on investments	(1,148)	1,851	1,610	6,838	(1,140)	
Nonspendable fund balance	11,307	14,874	20,501	19,598	23,854	7
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(56,426)	(71,967)	(43,072)	(46,140)	(38,210)	
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(37,940)	(55,938)	(63,898)	(62,241)	(93,910)	
Deferred Amounts on Loan Receivables	(4,630)	(9,082)	(13,561)	(16,551)	(20,067)	
Pre-paid lease revenue	-	-	(1,460)	(2,876)	(4,293)	
Total Fund Balance, GAAP Basis	$301,675	$191,778	$328,006	$455,725	$540,871	

[1] Summary of financial information derived from City CAFRs. GASB Statement 54, issued in March 2009, and implemented in the City's FY 2010-11 CAFR, establishes a new fund balance classification based primarily on the extent to which a government is bound to observe constraints imposed on the use of funds. Subsequent footnotes in this table provide the former descriptive titles for 2011 fund balance amounts.

[2] Prior to 2011, each line item was titled "reserved" for the purpose indicated

[3] Prior to 2011, titled "Total Reserved Fund Balance"

[4] Prior to 2011, titled "Designated for litigation and contingencies"

[5] Prior to 2011, titled "Unreserved, undesignated fund balance available for appropriation"

[6] Prior to 2011, titled "Total Unreserved Fund Balance"

[7] Prior to 2011, titled "Reserved for Assets Not Available for Appropriation"

Source: Office of the Controller, City and County of San Francisco.

Table A-4, entitled "Audited Statement of Revenues, Expenditures and Changes in General Fund Balances," is extracted from information in the City's CAFR for the five most recent fiscal years. Audited financial statements for the fiscal year ended June 30, 2013 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2013." Prior years' audited financial statements can be obtained from the City Controller's website. Information from the City Controller's website is not incorporated herein by reference. Excluded from this Statement of General Fund Revenues and Expenditures in Table A-4 are fiduciary funds, internal service funds, special revenue funds (which relate to proceeds of specific revenue sources which are legally restricted to expenditures for specific purposes) and all of the enterprise fund departments of the City, each of which prepares separate audited financial statements.

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TABLE A-4

CITY AND COUNTY OF SAN FRANCISCO

Audited Statement of Revenues, Expenditures and Changes in General Fund Balances

Fiscal Year Ended June 30 [1]

(000s)

	2009	2010	2011	2012	2013	
Revenues:						
Property Taxes	$999,528	$1,044,740	$1,090,776	$1,056,143	$1,122,008	
Business Taxes [2]	387,313	353,471	391,057	435,316	479,627	
Other Local Taxes	479,194	520,733	608,197	751,301	756,346	
Licenses, Permits and Franchises	24,750	24,249	25,252	25,022	26,273	
Fines, Forfeitures and Penalties	5,618	17,279	6,868	8,444	6,226	
Interest and Investment Income	9,193	7,900	5,910	10,262	2,125	
Rents and Concessions	19,096	18,733	21,943	24,932	35,273	
Intergovernmental	645,365	651,074	657,238	678,808	720,625	
Charges for Services	135,926	138,615	146,631	145,797	164,391	
Other	11,199	21,856	10,377	17,090	14,142	
Total Revenues	$2,717,182	$2,798,650	$2,964,249	$3,153,115	$3,327,036	
Expenditures:						
Public Protection	$889,594	$948,772	$950,548	$991,275	$1,057,451	
Public Works, Transportation & Commerce	61,812	40,225	25,508	52,815	68,014	
Human Welfare and Neighborhood Development	630,112	632,713	610,063	626,194	660,657	
Community Health	487,638	473,280	493,939	545,962	634,701	
Culture and Recreation	97,415	94,895	99,156	100,246	105,870	
General Administration & Finance	170,109	169,980	175,381	182,898	186,342	
General City Responsibilities	73,904	87,267	85,422	96,132	81,657	
Total Expenditures	$2,410,584	$2,447,132	$2,440,017	$2,595,522	$2,794,692	
Excess of Revenues over Expenditures	$306,598	$351,518	$524,232	$557,593	$532,344	
Other Financing Sources (Uses):						
Transfers In	$136,195	$94,115	$108,072	$120,449	$195,272	
Transfers Out	(550,910)	(559,263)	(502,378)	(553,190)	(646,912)	
Other Financing Sources	4,157	3,733	6,302	3,682	4,442	
Other Financing Uses	-	-	-	-	-	
Total Other Financing Sources (Uses)	($410,558)	($461,415)	($388,004)	($429,059)	($447,198)	
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency				(815)	-	
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($103,960)	($109,897)	$136,228	$127,719	$85,146	
Total Fund Balance at Beginning of Year	405,635	$301,675	$191,778	$328,006	$455,725	
Total Fund Balance at End of Year -- GAAP Basis [4]	$301,675	$191,778	$328,006	$455,725	$540,871	
Assigned for Subsequent Year's Appropriations and Unassigned Fund Balance, Year End						
-- GAAP Basis	$28,203	($2,050)	$48,070	$133,794	$135,795	[3]
-- Budget Basis	$95,447	$105,328	$168,451	$220,277	$240,410	[4]

[1] Summary of financial information derived from City CAFRs. Fund balances include amounts reserved for rainy day (Economic Stabilization and One-time Spending accounts), encumbrances, appropriation carryforwards and other purposes (as required by the Charter or appropriate accounting practices) as well as unreserved designated and undesignated available fund balances (which amounts constitute unrestricted General Fund balances).

[2] Does not include business taxes allocated to special revenue fund for the Community Challenge Grant program.

[3] Prior to adoption of GASB Statement 54 in 2011, titled "Unreserved & Undesignated Balance, Year End"

[4] Total FY 2012-13 amount is comprised of $122.7 million in assigned balance subsequently appropriated for use in FY 2013-14 plus $117.8 million unassigned balance available for future appropriations.

Sources: Comprehensive Annual Financial Report; Office of the Controller, City and County of San Francisco.

Five-Year Financial Plan

The Five-Year Financial Plan is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the plan to forecast expenditures and revenues for the next five-fiscal years, propose actions to balance revenues and expenditures during each year of the plan, and discuss strategic goals and corresponding resources for City departments. The first Five-Year Financial Plan, covering fiscal years 2011-12 through 2015-16, was prepared by the Mayor's Office and Controller's Office in collaboration with City departments and adopted by the Board of Supervisors on June 7, 2011 and updated on March 7, 2012.

The Five-Year Financial Plan for fiscal year 2013-14 through 2017-18 was approved by the Board of Supervisors on April 2, 2013. For General Fund Supported Operations for fiscal year 2013-14 through fiscal year 2017-18, the Plan projected budgetary shortfalls of $124 million, $256 million, $368 million, $423 million and $487 million over the next five fiscal years. The $487 million projected shortfall is a significant improvement from the first Five-Year Financial Plan which in 2011 projected a five-year shortfall of $829 million. This Plan projected continued recovery in local tax revenues. However, projected increases in employee salary and benefits, citywide operating expenses, and departmental costs are rising faster than projected revenue growth. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls will decrease.

The fiscal year 2013-14 and fiscal year 2014-15 budget approved by the Board of Supervisors on July 23, 2013, closed budget gaps identified in the Five Year Financial Plan. Strategies used to balance the budget are discussed in the budget section below. To the extent that the Mayor's budget is balanced with ongoing savings or revenues, this will reduce the projected deficits for subsequent fiscal years.

The City currently projects revenue growth of $578 million over the five-year period of this Plan, and expenditure growth of $1.065 billion. Employee pension costs, wages and other benefit growth are the single largest driver of cost growth and the imbalance between revenues and expenditures, growing by $459 million, 43% of the total expenditure growth, during the five years of the plan. Other costs projected to increase include: Citywide Operating Costs ($298 million, 28% of expenditure growth), Department of Public Health specific cost increases ($133 million, 13%), Charter Mandated Baseline and Reserve Changes ($118 million, 11%), and Other Department Specific Cost Increases ($57 million, 5%).

The Plan proposes the following strategies to restore fiscal stability: controlling capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; adjustments to baselines and revenue allocations; limiting growth in contract and materials costs; reduced reliance on non-recurring revenues and savings; and ongoing departmental revenues and savings initiatives.

City Budget Adopted for Fiscal Years 2013-14 and 2014-15

On July 24, 2013, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2014 and June 30, 2015. This is the second two-year budget for the entire City. The Controller's Office issued its required Controller's Discussion of the Mayor's fiscal year 2013-14 and fiscal year 2014-15 Proposed Budget on June 11, 2013. The Mayor's budget closed the $124 million and $256 million general fund shortfalls for fiscal year 2013-14 and fiscal year 2014-15 identified in the Five Year Financial Plan through a combination of (a) net citywide revenue increases of $91 million and $83 million, respectively; (b) a net Citywide expenditure increase of $6 million in fiscal year 2013-14 for capital projects, followed by Citywide expenditure savings of $60 million in fiscal year 2014-15, both made possible in part by lower than expected health costs and improved pension system returns; (c) one-time revenues of $28 million and $13 million, respectively; (d) departmental savings totaling $11 million and $47 million respectively, the largest component of which was securing alternative sources for furniture, fixtures and equipment for the new San Francisco General Hospital building ($17 million and $34 million), and (e) cost savings of $53 million in fiscal year 2014-15 made up of $33 million in reduced funding for growth in contracts and $20 million of deferred education enrichment fund allocations to the San Francisco Unified School District and First Five Commission.

On June 27, 2013 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with minor revisions totaling $25 million in fiscal year 2013-14 and $15.4 million in fiscal year 2014-15. The revisions in fiscal year 2013-14 were funded by $10.1 million in Committee reductions to the Mayor's budget and $15 million of additional sources identified by the Mayor, including $7.5 million in additional expenditure savings identified from fiscal year 2012-13 and $3.6 million in additional expenditure savings in fiscal year 2013-14, $1.4 million in additional fiscal year 2012-13 property tax revenue above the amount required to be deposited in the Budget Stabilization Reserve and to fund baseline transfers, $1.4 million in leftover funds in the budget's technical adjustment reserve and $1 million from Consumer Protection funds.

The Original Budget for fiscal years 2013-14 and 2014-15 totals $7.91 billion and $7.93 billion respectively, representing increases over prior year of $554 million and $23 million. The General Fund portion of each year's budget is $3.95 billion in fiscal year 2013-14 and $4.05 billion in fiscal year 2014-15 representing consecutive increases of $463 million and $98 million. There are 27,669 funded full time positions in the fiscal year 2013-14 Original Budget and 27,850 in the fiscal year 2014-15 Original Budget representing increases of 813 and 181, respectively.

The budget for fiscal years 2013-14 and 2014-15 adheres to the City's policy limiting the use of certain nonrecurring revenues to nonrecurring expenses proposed by the Controller's Office and approved unanimously by the Board of Supervisors on November 22, 2011. The policy was approved by the Mayor on December 1, 2011 and can only be suspended for a given fiscal year by a two-thirds vote of the Board. Specifically, this policy limited the Mayor and Board's ability to use for operating expenses the following nonrecurring revenues: extraordinary year-end General Fund balance (defined as General Fund prior year unassigned fund balance before deposits to the Rainy Day Reserve or Budget Stabilization Reserve in excess of the average of the previous five years), the General Fund share of revenues from prepayments provided under long-term leases, concessions, or contracts, otherwise unrestricted revenues from legal judgments and settlements, and other unrestricted revenues from the sale of land or other fixed assets. Under the policy, these nonrecurring revenues may only be used for nonrecurring expenditures that do not create liability for or expectation of substantial ongoing costs, including but not limited to: discretionary funding of reserves, acquisition of capital equipment, capital projects included in the City's capital plans, development of affordable housing, and discretionary payment of pension, debt or other long term obligations.

Impact of the State of California Budget on Local Finances

The State continues its slow economic recovery. Revenues from the State represent approximately 21.5% of the General Fund revenues appropriated in the fiscal year 2013-14 Original Budget, and thus changes in State revenues could have a significant impact on the City's finances. In a typical year, the Governor releases two primary proposed budget documents: 1) the Governor's Proposed Budget required to be submitted in January; and 2) the "May Revise" to the Governor's Proposed Budget. The Governor's Proposed Budget is then considered and typically revised by the State Legislature. Following that process, the State Legislature adopts, and the Governor signs, the State budget. City policy makers review and estimate the impact of both the Governor's Proposed and May Revise Budgets prior to the City adopting its own budget.

On June 27, 2013, Governor Brown signed the 2013-14 California State budget into law. In contrast to recent budgets, which closed multibillion dollar shortfalls, spending in fiscal year 2013-14 is set to increase by 3 percent over fiscal year 2012-13, including a $1.1 billion reserve, due to voter-approved tax increases, economic recovery and prior reductions. The City’s Original Budget for fiscal years 2013-14 and 2014-15 does not include the allowance for unallocated State funding reductions deemed necessary in budgets for fiscal years 2009-10 through 2012-13. The largest source of uncertainty in the City’s budget is related to the implementation of national health care reform (the Affordable Care Act, or ACA). The State’s fiscal year 2013-14 budget includes a $300 million reduction in funding for indigent health care to counties to reflect the expected enrollment of over one million additional adults in Medi-Cal beginning in January, 2014, of which San Francisco’s share is $17 million. The timing and extent to which reduced subventions will be made up by increased insurer reimbursements is not certain at this time, and budget adjustments may be required should the Mayor and the Board of Supervisors wish to backfill lost revenue and increased costs.

Impact of Federal Budget Tax Increases and Expenditure Reductions on Local Finances

On December 26, 2013, the President signed a two-year federal budget. The budget partially repeals sequester-related budget cuts for Fiscal Years 2013-14 and 2014-15. The City is currently reviewing the budget and the projected financial impact to the City is unknown at this time.

Budgetary Reserves and Economic Stabilization

Under the Charter, the Treasurer, upon recommendation of the City Controller, is authorized to transfer legally available moneys to the City's operating cash reserve from any unencumbered funds then held in the City's pooled investment fund. The operating cash reserve is available to cover cash flow deficits in various City funds, including the City's General Fund. From time to time, the Treasurer has transferred unencumbered moneys in the pooled investment fund to the operating cash reserve to cover temporary cash flow deficits in the General Fund and other City funds. Any such transfers must be repaid within the same fiscal year in which the transfer was made, together with interest at the rate earned on the pooled funds at the time the funds were used. The City has not issued tax and revenue anticipation notes to finance short-term cash flow needs since fiscal year 1996-97. See "INVESTMENT OF CITY FUNDS – Investment Policy" herein.

The financial policies passed on April 13, 2010 codified the current practice of maintaining an annual General Reserve to be used for current-year fiscal pressures not anticipated during the budget process. The policy set the reserve equal to one percent of budgeted regular General Fund revenues in fiscal year 2012-13 and increasing by 0.25% each year thereafter until reaching 2% of General Fund revenues in fiscal year 2016-17. The required starting balance of the General Reserve was $32.2 million in fiscal year 2012-13 and is $44.7 million and $55.5 million in fiscal years 2013-14 and 2014-15 respectively.

In addition to the operating cash and general reserves the City maintains two types of reserves to offset unanticipated expenses and which are available for appropriation to City departments by action of the Board of Supervisors. These include the Salaries and Benefit Reserve ($13.1 million in fiscal year 2013-14 and $13.5 million in fiscal year 2014-15), and the Litigation Reserve ($11.0 million in each year). Balances in both reflect new appropriations to the reserves and do not include carry-forward of prior year balances. The Charter also requires set asides of a portion of departmental expenditure savings in the form of a citywide Budget Savings Incentive Reserve and a Recreation and Parks Budget Savings Incentive Reserve.

The City also maintains Rainy Day and Budget Stabilization reserves whose balances carry-forward annually and whose use is allowed under select circumstances described below.

Rainy Day Reserve

In November 2003, City voters approved the creation of the City's Rainy Day Reserve into which the previous Charter-mandated cash reserve was incorporated. Charter Section 9.113.5 requires that if the City Controller projects total General Fund revenues for the upcoming budget year will exceed total General Fund revenues for the current year by more than five percent, then the City's budget shall allocate the anticipated General Fund revenues in excess of that five percent growth into the following two accounts within the Rainy Day Reserve and for other lawful governmental purposes.

50 percent of the excess revenues to the Rainy Day Economic Stabilization account;
25 percent of the excess revenues to the Rainy Day One-Time or Capital Expenditures account; and
25 percent of the excess revenues to any lawful governmental purpose.

Fiscal year 2011-12 revenue exceeded the deposit threshold, resulting in a $6.0 million deposit to the Rainy Day Reserve Economic Stabilization account and a $3.0 million deposit to the One-Time Capital Expenditures account. The deposit threshold was not exceeded in fiscal year 2012-13 and the fiscal year 2013-14 and 2014-15 budgets do not anticipate deposits to the reserve.

Deposits to the Rainy Day Reserve's Economic Stabilization account are subject to a cap of 10% of actual total General Fund revenues as stated in the City's most recent independent annual audit. Amounts in excess of that cap in any year will be allocated to capital and other one-time expenditures. Moneys in the Rainy Day Reserve's Economic Stabilization account are available to provide a budgetary cushion in years when General Fund revenues are projected to decrease from prior-year levels (or, in the case of a multi-year downturn, the highest of any previous year's total General Fund revenues). Moneys in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Except for the transfer to SFUSD described below, no draw from the Rainy Day Reserve is budgeted in fiscal years 2013-14 and 2014-15.

If the City Controller projects that per-pupil revenues for the SFUSD will be reduced in the upcoming budget year, the Board of Supervisors and Mayor may appropriate funds from the Rainy Day Economic Stabilization account to the SFUSD. This appropriation may not exceed the dollar value of the total decline in school district revenues, or 25% of the account balance, whichever is less. The fiscal year 2012-13 ending balance of this account was $23.3 million. The fiscal year 2013-14 and 2014-15 budgets include allocations of $5.8 million and $4.4 million, respectively, to the SFUSD. Assuming no other withdrawals or deposits, this would leave a balance remaining in the Rainy Day Reserve at the end of fiscal year 2014-15 of $13.1 million.

On April 13, 2010, the Board of Supervisors unanimously approved the City Controller's proposed financial policies on reserves and the use of certain volatile revenues. The policies were approved by the Mayor on April 30, 2010, and can only be suspended for a given fiscal year by a two-thirds vote of the Board. With these policies the City created two additional types of reserves: General Reserve and the Budget Stabilization Reserve described below.

Budget Stabilization Reserve

The Budget Stabilization Reserve augments the existing Rainy Day Reserve and is funded through the dedication of 75% of certain volatile revenues to the new reserve, including Real Property Transfer Tax receipts in excess of the five-year annual average (controlling for the effect of any rate increases approved by voters), funds from the sale of assets, and year-end unassigned General Fund balances beyond the amount assumed as a source in the subsequent year's budget.

The fiscal year 2012-13 ending balance in the reserve was $121.6 million, an increase of $47.3 million from the prior year end and $19.1 million greater than the Nine-Month Report projected ending balance of $102.5 million, due to fund balance above that appropriated in the subsequent years' budgets. In addition, the Original Budget assumes transfer tax revenue will be above the prior five year adjusted average in both fiscal years 2013-14 and 2014-15, resulting in reserve deposits of $16.0 million and $14.4 million, respectively.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately $357 million for fiscal year 2013-14 based on fiscal year 2013-14 Original Budget. No further deposits will be made once this cap is reached, and no deposits are required in years when the City is eligible to withdraw. The Budget Stabilization Reserve has the same withdrawal requirements as the Rainy Day Reserve, however, there is no provision for allocations to the SFUSD. Withdrawals are structured to occur over a period of three years: in the first year of a downturn, a maximum of 30% of the combined value of the Rainy Day Reserve and Budget Stabilization Reserve could be drawn. In the second year, the maximum withdrawal is 50%, and in the third year, the entire remaining balance may be drawn.

San Francisco Redevelopment Agency Dissolution

On February 1, 2012, the San Francisco Redevelopment Agency (the "SFRDA") ceased to exist by operation of law as a result of Assembly Bill No. X1 26 (Chapter 5, Statutes of 2011-12, First Extraordinary Session) ("AB 26"), and a California Supreme Court decision described below. AB 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statute of 2011-12) ("AB 1484" and together with AB 26, the "Dissolution Act").

The Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency under the Community Redevelopment Law that have not been repealed, restricted or revised pursuant to AB 26 will be vested in the successor agency. The successor agency for each redevelopment agency is generally the county or city that authorized the creation of the redevelopment agency. On January 26, 2012 the City adopted a Board of Supervisors resolution providing for the City to become the successor agency to the SFRDA (the "Successor SFRDA"). The resolution also approved the retention by the City of all the affordable housing assets of the SFRDA (including encumbered funds in the Low and Moderate Income Housing Fund) and authorized the Mayor's Office of Housing to manage the housing assets and exercise the housing functions that the SFRDA formerly performed. The resolution places most of the non-housing assets of the SFRDA under the jurisdiction of the Director of the Department of Administrative Services.

Pursuant to AB 1484, the Successor SFRDA is a separate public agency from the City, and the assets and liabilities of the former SFRDA will not be transferred to the City. The Successor SFRDA will succeed to the organizational status of the former SFRDA, but without any legal authority to participate in redevelopment activities, except in connection with approved enforceable obligations as provided in the Dissolution Act. In general, the debt of the former SFRDA will become the debt of the Successor SFRDA as the SFRDA's successor agency. Such debt will be payable only from the property tax revenues (former tax increment) or other revenue sources that originally secured such debt. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds.

There are significant uncertainties regarding the meaning of certain provisions of the Dissolution Act and the impact of the Dissolution Act on the City, including, among other matters, the obligation imposed on the City in performing its duties as Successor SFRDA, performing the enforceable obligations as Successor SFRDA, paying the debt of the former SFRDA as Successor SFRDA and completing certain projects of the former SFRDA. Future legislation and court decisions may clarify some of these uncertainties. There is also uncertainty about how the City may pursue certain community development goals that the former SFRDA undertook and that are not covered by enforceable obligations, and the City's use of alternative funding sources for projects and programs to pursue such goals.

The total General Fund impact of the dissolution will depend on State decisions regarding the use of tax increment in redevelopment project areas. The State may or may not allow the redevelopment successor agency to retain cash balances to meet contractual obligations for affordable housing and infrastructure improvements. Property tax revenue estimates in the proposed Five Year Financial Plan assume tax increment is used for debt service, to meet obligations made to developers, and approximately $3.4 million annually for non-debt service uses, resulting in residual tax increment available to be distributed to the taxing entities of approximately $25.6 million in fiscal year 2013-14, rising to approximately $42.3 million in fiscal year 2017-18, of which just under 57% would be allocated to the General Fund. This amount could increase depending on uses allowed by the State.

Although uncertainty remains, the State Department of Finance (DOF) has completed reviews of two funds held by the Successor Agency to the San Francisco Redevelopment Agency (the Office of Community Infrastructure and Investment, or OCII). DOF's December 14, 2012 review of the Low and Moderate Income Housing Fund (LMIHF) required $106.9 million to be surrendered and distributed to taxing entities, and its April 1, 2013 review of the Other Assets Fund (OAF) required $204.2 million to be surrendered. These amounts were substantially reduced upon appeal by the OCII, and on May 31, 2013, Successor SFRDA remitted $10.6 million of LMIHF and $1.0 million of OAF balances, resulting in a total increase of property tax revenue to the City of $7.5 million, of which $6.5 million accrued to the General Fund.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor SFRDA. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF verified that the Successor SFRDA does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. In addition, the receipt of the Finding of Completion allows the Successor SFRDA to submit a Long Range Property Management Plan ("LRPMP") to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six months of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and has submitted it to DOF.

AB 26 and Supreme Court Decision

On December 29, 2011 the California Supreme Court issued its decision in *California Redevelopment Association v. Matosantos* (No. S194861) ("Matosantos") regarding the constitutionality of two budget bills involving redevelopment, AB 26 and ABX1 27 (Chapter 6, Statutes of 2011-12, First Extraordinary Session) ("AB 27"). AB 26 dissolved all redevelopment agencies, and designated "successor agencies" with certain powers and duties. AB 27 would have allowed a redevelopment agency to continue to exist, notwithstanding AB 26, if the city or county that created the redevelopment agency made certain payments for the benefit of the local schools and other taxing entities. In *Matosantos* the Court upheld AB 26 requiring the dissolution of redevelopment agencies and the transfer of assets and obligations to successor agencies, but invalidated AB 27. The *Matosantos* decision also modified various deadlines for the implementation of AB 26.

As a consequence of the *Matosantos* decision, all California redevelopment agencies, including the former SFRDA, dissolved by operation of law on February 1, 2012. All property tax revenues that would have been allocated to redevelopment agencies, including the former SFRDA, will be allocated to the applicable Redevelopment Property Tax Trust Fund created by the County Auditor-Controller for the "successor agency." Such funds are to be used for payments on indebtedness and other "enforceable obligations" (as defined in the Dissolution Act), and to pay certain administrative costs and any amounts in excess of that amount are to be considered property taxes that will be distributed to taxing agencies.

The Dissolution Act requires successor agencies, such as the Successor SFRDA, to continue to make payments and perform other obligations required under enforceable obligations for former redevelopment agencies. AB 26 defines "enforceable obligations" to include bonds, loans, legally required payments, judgments or settlements, legally binding and enforceable agreements and certain other obligations. The Dissolution Act generally excludes from the definition of enforceable obligations any loans or agreements solely between a redevelopment agency and the city or county that created the agency. It also excludes any agreements that are void as violating the debt limit or public policy. Payment and performance of enforceable obligations is subject to review by oversight boards and by the State Controller and State Department of Finance.

The Dissolution Act expressly limits the liabilities of a successor agency in performing duties under the Dissolution Act to the amount of property tax revenues received by such successor agency under the Dissolution Act (generally equal to the amount of former tax increment received by the former redevelopment agency) and the assets of the former redevelopment agency. The Dissolution Act does not provide for any new sources of revenue, including general fund revenues of the City, for any SFRDA bonds (but as discussed below, the City's costs of performing its obligations under AB 26 and of pursuing the economic development goals of the former SFRDA are uncertain and could be significant).

The Oversight Board and the Department of Finance has approved the ROPS for July 1, 2013 to December 31, 2013.

Impact of Dissolution Act and Information concerning SFRDA

Although provisions have been made under the Dissolution Act to provide funds (i.e. property tax revenues) to continue certain enforceable obligations of the Successor SFRDA, the costs of performing its duties under the Dissolution Act, including performing all enforceable obligations of the former SFRDA, and pursing community development goals that the former SFRDA undertook and that are not covered by enforceable obligations are uncertain, and could impose significant costs on the City's general fund not offset by property tax revenues.

The provisions of the Dissolution Act are unclear as to numerous aspects of the operations and finances of the Successor SFRDA, including but not limited to the administration of enforceable obligations (including bonds), the flow and uses of tax increment moneys and the disposition of SFRDA assets. Therefore, there are significant uncertainties regarding the finances and operations of the Successor SFRDA entity and administration of its bonds once the City became the successor agency to the SFRDA. Interpretations and clarification of AB 26 are likely to come from future State legislation or administrative guidance and court decisions. At present, the City cannot predict many aspects or the overall outcome of AB 26 on the City's finances and the SFRDA bonds; however it is likely that at least certain aspects of the implementation of AB 26 may materially impact the finances of the City and may materially impact the SFRDA bonds. Further, future redevelopment and housing activities in the City that would have been undertaken by the SFRDA had it continued in existence will no longer occur if they are not required under preexisting enforceable obligations.

In its audited financial statement for the year ended June 30, 2013, the City included financial information pertaining to the Successor SFRDA in the City's audited financial statements. The Successor SFRDA also prepares its own financial statements.

PROPERTY TAXATION

Property Taxation System – General

The City receives approximately one-third of its total General Fund operating revenues from local property taxes. Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the City. The City levies property taxes for general operating purposes as well as for the payment of voter-approved bonds. As a county under State law, the City also levies property taxes on behalf of all local agencies with overlapping jurisdiction within the boundaries of the City.

Local property taxation is the responsibility of various City officers. The Assessor computes the value of locally assessed taxable property. After the assessed roll is closed on June 30th, the City Controller issues a Certificate of Assessed Valuation in August which certifies the taxable assessed value for that fiscal year. The Controller also compiles a schedule of tax rates including the 1.0% tax authorized by Article XIII A of the State Constitution (and mandated by statute), tax surcharges needed to repay voter-approved general obligation bonds, and tax surcharges imposed by overlapping jurisdictions that have been authorized to levy taxes on property located in the City. The Board of Supervisors approves the schedule of tax rates each year by ordinance adopted no later than the last working day of September. The Treasurer and Tax Collector prepare and mail tax bills to taxpayers and collect the taxes on behalf of the City and other overlapping taxing agencies that levy taxes on taxable property located in the City. The Treasurer holds and invests City tax funds, including taxes collected for payment of general obligation bonds, and is charged with payment of principal and interest on such bonds when due. The State Board of Equalization assesses certain special classes of property, as described below. See "Taxation of State-Assessed Utility Property" below.

Assessed Valuations, Tax Rates and Tax Delinquencies

Table A-5 provides a recent history of assessed valuations of taxable property within the City. The property tax rate is composed of two components: 1) the 1.0% countywide portion, and 2) all voter-approved overrides which fund debt service for general obligation bond indebtedness. The total tax rate shown in Table A-5 includes taxes assessed on behalf of the City as well as SFUSD, SFCCD, the Bay Area Air Quality Management District ("BAAQMD"), and the San Francisco Bay Area Rapid Transit District ("BART"), all of which are legal entities separate from the City. See also, Table A-25: "Direct and Overlapping Debt and Long-Term Obligations" below. In addition to *ad valorem* taxes, voter-approved special assessment taxes or direct charges may also appear on a property tax bill.

Additionally, although no additional rate is levied, a portion of property taxes collected within the City is allocated to the Successor SFRDA (also known as the Office of Community Investment and Infrastructure or OCII). Property tax revenues attributable to the growth in assessed value of taxable property (known as "tax increment") within the adopted redevelopment project areas may be utilized by OCII to pay for outstanding and enforceable obligations, causing a loss of tax revenues from those parcels located within project areas to the City and other local taxing agencies, including SFUSD and SFCCD. Taxes collected for payment of debt service on general obligation bonds are not affected or diverted. The Successor SFRDA received $114 million of property tax increment in fiscal year 2012-13, diverting about $65 million that would have otherwise been apportioned to the City's discretionary general fund.

The percent collected of property tax (current year levies excluding supplementals) has increased slightly from 98.18% for fiscal year 2011-12 to 98.65% for fiscal year 2012-13. This table has been modified from the corresponding table in previous disclosures in order to make the levy and collection figures consistent with statistical reports provided to the State of California. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 363 for fiscal year 2012-13 compared to 802 for fiscal year 2011-12, 927 in fiscal year 2010-11, 901 in fiscal year 2009-10, and 633 in fiscal year 2008-09. This represents 0.18%, 0.32%, 0.45%, 0.46%, and 0.40%, respectively, of total parcels in such fiscal years.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2008-09 through 2013-14
($000s)

Fiscal Year	Net Assessed Valuation (NAV) [1]	% Change from Prior Year	Total Tax Rate per $100 [2]	Total Tax Levy [3]	Total Tax Collected [3]	% Collected June 30
2009-10	150,233,436	6.3%	1.159	1,808,505	1,764,100	97.54%
2010-11	157,865,981	5.1%	1.164	1,888,048	1,849,460	97.96%
2011-12	158,649,888	0.5%	1.172	1,918,680	1,883,666	98.18%
2012-13	165,043,120	4.0%	1.169	1,997,645	1,970,662	98.65%
2013-14	172,489,208	4.5%	1.188	2,049,172	n/a	n/a

[1] Based on Certificate of Assessed Valuation dated as of August 15, 2013. Net Assessed Valuation (NAV) is Total Assessed Value for Secured and Unsecured Rolls, less Non-reimbursable Exemptions and Homeowner Exemptions.

[2] Annual tax rate for unsecured property is the same rate as the previous year's secured tax rate.

[3] The Total Tax Levy and Total Tax Collected through FY 2012-13 is based on year-end current year secured and unsecured levies as adjusted through roll corrections, excluding supplemental assessments, as reported on Treaserer/Tax Collector Report 100 and reported to the State of California (available on the website of the California State Controller's Office). Total Tax Levy for FY 2013-14 is based on NAV times the 1.1880% tax rate.

Note: This table has been modified from the corresponding table in previous bond disclosures to make levy and collection figures consistent with statistical reports provided to the State of California.

Source: Office of the Controller, City and County of San Francisco.

For fiscal year 2013-14, the total net assessed valuation of taxable property within the City is $172.5 billion. Of this total, $162.6 billion (94.3%) represents secured valuations and $9.87 billion (5.7%) represents unsecured valuations. (See "–Tax Levy and Collection" below, for a further discussion of secured and unsecured property valuations.)

Proposition 13 limits to 2% per year any increase in the assessed value of property, unless it is sold or the structure is improved. The total net assessed valuation of taxable property therefore does not generally reflect the current market value of taxable property within the City and is in the aggregate substantially less than current market value. For this same reason, the total net assessed valuation of taxable property lags behind changes in market value and may continue to increase even without an increase in aggregate market values of property.

Under Article XIIIA of the State Constitution added by Proposition 13 in 1978, property sold after March 1, 1975 must be reassessed to full cash value at the time of sale. Every year, some taxpayers appeal the Assessor's determination of their properties' assessed value, and some of the appeals may be retroactive and for multiple years. The State prescribes the assessment valuation methodologies and the adjudication process that counties must employ in connection with counties' property assessments. With respect to the fiscal year 2012-13 levy, property owners representing approximately 18.2% of the total assessed valuation in the City filed appeals for a reduction of their assessed value.

The City typically experiences increases in assessment appeals activity during economic downturns and decreases in appeals as the economy rebounds. Historically, during severe economic downturns, partial reductions of up to approximately 30% of the assessed valuations appealed have been granted. Assessment appeals granted typically result in revenue refunds, and the level of refund activity depends on the unique economic circumstances of each fiscal year. Other taxing agencies such as SFUSD, SFCCD, BAAQMD, and BART share proportionately in any refunds paid as a result of successful appeals. To mitigate the financial risk of potential assessment appeal refunds, the City funds appeal reserves for its share of estimated property tax revenues for each fiscal year. In addition, appeals activity is reviewed each year and incorporated into the current and subsequent years' budget projections of property tax revenues. Refunds of prior years' property taxes from the discretionary general fund appeal reserve fund for fiscal years 2007-08 through 2012-13 are listed in Table A-6 below.

TABLE A-6

CITY AND COUNTY OF SAN FRANCISCO
Refunds of Prior Years' Property Taxes
General Fund Assessment Appeals Reserve
(000s)

Year Ended	Amount Refunded
June 30, 2009	$7,288
June 30, 2010	14,015
June 30, 2011	41,730
June 30, 2012	53,288
June 30, 2013	36,744

Source: Office of the Controller, City and County of San Francisco.

As of July 1, 2013, the Assessor granted 18,409 temporary reductions in property assessed values worth a total of $2.02 billion (equating to a reduction of about $11.4 million in discretionary general fund taxes), compared to 21,228 temporary reductions with a value of $2.82 billion (equating to a reduction of about $16.0 million in discretionary general fund taxes) granted in Spring 2012. The fiscal year 2013-14 $2.02 billion temporary reduction total represented 1.17% of the fiscal year 2013-14 Net Assessed Valuation of $172.49 billion shown in Table A-5. The average temporary reduction in assessed value granted, excluding timeshare properties, decreased from $175,980 in 2012 to $151,559 in 2013. All of the temporary reductions granted are subject to review in the following year. Property owners who are not satisfied with the valuation shown on a Notice of Assessed Value may have a right to file an appeal with the Assessment Appeals Board (AAB) within a certain period of time. For regular, annual secured property tax assessments, the time period for property owners to file an appeal typically falls between July 2nd and September 15th.

As of June 30, 2013, the total number of open appeals before the Assessment Appeals Board (AAB) was 7,421, compared to 7,729 open AAB appeals as of June 30, 2012, including 5,500 filed since July 1, 2012 with the balance pending from prior fiscal years. The difference between the current assessed value and the taxpayers' opinion of values for the open AAB appeals is $42.3 billion. Assuming the City did not contest any taxpayer appeals and the Board upheld all of the taxpayers' requests, this represents a negative potential property tax impact of $488.6 million with an impact on the discretionary general fund of about $239.4 million. The volume of appeals is not necessarily an indication of how many appeals will be granted, nor of the magnitude of the reduction in assessed valuation that the Assessor may ultimately grant. City revenue estimates take into account projected losses from pending and future assessment appeals.

Tax Levy and Collection

As the local tax-levying agency under State law, the City levies property taxes on all taxable property within the City's boundaries for the benefit of all overlapping local agencies, including SFUSD, SFCCD, the Bay Area Air Quality Management District, and BART. The total tax levy for all taxing entities in fiscal year 2013-14 is estimated to produce $2.05 billion, not including supplemental, escape, and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $1.153 billion into the General Fund and $127.9 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive $125.0 million and $23.5 million, respectively, and the local ERAF is estimated to receive $411.3 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The Successor SFRDA will receive about $121.9 million. The remaining portion is allocated to various other governmental bodies, various special funds, general obligation bond debt service funds, and other taxing entities. Taxes levied to pay debt service for general obligation bonds issued by the City, SFUSD, SFCCD, and BART may only be applied for that purpose.

The City's General Fund is allocated about 57% of total property tax revenue before adjusting for the State's Triple Flip (whereby Proposition 57 dedicated 0.25% of local sales taxes, which were subsequently backfilled by a decrease to the amount of property taxes shifted to ERAF from local governments, thereby leaving the State to fund a like amount from the State's General Fund to meet Proposition 98 funding requirements for schools) and VLF backfill shifts.

Generally, property taxes levied by the City on real property become a lien on that property by operation of law. A tax levied on personal property does not automatically become a lien against real property without an affirmative act of the City taxing authority. Real property tax liens have priority over all other liens against the same property regardless of the time of their creation by virtue of express provision of law.

Property subject to *ad valorem* taxes is entered as secured or unsecured on the assessment roll maintained by the Assessor-Recorder. The secured roll is that part of the assessment roll containing State-assessed property and property (real or personal) on which liens are sufficient, in the opinion of the Assessor-Recorder, to secure payment of the taxes owed. Other property is placed on the "unsecured roll."

The method of collecting delinquent taxes is substantially different for the two classifications of property. The City has four ways of collecting unsecured personal property taxes: 1) pursuing civil action against the taxpayer; 2) filing a certificate in the Office of the Clerk of the Court specifying certain facts, including the date of mailing a copy thereof to the affected taxpayer, in order to obtain a judgment against the taxpayer; 3) filing a certificate of delinquency for recording in the Assessor-Recorder's Office in order to obtain a lien on certain property of the taxpayer; and 4) seizing and selling personal property, improvements or possessory interests belonging or assessed to the taxpayer. The exclusive means of enforcing the payment of delinquent taxes with respect to property on the secured roll is the sale of the property securing the taxes. Proceeds of the sale are used to pay the costs of sale and the amount of delinquent taxes.

A 10% penalty is added to delinquent taxes that have been levied on property on the secured roll. In addition, property on the secured roll with respect to which taxes are delinquent is declared "tax defaulted" and subject to eventual sale by the Treasurer and Tax Collector of the City. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month, which begins to accrue on such taxes beginning July 1 following the date on which the property becomes tax-defaulted.

In October 1993, the Board of Supervisors passed a resolution that adopted the Alternative Method of Tax Apportionment (the "Teeter Plan"). This resolution changed the method by which the City apportions property taxes among itself and other taxing agencies. This apportionment method authorizes the City Controller to allocate to the City's taxing agencies 100% of the secured property taxes billed but not yet collected. In return, as the delinquent property taxes and associated penalties and interest are collected, the City's General Fund retains such amounts. Prior to adoption of the Teeter Plan, the City could only allocate secured property taxes actually collected (property taxes billed minus delinquent taxes). Delinquent taxes, penalties and interest were allocated to the City and other taxing agencies only when they were collected. The City has funded payment of accrued and current delinquencies through authorized internal borrowing. The City also maintains a Tax Loss Reserve for the Teeter Plan as shown on Table A-7.

TABLE A-7

CITY AND COUNTY OF SAN FRANCISCO
Teeter Plan
Tax Loss Reserve Fund Balance
(000s)

Year Ended	Amount Funded
June 30, 2009	$16,220
June 30, 2010	17,507
June 30, 2011	17,302
June 30, 2012	17,980
June 30, 2013	18,341

Source: Office of the Controller, City and County of San Francisco.

Assessed valuations of the aggregate ten largest assessment parcels in the City for the fiscal year ending June 30, 2013 are shown in Table A-8. The City cannot determine from its assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

TABLE A-8

CITY AND COUNTY OF SAN FRANCISCO
Top 10 Parcels Total Assessed Value
Fiscal Year 2012-13
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
HWA 555 Owners LLC	555 California St	0259026	Commercial Office	$941,010	0.57%
Paramount Group Real Estate Fund	1 Market St	3713007	Commercial Office	770,892	0.47%
Emporium Mall LLC	845 Market St	3705056	Commercial Retail	430,661	0.26%
SPF China Basin Holdings LLC	185 Berry St.	3803005	Commercial Office	423,273	0.26%
SHC Embarcadero LLC	4 The Embarcadero	0233044	Commercial Office	398,608	0.24%
S.F. Hilton Inc.	1 Hilton Square	325031	Commercial Hotel	389,595	0.24%
Post-Montgomery Associates	165 Sutter St	0292015	Commercial Retail	387,267	0.23%
SHR St. Francis LLC	301-345 Powell St	0307001	Commercial Hotel	368,994	0.22%
PPF Off One Maritime Plaza LP	300 Clay St	0204021	Commercial Office	367,384	0.22%
Wells REIT II - 333 Market St. LLC	333 Market St	3710020	Commercial Office	349,062	0.21%
				$4,826,746	**2.91%**

[1] Represents the Total Assessed Valuation (TAV) as of the Basis of Levy, which exculdes assessments processed during the fiscal year. TAV includes land & improvements, personal property, and fixtures.
[2] The Basis of Levy is total assessed value less exemptions for which the state does not reimburse counties (e.g. those that apply to nonprofit organizations).

Source: Office of the Assessor -Recorder, City and County of San Francisco.

Taxation of State-Assessed Utility Property

A portion of the City's total net assessed valuation consists of utility property subject to assessment by the State Board of Equalization. State-assessed property, or "unitary property," is property of a utility system with components located in many taxing jurisdictions assessed as part of a "going concern" rather than as individual parcels of real or personal property. Unitary and certain other State-assessed property values are allocated to the counties by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the City itself) according to statutory formulae generally based on the distribution of taxes in the prior year. The fiscal year 2013-14 valuation of property assessed by the State Board of Equalization is $2.62 billion, as recorded on the fiscal year 2013-14 Certificate of Assessed Valuation.

OTHER CITY TAX REVENUES

In addition to the property tax, the City has several other major tax revenue sources, as described below. For a discussion of State constitutional and statutory limitations on taxes that may be imposed by the City, including a discussion of Proposition 62 and Proposition 218, see "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES" herein.

The following section contains a brief description of other major City-imposed taxes as well as taxes that are collected by the State and shared with the City.

Business Taxes

Businesses in the City may be subject to two types of taxes. The first is a payroll expense tax, assessed at a rate of 1.5% on gross payroll expense attributable to all work performed or services rendered within the City. The tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. Recent changes were made to the tax exempted small businesses with annual payroll of less than $250,000 and subjected partnership profit distributions to the tax. The net effect of these provisions was estimated to be approximately $10.5 million in new revenues beginning in fiscal year 2009-10. The City also levies a registration tax on businesses, which varies from $25 to $500 per year per subject business based on the prior year computed payroll tax liability.

Business tax revenues in fiscal year 2012-13 were $480.1 million representing an increase of $26.3 million (5.8%) over fiscal year 2012-13 Original Budget and $42.4 million (9.7%) over fiscal year 2011-12 actual revenue. Business tax revenue is budgeted at $534.0 million in fiscal year 2013-14 representing an increase of $53.9 million (11.2%) over FY 2012-13 receipts and $565.2 million in fiscal year 2014-15 representing an increase of $31.2 million (5.8%) over FY 2013-14 budget.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2008-09 through 2014-15
All Funds
(000s)

Fiscal Year	Revenue	Change	
2008-09	$388,654	($7,371)	-1.9%
2009-10	354,020	(34,634)	-8.9%
2010-11	391,779	37,759	10.7%
2011-12	437,677	45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14 budgeted	533,988	53,857	11.2%
2014-15 budgeted	565,180	31,192	5.8%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and, beginning in FY 2014-15, Gross Receipts Tax revenues. Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

In April 2011, the Board of Supervisors adopted Ordinance 68-11 that established a payroll expense tax exclusion for certain business located in the Central Market and Tenderloin Area. The Ordinance expires according to its terms in 2019. The Controller projects the loss to the City in payroll expense tax revenue due to Ordinance 68-11 to be approximately $4.2 million annually. Additionally, fiscal year 2011-12 and fiscal year 2012-13 payroll tax amounts include $4.4 and $3.5 million respectively in General Fund loss each year from a requirement pursuant to Business and Tax Regulations Code Section 906E, that $500 credits be provided to Payroll Tax payers if prior year Payroll Tax revenues grew more than 7.5% from the year before. Fiscal year 2011-12 payroll tax revenues ended the year 11.4% higher than fiscal year 2010-11 and fiscal year 2012-13 payroll tax revenues ended the year 9.7% higher than fiscal year 2011-12.

The Gross Receipts Tax and Business Registration Fees Ordinance (Proposition E) was approved by San Francisco voters on November 6, 2012. The ordinance replaces the existing tax which is 1.5% of a business' payroll with a tax on a business' gross receipts at rates that vary by the size and type of business. The new tax structure will be phased-in over a five year period and at the end of the period the gross receipts tax rates will remain fixed. The new tax structure will generate annual tax revenues equal to what would have been generated under the existing tax structure plus the amount of the additional administrative cost of the new system. In addition, the existing business registration fee structure will be replaced by a new higher graduated registration fee structure projected to generate a net revenue increase to the City of approximately $28.0 million beginning in fiscal year 2013-14. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. The ordinance increases the number and types of businesses in the City that pay business tax and registration fees from approximately 7,500 currently to 15,000. Current payroll tax exclusions will be converted into a gross receipts tax exclusion of the same size, terms and expiration dates.

Transient Occupancy Tax (Hotel Tax)

Pursuant to the San Francisco Business and Tax Regulation Code, a 14.0% transient occupancy tax is imposed on occupants of hotel rooms and is remitted by hotel operators monthly. A quarterly tax-filing requirement is also imposed. Hotel tax revenue growth is a function of changes in occupancy, average daily room rates (ADR) and room supply. Revenue per available room (RevPAR), the combined effect of occupancy and ADR, reached a historic high averaging $180 in fiscal year 2012-13. Increases in RevPAR are budgeted to continue albeit at a slower pace through fiscal year 2014-15. Total hotel tax revenue for fiscal year 2012-13 was $241.9 million, and budgeted to be $277.0 million in fiscal year 2013-14 and $294.2 million in fiscal year 2014-15.

San Francisco and a number of other jurisdictions in California and the U.S. are currently involved in litigation with online travel companies regarding the companies' duty to remit hotel taxes on the difference between the wholesale and retail prices paid for hotel rooms. On February 6, 2013, the Los Angeles Superior Court issued a summary judgment concluding that there was no obligation on the part of online travel companies to remit hotel tax to the City. San Francisco received a similar judgment as to its hotel tax on February 6, 2013 overturning administrative hearings it conducted to require payment from online travel companies. San Francisco has received approximately $63 million in disputed hotel taxes paid by the companies. Under State law, the City is required to accrue interest on such amounts. The portion of these remittances that will be retained or returned (including legal fees and interest) will depend on the ultimate outcome of these lawsuits. While the City plans to appeal the judgment, the City can give no assurance regarding the outcome of this litigation.

In fiscal years prior to 2013-14, the allocation of hotel tax revenues was set by the Administrative provisions of the Annual Appropriation Ordinance, and all of the gain or loss in revenue from budgeted levels fell to the General Fund, contributing to the large variances from prior periods. Table A-10 sets forth a history of transient occupancy tax receipts for fiscal years 2008-09 through 2014-15. Beginning in fiscal year 2013-14, hotel tax budgeted in the General Fund in fiscal year 2013-14 will increase by $56.4 million because revenue previously budgeted in special revenue funds is now deposited to the General Fund.

TABLE A -10

CITY AND COUNTY OF SAN FRANCISCO
Transient Occupancy Tax Revenues
Fiscal Years 2008-09 through 2014-15
All Funds
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2008-09	14.00%	$219,777	($5,037)	-2.2%
2009-10	14.00%	192,082	(27,695)	-12.6%
2010-11	14.00%	215,512	23,430	12.2%
2011-12	14.00%	242,843	27,331	12.7%
2012-13	14.00%	241,871	(972)	-0.4%
2013-14 *budgeted*	14.00%	277,019	35,148	14.5%
2014-15 *budgeted*	14.00%	294,175	17,157	6.2%

Includes portion allocated to special revenue funds. Figures for FY 2008-09 through FY 2012-13 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Real Property Transfer Tax

A tax is imposed on all real estate transfers recorded in the City. Transfer tax revenue is more susceptible to economic and real estate cycles than most other City revenue sources. Current rates are $5.00 per $1,000 of the sale price of the property being transferred for properties valued at $250,000 or less; $6.80 per $1,000 for properties valued more than $250,000 and less than $999,999; $7.50 per $1,000 for properties valued at $1.0 million to $5.0 million; $20.00 per $1,000 for properties valued more than $5.0 million and less than $10.0 million; and $25 per $1,000 for properties valued at more than $10.0 million.

Real property transfer tax revenue in fiscal year 2012-13 was $232.7 million, approximately $0.9 million (0.4%) less than the revenue received in fiscal year 2011-12 due to flattening slight decline in real property sales from their fiscal year 2011-12 peak. Fiscal year 2013-14 and 2014-15 budgets for real property transfer tax revenues are $225.2 million in each year, reflecting budgeting of continued slowing market activity.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2008-09 through 2012-13, and budgeted receipts for fiscal years 2013-14 and 2014-15.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2008-09 through 2014-15
(000s)

Fiscal Year	Revenue	Change	
2008-09	$48,957	($37,262)	-43.2%
2009-10	83,694	34,737	71.0%
2010-11	135,184	51,489	61.5%
2011-12	233,591	98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14 budgeted	225,150	(7,580)	-3.3%
2014-15 budgeted	225,150	-	0.0%

Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

Source: Office of the Controller, City and County of San Francisco.

Sales and Use Tax

The State collects the City's local sales tax on retail transactions along with State and special district sales taxes, and then remits the local sales tax collections to the City. The rate of tax is one percent; however, the State takes one-quarter of this, and replaces the lost revenue with a shift of local property taxes to the City from local school district funding. The local sales tax revenue is deposited in the City's General Fund.

Local sales tax collections in fiscal year 2012-13 were $122.3 million, an increase of $0.5 million from Original Budget and a $5.2 million (4.4%) increase from fiscal year 2011-12 revenue. Revenue growth is budgeted to continue during FY 2013-14 with $125.7 million budgeted, an increase of $3.4 million (2.8%) from fiscal year 2012-13 revenue. Continued growth is expected during fiscal year 2014-15 as revenues are budgeted to reach $130.1 million, $4.4 million (3.5%) more than fiscal year 2013-14.

Historically, sales tax revenues have been highly correlated to growth in tourism, business activity and population. This revenue is significantly affected by changes in the economy. Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2008-09 through 2012-13, and budgeted receipts for fiscal years 2013-14 and 2014-15, as well as the imputed impact of the property tax shift made in compensation for the one-quarter of the sales tax revenue taken by the State.

TABLE A-12

CITY AND COUNTY OF SAN FRANCISCO
Sales and Use Tax Revenues
Fiscal Years 2008-09 through 2014-15
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2008-09	9.50%	0.75%	$101,662	($9,749)	-8.8%
2008-09 adj.[1]	9.50%	1.00%	137,415	(11,314)	-7.6%
2009-10	9.50%	0.75%	96,605	(5,057)	-5.0%
2009-10 adj.[1]	9.50%	1.00%	128,286	(9,129)	-6.6%
2010-11 [2]	9.50%	0.75%	106,302	9,698	10.0%
2010-11 adj.[1]	9.50%	1.00%	140,924	12,639	9.9%
2011-12	8.50%	0.75%	117,071	10,769	10.1%
2011-12 adj.[1]	8.50%	1.00%	155,466	14,542	10.3%
2012-13	8.50%	0.75%	122,271	5,200	4.4%
2012-13 adj.[1]	8.50%	1.00%	162,825	7,359	4.7%
2013-14 *budgeted*[2]	8.75%	0.75%	125,697	3,426	2.8%
2013-14 adj.[1] *budgeted*	8.75%	1.00%	167,751	4,926	3.0%
2014-15 *budgeted*[2]	8.75%	0.75%	130,096	4,399	3.5%
2014-15 adj.[1] *budgeted*	8.75%	1.00%	173,622	5,871	3.5%

Figures for FY 2008-09 through FY 2012-13 are audited actuals. Figures for FY 2013-14 and FY 2014-15 are Original Budget amounts.

[1]Adjusted figures represent the value of the entire 1.00% local sales tax, which was reduced by 0.25% beginning in FY 2004-05 in order to repay the State's Economic Recovery Bonds as authorized under Proposition 57 in March 2004. This 0.25% reduction is backfilled by the State.

[2]In November 2012 voters approved Proposition 30, which temporarily increases the state sales tax rate by 0.25% effective January 1, 2013 through December 31, 2016. The City share did not change.

Source: Office of the Controller, City and County of San Francisco.

Utility Users Tax

The City imposes a 7.5% tax on non-residential users of gas, electricity, water, steam and telephone services. The Telephone Users Tax ("TUT") applies to charges for all telephone communications services in the City to the extent permitted by Federal and State law, including intrastate, interstate, and international telephone services, cellular telephone services, and voice over internet protocol (VOIP). Telephone communications services do not include Internet access, which is exempt from taxation under the Internet Tax Freedom Act.

Fiscal year 2012-13 Utility User Tax revenues were $91.9 million, representing no change from Original Budget and a $0.2 million (0.2%) increase from fiscal year 2011-12. Utility User Tax revenue is budgeted to grow at a rate of 2% in fiscal years 2013-14 and 2014-15 to $93.5 million and $95.4 million respectively.

Emergency Response Fee; Access Line Tax

The City imposes an Access Line Tax ("ALT") on every person who subscribes to telephone communications services in the City. The ALT replaced the Emergency Response Fee ("ERF") in 2009. It applies to each telephone line in the City and is collected from telephone communications service subscribers by the telephone service supplier. Access Line Tax revenues for fiscal year 2012-13 were $42.6 million, $0.4 million (0.9%) less than Original Budget and $1.6 (3.9%) million more than fiscal year 2011-12 revenue. ALT revenues are budgeted to grow at a rate of approximately 1.0% in fiscal years 2013-14 and 2014-15 to $42.6 million and $43.0 million respectively.

Parking Tax

A 25% tax is imposed on the charge for off-street parking spaces. The tax is authorized by the San Francisco Business and Tax Regulation Code. The tax is paid by the occupants of the spaces, and then remitted monthly to the City by the operators of the parking facilities.

Fiscal year 2012-13 Parking Tax revenue is $81.6 million $5.1 million (6.67%) more than final budget and $5.0 million (6.5%) above fiscal year 2011-12. The recovery in business activity and employment as reflected in increases to payroll and sales tax revenues is driving increases in parking tax revenues.

Original Budget for fiscal year 2013-14 parking tax revenue is $83.3 million, a $6.7 million increase (8.8%) from fiscal year 2012-13 Original Budget and $1.7 million (2.1%) more than the fiscal year 2012-13 results. In fiscal year 2014-15, parking tax revenue is budgeted at $85.7 million, $2.5 million (3.0%) over the fiscal year 2013-14 budgeted amount. Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80% is transferred to the San Francisco Municipal Transportation Agency for public transit as mandated by Charter Section 16.110.

INTERGOVERNMENTAL REVENUES

State – Realignment

San Francisco receives three groups of allocations of State sales tax and VLF revenue: 1991 Health and Welfare Realignment, 2011 Health and Human Services Realignment, and Public Safety Realignment. The Governor's May Revise budget estimates statewide realignment funding savings of $300 million in fiscal year 2013-14 and $900 million in fiscal year 2014-15 as a result of Affordable Care Act (ACA) implementation. These savings are expected to be achieved by realigning additional responsibilities to counties without increasing funding for them. Fiscal year 2013-14 and 2014-15 realignment revenues are budgeted as follows:

1991 Health & Welfare Realignment. In fiscal years 2013-14 and 2014-15, General Fund revenue is anticipated to increase by $10.4 million (6.9%) and $5.2 million (3.2%), due to statewide sales tax growth projections contained in the Governor's budget. Growth in state sales tax revenue in one year is distributed to counties in the subsequent year, thus the original budget's fiscal year 2013-14 and 2014-15 allocations reflect projected state sales tax revenue increases in fiscal years 2012-13 and 2013-14, respectively. Changes in the allocation methodology reduced the amount of VLF distributed and increased the amount of sales tax distributed in this type of realignment.

2011 Health and Human Services Realignment. Beginning in fiscal year 2011-12 counties received revenue allocations to pay for behavioral health and protective services programs formerly provided by the State. In fiscal year 2013-14 this revenue is budgeted at $89.1 million, an $8.6 million (10.6%) increase from the fiscal year 2012-13 revised budget. This increase includes sales tax growth assumed in the Governor's budget. Fiscal year 2014-15 revenue of $92.4 million is an increase of $3.4 million (3.8%) from fiscal year 2013-14.

Public Safety Realignment. Public Safety Realignment (AB 109), enacted in early 2011, transfers responsibility for supervising certain kinds of felony offenders and state prison parolees from state prisons and parole agents to county jails and probation officers. Based on revised allocation formulas, this revenue is budgeted at $32.8 million in fiscal year 2013-14, a $15.5 million (89.7%) increase over the fiscal year 2012-13 budget. The increase reflects state sales tax growth and the change in accounting of Trial Court Security revenue from a cost reimbursement to subvention format. The budget for fiscal year 2014-15 is $30.8 million, a $2.0 million (6.2%) decrease due to reductions to state funding for Local Community Corrections projected in fiscal year 2014-15 as described in the Governor's budget.

Public Safety Sales Tax

State Proposition 172, passed by California voters in November 1993, provided for the continuation of a one-half percent sales tax for public safety expenditures. This revenue is a function of the City's proportionate share of statewide sales activity. Revenue from this source for fiscal year 2012-13 was $83.2 million, an increase of $6.7 million (8.7%) from fiscal year 2011-12 revenues and $4.3 million (5.4%) more than fiscal year 2012-13 Original Budget. In fiscal year 2013-14, revenue is budgeted at $86.8 million, representing an increase of $7.9 million (10.0%) from the fiscal year 2012-13 budget and $3.6 million (4.3%) from fiscal year 2012-13 year-end revenue. In fiscal year 2014-15, revenue is budgeted at $89.9 million, an increase of $1.7 million (1.9%) from the fiscal year 2013-14 budget. These revenues are allocated to counties by the State separately from the local one-percent sales tax discussed above, and are used to fund police and fire services. Disbursements are made to counties based on the County Ratio, which is the county's percent share of total statewide sales taxes in the most recent calendar year. Fiscal year 2013-14 revenue growth assumes a continuation of the 4.5% increase in base sales tax revenue as projected for fiscal year 2012-13, and an increase of approximately 0.5% in San Francisco's County Ratio. Fiscal year 2014-15 revenue reflects state sales tax growth only and no increase in the Ratio.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, $407.1 million is budgeted in fiscal year 2013-14 from grants and subventions from State and federal governments to fund public health, social services, and other programs in the General Fund. This represents a $1.5 million (0.4%) increase from the fiscal year 2012-13 final revenue. The fiscal year 2014-15 budget is $398.9 million, a decrease of $8.2 million (2.0%) from fiscal year 2013-14.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2012-13 were $164.3 million, a decrease of $2.5 million (1.5%) from the Original Budget and an increase of $18.4 million (12.6%) from prior year. Charges for services revenue is budgeted at $166.8 million in fiscal year 2013-14 and $167.5 million in fiscal year 2014-15, representing growth of $14.2 million (9.3%) and $0.8 million (0.5%) respectively from prior year.

Fiscal year 2013-14 growth reflects Fire Department ambulance billing recoveries increases over fiscal year 2012-13 due to AB 678 - Medi-Cal: Ground Emergency Medical Transport, passed by the State legislature in 2011.

CITY GENERAL FUND PROGRAMS AND EXPENDITURES

Unique among California cities, San Francisco as a charter city and county must provide the services of both a city and a county. Public services include police, fire and public safety; public health, mental health and other social services; courts, jails, and juvenile justice; public works, streets, and transportation, including port and airport; construction and maintenance of all public buildings and facilities; water, sewer, and power services; parks and recreation; libraries and cultural facilities and events; zoning and planning, and many others. Employment costs are relatively fixed by labor and retirement agreements, and account for approximately 50% of all City expenditures. In addition, the Charter imposes certain baselines, mandates, and property tax set-asides, which dictate expenditure or service levels for certain programs, and allocate specific revenues or specific proportions thereof to other programs, including MTA, children's services and public education, and libraries. Budgeted baseline and mandated funding is $751.6 million in fiscal year 2013-14 and $762.9 million in fiscal year 2014-15.

General Fund Expenditures by Major Service Area

San Francisco is a consolidated city and county, and budgets General Fund expenditures for both city and county functions in seven major service areas described in table A-13:

TABLE A-13

CITY AND COUNTY OF SAN FRANCISCO
Expenditures by Major Service Area
Fiscal Years 2008-09 through 2014-15
(000s)

Major Service Areas	FY 2008-09 Original Budget	FY 2009-10 Original Budget	FY 2010-11 Original Budget	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget	FY 2014-15 Original Budget
Public Protection	$899,378	$955,519	$947,327	$998,237	$1,058,689	$1,130,932	$1,155,085
Human Welfare & Neighborhood Development	654,162	642,810	655,026	672,834	670,375	700,254	717,018
Community Health	513,858	488,330	519,319	575,446	609,892	701,978	702,791
General Administration & Finance	182,139	177,892	169,526	199,011	197,994	244,591	248,135
Culture & Recreation	104,232	95,114	97,510	100,740	111,066	119,579	115,632
General City Responsibilities	78,524	104,476	103,128	110,725	145,560	137,025	142,071
Public Works, Transportation & Commerce	53,143	33,414	26,989	51,588	67,529	80,797	111,993
Total*	$2,485,436	$2,497,555	$2,518,824	$2,708,581	$2,861,106	$3,115,155	$3,192,725

*Total may not add due to rounding

Source: Office of the Controller, City and County of San Francisco.

Public Protection primarily includes the Police Department, the Fire Department, and the Sheriff's Office. These departments are budgeted to receive $406.4 million, $215.1 million and $139.4 million of General Fund support respectively in fiscal year 2013-14 and $406.8 million, $225.1 million, and $146.2 million respectively in fiscal year 2014-15. Within Human Welfare & Neighborhood Development, the Department of Human Services, which includes aid assistance and aid payments and City grant programs, is budgeted to receive $224.4 million of General Fund support in the fiscal year 2013-14 and $234.8 million in fiscal year 2014-15.

The Public Health Department is budgeted to receive $553.4 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2013-14 and $596.9 million in fiscal year 2014-15. As of the Fiscal Year 2012-13 Six Month Report, the Department of Public Health projected ending the fiscal year with a net General Fund deficit of $45.9 million. The actual shortfall was approximately $5.8 million due to recognition of prior year revenues and greater than projected expenditure savings.

For budgetary purposes, enterprise funds are characterized as either self-supported funds or General Fund-supported funds. General Fund-supported funds include the Convention Facility Fund, the Cultural and Recreation Film Fund the Gas Tax Fund, the Golf Fund, the Grants Fund, the General Hospital Fund, and the Laguna Honda Hospital Fund. The MTA is classified as a self-supported fund, although it is budgeted pursuant to a formula under the Charter to receive a $232.0 million General Fund transfer in the fiscal year 2013-14 Original Budget.

Baselines

The Charter requires funding for baselines and other mandated funding requirements. The chart below identifies the required and budgeted levels of appropriation funding for key baselines and mandated funding requirements. Revenue-driven baselines are based on the projected aggregate City discretionary revenues, whereas expenditure-driven baselines are typically a function of total spending.

TABLE A-14

CITY AND COUNTY OF SAN FRANCISCO
Baselines & Set-Asides
Fiscal Years 2013-14 & 2014-15
(Millions)

Baselines & Set-Asides	FY 2013-14 Required Baseline	FY 2013-14 Original Budget	FY 2014-15 Required Baseline	FY 2014-15 Original Budget
Municipal Transportation Agency	$168.7	$168.7	$176.3	$176.3
Parking and Traffic Commission	$63.3	$63.3	$66.1	$66.1
Children's Services	$125.5	$131.2	$131.1	$132.5
Library Preservation	$57.7	$57.7	$60.3	$60.3
Public Education Enrichment Funding				
Unified School District	$47.4	$47.4	$37.2	$37.2
First Five Commission	$25.7	$25.7	$20.2	$20.2
City Services Auditor	$12.9	$12.9	$13.4	$13.4
Human Services Homeless Care Fund	$14.9	$14.9	$14.9	$14.9
Property Tax Related Set-Asides				
Municipal Symphony	$2.1	$2.1	$2.3	$2.3
Children's Fund Set-Aside	$48.0	$48.0	$50.9	$50.9
Library Preservation Set-Aside	$40.0	$40.0	$42.4	$42.4
Open Space Set-Aside	$40.0	$40.0	$42.4	$42.4
Staffing and Service-Driven				
Police Minimum Staffing	Requirement potentially not met during course of budget year		Requirement potentially met during course of budget year	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement not met		Requirement not met	
Total Baseline Spending	**$652.81**	**$658.57**	**$664.18**	**$665.58**

Source: Office of the Controller, City and County of San Francisco.

With respect to Police Department staffing, the Charter mandates a police staffing baseline of not less than 1,971 full-duty officers. The Charter-mandated baseline staffing level may be reduced in cases where civilian hires result in the return of a full-duty officer to active police work. The Charter also provides that the Mayor and Board of Supervisors may convert a position from a sworn officer to a civilian through the budget process. With respect to the Fire Department, the Charter mandates baseline 24-hour staffing of 42 firehouses, the Arson and Fire Investigation Unit, no fewer than four ambulances, and four Rescue Captains (medical supervisors).

EMPLOYMENT COSTS; POST-RETIREMENT OBLIGATIONS

The cost of salaries and benefits for City employees represents approximately 50% of the City's expenditures, totaling $3.5 billion in the fiscal year 2011-12 Original Budget (all-funds), and $3.8 billion and $4.0 billion in the fiscal year 2012-13 and fiscal year 2013-14 budgets. Looking only at the General Fund, the combined salary and benefits budget was $1.7 billion in the fiscal year 2011-12 Original Budget and $1.8 billion per year in the fiscal year 2012-13 and fiscal year 2013-14 budgets. This section discusses the organization of City workers into bargaining units, the status of employment contracts, and City expenditures on employee-related costs including salaries, wages, medical benefits, retirement benefits and the City's retirement system, and post-retirement health and medical benefits. Employees of SFUSD, SFCCD and the San Francisco Superior Court are not City employees.

Labor Relations

The City's budget for fiscal years 2013-14 and 2014-15 includes 27,722 and 27,855 budgeted City positions, respectively. City workers are represented by 37 different labor unions. The largest unions in the City are the Service Employees International Union, Local 1021 (SEIU); the International Federation of Professional and Technical Engineers, Local 21(IFPTE); and the unions representing police, fire, deputy sheriffs and transit workers.

The wages, hours and working conditions of City employees are determined by collective bargaining pursuant to State law (the Meyers-Milias-Brown Act, California Government Code Sections 3500-3511) and the Charter. Except for nurses and a few hundred unrepresented employees, the Charter requires that bargaining impasses be resolved through final and binding interest arbitration conducted by a panel of three arbitrators. The award of the arbitration panel is final and binding unless legally challenged. Wages, hours and working conditions of nurses are not subject to interest arbitration, but are subject to Charter-mandated economic limits. Strikes by City employees are prohibited by the Charter. Since 1976, no City employees have participated in a union-authorized strike.

The City's employee selection procedures are established and maintained through a civil service system. In general, selection procedures and other merit system issues, with the exception of discipline, are not subject to arbitration. Disciplinary actions are generally subject to grievance arbitration, with the exception of police and fire employees.

In May 2012, the City negotiated two-year agreements (for fiscal years 2012-13 and 2013-14) with most of its labor unions. In general, the parties agreed to: (1) reforms and/or elimination of certain pay premiums; and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures by having employees contribute more toward the cost of enrolling in employee-only health benefits during the term of the two-year contract. A majority of unions have agreed to further reforms in this area effective January 2015. SEIU miscellaneous employees and staff nurses agreed to healthcare benefit reforms that will take place beyond the term of the July 1, 2012 through June 30, 2014 contract.

City employees who are in non-Police, Fire and Nurse classifications will receive a base wage increase for the first time since 2008, as follows: 1% on July 1, 2013; 1% on January 4, 2014 and 1% on March 29, 2014. The two SEIU-represented units' wage increases differ, as follows: SEIU miscellaneous employees will receive 2% on January 4, 2014 and 1% on March 29, 2014 and the SEIU Staff Nurses will receive 3% on March 29, 2014.

In June 2013, the City negotiated a contract extension with the Police Officers' Association (POA), through June 30, 2018, that includes wage increases of 1% on July 1, 2015; 2% on July 1, 2016; and 2% on July 1, 2017. In addition, the union agreed to lower entry rates of pay for new hires in entry Police Officer classifications. The lower entry rates will result in savings of approximately $0.7 million in fiscal year 2013-14 and $2.0 million in fiscal year 2014-15. Similar negotiations are underway with the City's firefighters' union.

Pursuant to Charter Section 8A.104, the MTA is responsible for negotiating contracts for the transit operators and employees in service-critical bargaining units. These contracts are subject to approval by the MTA Board. The MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year successor agreement that expires on June 30, 2014. The concessions are valued at $41.1 million dollars over the life of the agreement.

Table A-15 shows the membership of each operating employee bargaining unit and the date the current labor contract expires.

TABLE A-15

CITY AND COUNTY OF SAN FRANCISCO (All Funds)

Employee Organizations as of July 1, 2013

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	416	June 30, 2014
Bricklayers, Local 3/Hod Carriers, Local 36	18	June 30, 2014
Building Inspectors Association	90	June 30, 2014
Carpenters, Local 22	110	June 30, 2014
Carpet, Linoleum & Soft Tile	2	June 30, 2014
CIR (Interns & Residents)	2	June 30, 2014
Cement Masons, Local 580	33	June 30, 2014
Deputy Sheriffs Association	867	June 30, 2014
District Attorney Investigators Association	42	June 30, 2014
Electrical Workers, Local 6	858	June 30, 2014
Glaziers, Local 718	10	June 30, 2014
International Alliance of Theatrical Stage Employees, Local 16	19	June 30, 2014
Ironworkers, Local 377	15	June 30, 2014
Laborers International Union, Local 261	1,019	June 30, 2014
Municipal Attorneys' Association	431	June 30, 2014
Municipal Executives Association	1,102	June 30, 2014
MEA - Police Management	6	June 30, 2015
MEA - Fire Management	9	June 30, 2015
Operating Engineers, Local 3	57	June 30, 2014
Painters	123	June 30, 2014
Pile Drivers, Local 34	23	June 30, 2014
Plumbers, Local 38	341	June 30, 2014
Probation Officers Association	161	June 30, 2014
Professional & Technical Engineers, Local 21	4,929	June 30, 2014
Roofers, Local 40	11	June 30, 2014
S.F. Institutional Police Officers Association	2	June 30, 2014
S.F. Firefighters, Local 798	1,732	June 30, 2015
S.F. Police Officers Association	2,501	June 30, 2018
SEIU, Local 1021	11,260	June 30, 2014
SEIU, Local 1021 Staff & Per Diem Nurses	1,575	June 30, 2014
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2015
Sheet Metal Workers, Local 104	46	June 30, 2014
Stationary Engineers, Local 39	663	June 30, 2014
Supervising Probation Officers, Operating Engineers, Local 3	23	June 30, 2014
Teamsters, Local 853	157	June 30, 2014
Teamsters, Local 856 (Multi-Unit)	105	June 30, 2014
Teamsters, Local 856 (Supervising Nurses)	120	June 30, 2015
TWU, Local 200 (SEAM multi-unit & claims)	318	June 30, 2014
TWU, Local 250-A Auto Service Workers	198	June 30, 2014
TWU-250-A Miscellaneous	93	June 30, 2014
TWU-250-A Transit Operators	2,151	June 30, 2014
Union of American Physicians & Dentists	192	June 30, 2015
Unrepresented Employees	151	June 30, 2014
	31,992 [1]	

[1] Budgeted positions do not include SFUSD, SFCCD, or Superior Court Personnel.

Source: Department of Human Resources - Employee Relations Division, City and County of San Francisco.

San Francisco Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan (the "Retirement System") that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval by City voters on November 2, 1920 and the California State Legislature on January 12, 1921 and is currently codified in the City Charter. The Charter provisions governing the Retirement System may be revised only by a Charter amendment, which requires an affirmative public vote at a duly called election.

The Retirement System is administered by the Retirement Board consisting of seven members, three appointed by the Mayor, three elected from among the members of the Retirement System, at least two of whom must be actively employed, and a member of the Board of Supervisors appointed by the President of the Board of Supervisors.

To aid in the administration of the Retirement System, the Retirement Board appoints an Executive Director and an Actuary. The Executive Director serves as chief executive officer, with responsibility extending to all divisions of the Retirement System. The Actuary's responsibilities include the production of data and a summary of plan provisions for the independent consulting actuarial firm retained by the Retirement Board to prepare an annual valuation report and other analyses as described below. The independent consulting actuarial firm is currently Cheiron, Inc., a nationally recognized firm selected by the Retirement Board pursuant to a competitive process.

In 2010, the Retirement System filed an application with the Internal Revenue Service ("IRS") for a Determination Letter. In March 2012, IRS issued a favorable Determination Letter for SFERS. Issuance of a Determination Letter constitutes a finding by the IRS that operation of the defined benefit plan in accordance with the plan provisions and documents disclosed in the application qualifies the plan for federal tax exempt status. A tax qualified plan also provides tax advantages to the City and to members of the Retirement System. The favorable Determination Letter included IRS review of all SFERS provisions, including the new provisions of Proposition C approved by the City voters in November 2011.

Membership

Retirement System members include eligible employees of the City and County of San Francisco, the San Francisco Unified School District, the San Francisco Community College District, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2012 (the date of most recent valuation report) was 33,655, compared to 33,475 members a year earlier. Active membership includes 4,543 vested members and 1,015 reciprocal members. Vested members are individuals who (i) have separated from City service, (ii) have worked for the City for five or more years, and (iii) have elected to receive a deferred vested pension in the future. Reciprocal members are individuals who have established membership in a reciprocal pension plan such as CalPERS and may be eligible to receive a reciprocal pension from the Retirement System in the future. The total new enrollees in the Retirement System were 2,228 in fiscal year 2011-12 and 2,055 in fiscal year 2010-11. Retirement allowances are paid to approximately 25,000 retired members and beneficiaries monthly. Benefit recipients include retired members, vested members receiving a vesting allowance, and qualified survivors.

Beginning July 1, 2008, the Retirement System had a Deferred Retirement Option Program (DROP) program for Police Plan members who were eligible and elected participation. The program "sunset" on June 30, 2011. A total of 354 eligible Police Plan members elected to participate in DROP during the three-year enrollment window. As of June 30, 2012, approximately 184 police officers are enrolled in the program and all will retire over the next two fiscal years.

Table A-16 shows total Retirement System participation for fiscal years 2007-08 through 2011-12.

TABLE A-16

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System
Fiscal Years 2007 - 08 through 2011 - 12

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
2008	30,650	3,877	869	35,396	21,514	1.425
2009	29,919	4,096	890	34,905	22,294	1.342
2010	28,222	4,515	978	33,715	23,500	1.201
2011	27,955	4,499	1,021	33,475	24,292	1.151
2012	28,097	4,543	1,015	33,655	25,190	1.115

Sources: SFERS' Actuarial Valuation reports as of July 1, 2012, July 1, 2011, July 1, 2010, July 1, 2009, and July 1, 2008.

Note: Table A-16 includes non-City employees

Funding Practices

The annual actuarial valuation of the Retirement System is a joint effort of the Retirement System and its independent consulting actuarial firm. The City Charter proscribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. Before the valuation is conducted, the consulting actuarial firm recommends three long-term economic assumptions: a long-term investment earnings assumption, a long-term wage/inflation assumption and a long-term consumer price index assumption.

At its December 2011 meeting, after review of the analysis and recommendation prepared by the consulting actuarial firm, the Retirement Board voted to phase in reductions to the Retirement System's long-term investment earnings assumption, long-term wage/inflation assumption and long-term consumer price index assumption over a three-year period as follows: long-term investment earnings assumption from 7.75% to 7.50% (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; fiscal year 2013-14 to 7.50%); long-term wage inflation assumption from 4.00% to 3.75% (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%); and long-term consumer price index assumption from 3.50% to 3.25% (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%). These economic assumptions together with demographic assumptions based on periodic demographic studies are utilized to prepare the actuarial valuation of the Retirement System each year. Upon receipt of the consulting actuarial firm's valuation report, Retirement System staff provides a recommendation to the Retirement Board for their acceptance of the consulting actuary's valuation report. In connection with such acceptance, the Retirement Board acts to set the annual employer contribution rates required by the Retirement System as determined by the consulting actuarial firm and approved by the Retirement Board. This process is mandated by the City Charter.

Pursuant to the City Charter, the consulting actuarial firm and the Retirement Board set the actuarially required employer contribution rate using three related calculations:

First, the normal cost is established for the Retirement System. The normal cost of the Retirement System represents the portion of the actuarial present value of benefits that SFERS will be expected to fund that is attributable to a current year's employment. The Retirement System uses the entry age normal cost method, which is an actuarial method of calculating the anticipated cost of pension liabilities, designed to fund promised benefits over the working careers of the Retirement System members.

Second, the contribution calculation takes account of the amortization of a portion of the amount by which the actuarial value of Retirement System liabilities exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded accrued actuarial liability" or "UAAL."

The UAAL is the difference between estimated liabilities and the value of smoothed plan assets and can be thought of as a snapshot of the funding of benefits as of the valuation date. There are a number of assumptions and calculation methods that bear on each side of this asset-liability comparison. On the asset side, the actuarial value of Retirement System assets is calculated using a five-year smoothing technique, so that gains or losses in asset value are recognized over that longer period rather than in the immediate time period such gain or loss is identified. On the liability side, assumptions must be made regarding future costs of pension benefits in addition to demographic assumptions regarding the Retirement System members including rates of disability, retirement, and death. When the actual experience of the Retirement System differs from the expected experience, the impacts on UAAL are called actuarial gains or losses. Under the Retirement Board's Actuarial Methods Policy any such gain or loss is amortized over a 15-year period. Similarly, if the estimated liabilities change due to an update in any of the assumptions, the impact on UAAL is also amortized over a 15-year period.

Third, Supplemental costs associated with the various SFERS benefit plans are amortized. Supplemental costs are additional costs resulting from the past service component of SFERS benefit increases. In other words, when the Charter is amended to increase benefits to some or all beneficiaries of the Retirement System, the Retirement System's liability is correspondingly increased in proportion to the amount of the new benefit associated with service time already accrued by the then-current beneficiaries. These supplemental costs are amortized over no more than 20 years.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in that fiscal year. This total contribution amount is satisfied from a combination of employer and employee contributions. Employee contribution rates are mandated by the Charter. Sources of payment of employee contributions (i.e. City or employee) may be the subject of collective bargaining agreements with each union or bargaining unit. The employer contribution rate is established by Retirement Board action each year and is expressed as a percentage of salary applied to all wages covered under the Retirement System. The most recent voter-approved retirement changes are described below.

Prospective purchasers of the City's bonds should carefully review and assess the assumptions regarding the performance of the Retirement System. There is a risk that actual results will differ significantly from assumptions. In addition, prospective purchasers of the City's bonds are cautioned that the information and assumptions speak only as of the respective dates contained in the underlying source documents, and are therefore subject to change.

Recent Voter Approved Changes to the Retirement Plan

The levels of SFERS plan benefits are established under the Charter and approved directly by the voters, rather than through the collective bargaining process. Changes to retirement benefits require a voter-approved Charter amendment.

In August 2012, Governor Brown signed the Public Employee Pension Reform Act of 2012 ("PEPRA"). Current plan provisions of SFERS are not subject to PEPRA although future amendments may be subject to these reforms.

Recent changes to SFERS plan benefits have been intended to reduce pension costs associated with future City employees. For example, in November 2011, the voters of San Francisco approved Proposition C, which

a) created new SFERS benefit plans for Miscellaneous and Safety employees commencing employment on or after January 7, 2012, which raise the minimum service retirement age for Miscellaneous members from 50 to 53; limit covered compensation to 85% of the IRC §401(a)(17) limits for Miscellaneous members and 75% of the IRC §401(a)(17) limits for Safety members; calculate final compensation using highest three-year average compensation; and decrease vesting allowances for Miscellaneous members by lowering the City's funding for a portion of the vesting allowance from 100% to 50%;

b) provided that employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

c) effective July 1, 2012, provides for an increase or decrease of employee contributions to SFERS for certain SFERS members based on the employer contribution rate set by the Retirement Board for that year. (For example, Miscellaneous employees who earn less than $50,000 per year would pay the minimum Charter-mandated employee contribution rate; Miscellaneous employees who earn between $50,000 and $100,000 per year would pay a fluctuating contribution rate in the range of +4% to -4% of the Charter-mandated employee contribution rate; and Miscellaneous employees who earn $100,000 or more per year would pay a fluctuating contribution rate in the range of +5% to -5% of the Charter-mandated employee contribution rate. Similar fluctuating employee contributions are required from Safety employees also); and

d) provides that, effective July 1, 2012, no Supplemental COLA will paid unless SFERS is fully funded on a market value of assets basis and, for employees hired on or after January 7, 2012, Supplemental COLA benefits will not be permanent adjustments to retirement benefits - in any year when a Supplemental COLA is not paid, all previously paid Supplemental COLAs will expire. A retiree organization has brought a legal action against the requirement to be fully funded in order to pay the Supplemental COLA; however, the City has prevailed at the Superior Court level to this challenge.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report.

Since 2008, the voters of San Francisco have approved three other retirement plan amendments:

- Proposition D enacted in June 2010, which enacted new SFERS retirement plans for Miscellaneous and Safety employees commencing on or after July 1, 2010, which changed average final compensation used in the benefit formula from highest one-year average compensation to highest two-year average compensation, increased the employee contribution rate for City safety and CalPERS members hired on or after July 1, 2010 from 7.5% of covered pay to 9.0%, and provides that, in years when the City's required contribution to SFERS is less than the employer normal cost as described above, the amount saved would be deposited into the Retiree Health Care Trust Fund.

- The enactment of DROP, a Deferred Retirement Option Program available to certain police members effective July 1, 2008, authorized by City voters' approval on an initiative proposition in the February 2008 election. In June 2011, the Board of Supervisors voted to allow the program to sunset on June 30, 2011

- Proposition B enacted in June 2008 which increased the years of service required for City employees hired after January 10, 2009 to qualify for employer-funded retiree health benefits, established a separate Retiree Health Care Trust Fund to fund retiree health costs, and increased retirement benefits and retirement cost-of-living adjustments for "miscellaneous" employees (i.e., those covered under Charter Section A8.409).

SFERS Recent Funding Performance and City Employer Contribution History

From fiscal year 1996-97 through fiscal year 2003-04, the City's contribution to the Retirement System was zero as determined by the consulting actuarial firm of the Retirement System and adopted by the Retirement Board. The zero percent employer funding requirements for this period was due primarily to higher-than-projected investment earnings and lower-than-projected wage increases. Beginning in fiscal year 2004-05, the Retirement Board reinstated required employer contributions based on the funding requirements as determined by the consulting actuarial firm in the manner described above in "Funding Practices." In fiscal year 2011-12, City employer contributions to the Retirement System were $391 million, which was 18.09% of that portion of members' earned wages that are includable for calculation and contribution purposes ("Pensionable Salary"). This amount includes $162 million from the City General Fund. For fiscal year 2012-13, City employer contributions to the Retirement System were $423.3 million, of which $183 million came from the General Fund. For Fiscal Year 2013-14, City employer contributions to the Retirement System are budgeted at $505.1 million, which is 21.3% of pensionable salary. This amount includes $226.9 million from the General Fund. The latest actuarial report as of July 1, 2012 provides that future employer contribution rates are projected to increase to 28% for fiscal year 2014-2015 as the Retirement System recognizes the 2011 economic assumption changes and the losses incurred by the Retirement System in fiscal years 2007-2008 and 2008-2009.

Table A-17 shows Retirement System contributions for fiscal years 2007-08 through 2011-12. "Market Value of Assets" reflects the fair market value of assets held in trust for payment of pension benefits. "Actuarial Value of Assets" refers to the value of assets held in trust adjusted according to the Retirement System's actuarial methods as summarized above. "Pension Benefit Obligation" reflects the accrued actuarial liability of the Retirement System. The "Market Percent Funded" column is determined by dividing the market value of assets by the Pension Benefit Obligation. The "Actuarial Percent Funded" column is determined by dividing the actuarial value of assets by the Pension Benefit Obligations. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System for fiscal years 2007-08 through 2011-12.

TABLE A-17

CITY AND COUNTY OF SAN FRANCISCO
Employees' Retirement System (in $000s)
Fiscal Years 2007-08 through 2011-12

As of 1-Jul	Market Value of Assets	Actuarial Value of Assets	Pension Benefit Obligation	Market Percent Funded	Actuarial Percent Funded	Employee & Employer Contribution	Employer Contribution Rates[1]
2008	15,832,521	15,941,390	15,358,824	103.0	103.8	319,183	5.91%
2009	11,886,729	16,004,730	16,498,649	72.3	97.0	312,715	4.99%
2010	13,136,786	16,069,100	17,643,400	74.5	91.1	413,562	9.49%
2011	15,598,839	16,313,100	18,598,700	83.9	87.7	490,578	13.56%
2012	15,293,700	16,027,700	19,393,900	78.9	82.6	608,957	18.09%

[1] Net employer contribution rates in the Actuarial Valuation Report on July 1, 2012 for fiscal years 2012-2013 was 20.71%.

SFERS' Actuarial Valuation report as of July 1, 2012, July 1, 2011, July 1, 2010 and July 1, 2009.

Table A-17 reflects that the Actuarial Percent Funded ratio decreased to 82.6%, corresponding to an unfunded actuarial liability (UAAL) of approximately $3.4 billion. The UAAL is the difference between the Actuarial Value of Assets and the total Pension Benefit Obligation. This means that as of June 30, 2012, for every dollar of pension benefits the City is obligated to pay, it had approximately $0.83 in assets available for payment.

Asset Management and Actuarial Valuation

The assets of the Retirement System, (the "Fund") are invested in a broadly diversified manner across the institutional global capital markets. In addition to U.S. equities and fixed income securities, the Fund holds international equities, global sovereign and corporate debt, global public and private real estate and an array of alternative investments including private equity and venture capital limited partnerships. See page 71 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2013. The Fund does not hold hedge funds. The investments, their allocation, transactions and proxy votes are regularly reviewed by the Retirement Board and monitored by an internal staff of investment professionals who in turn are advised by external consultants who are specialists in the areas of investments detailed above. A description of the Retirement System's investment policy, a description of asset allocation targets and current investments, and the Annual Report of the Retirement System are available upon request from the Retirement System by writing to the San Francisco Retirement System, 30 Van Ness Avenue, Suite 3000, San Francisco, California 94102, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.sfers.org. These documents are not incorporated herein by reference.

The liabilities of the Retirement System (the Pension Benefit Obligation) are measured annually by an independent consulting actuary in accordance with Actuarial Standards of Practice. In addition, an actuarial audit is conducted every five years in accordance with Retirement Board policy.

Recent Changes in the Economic Environment and the Impact on the Retirement System

As of June 30, 2013, the Retirement System estimated that the market value of its assets was approximately $17.0 billion. The estimated market value represents, as of the date specified, the estimated value of the Retirement System's portfolio if it were liquidated on that date. The Retirement System cannot be certain of the value of certain of its portfolio assets and, accordingly, the market value of the portfolio could be more or less. Moreover, appraisals for classes of assets that are not publicly traded are based on estimates which typically lag changes in actual market value by three to six months. Representations of market valuations are not subject to audit (other than at year end).

The Retirement System investment portfolio is structured for long-term performance. The Retirement System continually reviews investment and asset allocation policies as part of its regular operations and continues to rely on an investment policy which is consistent with the principles of diversification and the search for long-term value. Market fluctuations are an expected investment risk for any long-term strategy. Significant market fluctuations are expected to have significant impact on the value of the Retirement System investment portfolio.

A decline in the value of SFERS Trust assets over time, without a commensurate decline in the pension liabilities, will result in an increase in the contribution rate for the City. No assurance can be provided by the City that contribution rates will not increase in the future, and that the impact of such increases will not have a material impact on City finances.

Other Employee Retirement Benefits

As noted above, various City employees are members of CalPERS, an agent multiple-employer public employee defined benefit plan for safety members and a cost-sharing multiple-employer plan for miscellaneous members. The City makes certain payments to CalPERS in respect of such members, at rates determined by the CalPERS board. Such payment from the General Fund equaled $18.1 million in fiscal year 2009-10 and $17.6 million in fiscal year 2010-11. For fiscal year 2011-12, the City prepaid its annual CalPERS obligation at a level of $23.4 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2013, attached to this Official Statement as Appendix B. A discussion of other post-employment benefits, including retiree medical benefits, is provided below under "Medical Benefits – *Post-Employment Health Care Benefits and GASB 45*."

Medical Benefits

Administration through Health Service System; Audited System Financial Statements

Medical benefits for eligible active City employees and eligible dependents, for retired City employees and eligible dependents, and for surviving spouses and domestic partners of covered City employees (the "City Beneficiaries") are administered by the City's Health Service System (the "Health Service System" or "HSS") pursuant to City Charter Sections 12.200 *et seq.* and A8.420 *et seq.* Pursuant to such Charter Sections, the Health Service System also administers medical benefits to active and retired employees of SFUSD, SFCCD, and the San Francisco Superior Court (collectively the "System's Other Beneficiaries"). However, the City is not required to fund medical benefits for the System's Other Beneficiaries and therefore this section focuses on the funding by the City of medical benefits for City Beneficiaries. The Health Service System is overseen by the City's Health Service Board (the "Health Service Board"). The seven member Health Service Board is composed of members including a seated member of the City's Board of Supervisors, appointed by the Board President; an individual who regularly consults in the health care field, appointed by the Mayor; a doctor of medicine, appointed by the Mayor; and until May 15, 2013, four members of the Health Service System, active or retired, elected from among their members. After May 15, 2013 one of the members elected from among the members was replaced by a member nominated by the Controller and approved by the Health Service Board pursuant to Proposition C approved by the voters in November 2011. The plans (the "HSS Medical Plans") for providing medical care to the City Beneficiaries and the System's Other Beneficiaries (collectively, the "HSS Beneficiaries") are determined annually by the Health Service Board and approved by the Board of Supervisors pursuant to Charter Section A8.422.

The Health Service System oversees a trust fund (the "Health Service Trust Fund") established pursuant to Charter Sections 12.203 and A8.428 through which medical benefits for the HSS Beneficiaries are funded. The Health Service System issues annually a publicly available, independently audited financial report that includes financial statements for the Health Service Trust Fund. This report may be obtained on-line at www.myhss.org/finance or by writing to the San Francisco Health Service System, 1145 Market Street, Second Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted in the Health Service System website. The information available on such website is not incorporated in this Official Statement by reference.

As presently structured under the City Charter, the Health Service Trust Fund is not a fund through which assets are accumulated to finance post-employment healthcare benefits (an "OPEB trust fund"). Thus, the Health Service Trust Fund is not currently affected by Governmental Accounting Standards Board ("GASB") Statement Number 45, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions* ("GASB 45"), which applies to OPEB trust funds.

Determination of Employer and Employee Contributions for Medical Benefits

Contributions by the participating employers and HSS Beneficiaries to HSS Medical Plans are determined according to applicable provisions of the Charter. To the extent annual medical premiums exceed the contributions made by employers and HSS Beneficiaries as required by the Charter, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets held in the Health Service Trust Fund.

All City Beneficiaries receive a base contribution from the City toward the monthly cost of their medical benefits calculated pursuant to Charter Section A8.423. Under that section, the Health Service System conducts a survey annually of the 10 most populous counties in California (other than the City) to determine "the average contribution made by each such County toward the providing of health care plans, exclusive of dental or optical care, for each employee of such County." Under City Charter Section A8.428, the City is required to contribute to the Health Service Trust Fund an amount equal to such "average contribution" for each City Beneficiary.

In addition to the average contribution described above, the City makes additional medical and other benefit contributions on behalf of City Beneficiaries who are active employees as negotiated and agreed to by such employees' applicable collective bargaining units. City bargaining units have negotiated additional City contributions for enhanced single medical coverage, dependent medical coverage and for additional benefits such as dental care for the members of such bargaining units. These contribution amounts are also paid by the City into the Health Service Trust Fund.

Medical benefits for City Beneficiaries who are retired or otherwise not employed by the City (e.g., surviving spouses and surviving domestic partners of City retirees) ("Nonemployee City Beneficiaries") are funded through contributions from such Nonemployee City Beneficiaries and the City as determined pursuant to Charter Section A8.428. The Health Service System medical benefit eligibility requirements for Nonemployee City Beneficiaries are described below under "– *Post-Employment Health Care Benefits and GASB 45*."

Contributions relating to Nonemployee City Beneficiaries include the City contribution of the "average contribution" corresponding to such Nonemployee City Beneficiaries as described in Charter Section A8.423 along with the following:

- Monthly contributions from Nonemployee City Beneficiaries in amounts equal to the monthly contributions required from active employees excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining. However, such monthly contributions from Nonemployee City Beneficiaries covered under Medicare are reduced by an amount equal to the amount contributed monthly by such persons to Medicare.

- In addition to the average contribution described in the second paragraph of this subsection, the City contributes additional amounts in respect of the Nonemployee City Beneficiaries sufficient to defray the difference in cost to the Health Service System in providing the same health coverage to Nonemployee City Beneficiaries as is provided for active employee City Beneficiaries, excluding health coverage or subsidies for health coverage paid for active employees as a result of collective bargaining.

- After application of the calculations described above, the City contributes 50% of monthly contributions required for the retired city participant and the first dependent.

Change in Contribution Model to Stabilize Medical Plan Membership and Maintain Competition Among Providers

In June 2013, the Health Service Board adopted a flat premium contribution model for unions that approve an MOU agreement with the City incorporating the changes by July 31, 2013. The net flat premium structure for 2015 will smooth increases in premiums with premium contributions from all employees. The long term impact of the flat premium contribution model is a reduction in the relative proportion of the projected increases in the City's contributions for Healthcare, stabilization of the medical plan membership and maintenance of competition among plans.

Health Care Reform

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act (Public Law 111-114), and on March 30, 2010 signed the Health Care and Education Reconciliation of 2010 (collectively, the "Health Care Reform Law"). The Health Care Reform Law is intended to extend health insurance to over 32 million uninsured Americans by 2019, and includes other significant changes with respect to the obligation to carry health insurance by individuals and the provision of health care by private and public employers, such as the City. Due to the complexity of the Health Care Reform Law it is likely that additional legislation will be considered and enacted in future years.

The Health Care Reform Law is designed to be implemented in phases from 2010 to 2018. The provisions of the Health Care Reform Law to be implemented in future years include, the expansion of Medicaid, subsidies for health insurance for certain individuals, mandates that require most Americans obtain health insurance, and incentives for employers with over 50 employees to provide health insurance for their employees or pay a fine. Many aspects of the law have yet to be clarified and will require substantial regulation or subsequent legislative action. On June 28, 2012 the U.S. Supreme Court ruled to uphold the employer mandate, the individual mandate and the state Medicaid expansion requirements.

Provisions of Health Care Reform already implemented by HSS include discontinued eligibility for non-prescription drugs reimbursement through flexible spending accounts (FSAs) in 2011, eliminated copayments for wellness visits, eliminated life-time caps on coverage, and expanded eligibility to cover member dependent children up to age 26 in 2011, eliminated copayments for women's preventative health including contraception in 2012 and W-2 reporting on total healthcare premium costs for 2012 plan year and implementation of a medical loss ratio rebate on self-insured plans. In addition, a separate summary of benefits was required to be sent to every member and provided to every new member beginning in 2012. In 2014, healthcare flexible spending accounts (FSAs) will be limited to $2,500 annually.

As a result of the federal Health Care Reform Law there are two direct fees and one tax that have been factored into the calculation of medical premium rates and premium equivalents for the 2014 plan year. The three fees are the Federal Health Insurer Tax (HIT), Patient Centered Outcomes Research Institute (PCORI) fee, and the Federal Transitional Pre-Existing Condition Fee. The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2014 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax.

The Patient-Centered Outcomes Research Institute fee (previously known as the Comparative Effectiveness fee) will be charged directly to the Health Service System at a rate of $2 per beneficiary for members of the Self-Insured plan (approximately 9,400). In 2014 through 2019 this amount will increase with health care inflation.

The Federal Transitional Pre-Existing Condition Fee is a $63/year fee on each Health Service System beneficiary for plan years 2014-2016. This fee will be approximately $5.5 million in 2014. This amount will decrease in 2015 and 2016. In 2014, the City will need to modify health benefit eligibility to cover temporary employees who work more than 30 hours per week or 130 hours per month to only a 90 day waiting period for coverage.

Local Elections: Proposition C (2011)

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that changed the way the City and current and future employees share in funding SFERS pension and health benefits. With regard to health benefits, elected officials and employees hired on or before January 9, 2009, contribute up to 1% of compensation toward their retiree health care, with matching contribution by the City. For employees or elected officials who left the City workforce before June 30, 2001, and retire after January 6, 2012, Proposition C requires that the City contributions toward retiree health benefits remain at the same levels they were when the employee left the City workforce. Proposition C changes the Health Service System and Health Service Board (HSB) including the following: 1) replace one elected member of the HSB with a member nominated by the City Controller and approved by HSB; 2) change HSB's voting requirement for approving member health plans from two-third to a simple majority; 3) remove the requirement for a plan permitting the member to choose any licensed medical provider; 4) allow for the option to change to a calendar year plan year; and 5) allow HSB to spend money on ways to limit health care costs. Factors that could cause additional medical costs or savings include: 1) projected City savings might be reduced if future labor negotiations or arbitration awards result in any salary increases to offset higher employee retirement contributions; 2) to the extent that changes to pension formulas in this measure cause employees to delay or speed up retirement dates, this could provide additional City savings or costs related to retiree pension and health insurance subsidies; 3) to the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower; and 4) to the extent that changes in the composition of the Health Service Board result in changes to approved health benefit programs, costs could be higher or lower. Changing to a calendar plan year allows HSS to convert the City Plan retiree pharmacy benefit to a higher discounted federal program called Employer Group Waiver Plan (EGWP) as of 2013. This will save an estimated $2.3 million annually, will lower the City's retiree pharmacy expenditures by $8.5 million annually, and will lower the City's GASB 45 liability.

Employer Contributions for Health Service System Benefits

For fiscal year 2012-13, the Health Service System received approximately $630.1 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $528.1 million; approximately $156.0 million of this $528.1 million amount was for health care benefits for approximately 26,564 retired City employees and their eligible dependents and approximately $372.1 million was for benefits for approximately 61,428 active City employees and their eligible dependents. For fiscal year 2013-14, the Health Service System has budgeted to receive approximately $642.9 million from participating employers for Health Service System benefit costs. The 2014 aggregate plan costs for the City will increase by only 2.4%. This flattening of the healthcare cost curve is due to a number of factors including lower use of healthcare during recessions, aggressive contracting by HSS, encouraging competition among our vendors, and changing our Blue Shield plan from a fully-funded to a flex-funded product. Flex-funding allows lower premiums to be set by our actuarial consultant, AON-Hewitt, without the typical margins added by Blue Shield; however, more risk is assumed by the City and reserves are required to protect against this risk. In 2015, this flattened trend is anticipated to continue, and the Health Service Board has allocated the Early Retiree Reimbursement Program funds collected of $3.8M to subsidize coverage based on percent paid by employee/retiree which will continue to stabilize risk pools

Post-Employment Health Care Benefits and GASB 45

Eligibility of former City employees for retiree health care benefits is governed by the Charter. In general, employees hired before January 10, 2009 and a spouse or dependent are potentially eligible for health benefits following retirement at age 50 and completion of five years of City service. Proposition B, passed by San Francisco voters on June 3, 2008, tightened post-retirement health benefit eligibility rules for employees hired on or after January 10, 2009, and generally requires payments by the City and these employees equal to three percent of salary into a new retiree health trust fund.

Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to withdraw funds from the retiree health trust fund. The restrictions allow payments from the fund only when two conditions are met:

- The City's account balance in any fiscal year is fully funded. The account is fully funded when it is large enough to pay then-projected retiree health care costs as they come due; and,

- The City’s retiree health care costs exceed 10% of the City’s total payroll costs in a fiscal year. The Controller, Mayor, Trust Board, and a majority of the Board of Supervisors must agree to allow payments from the Fund for that year. These payments can only cover retiree health care costs that exceed 10% of the City’s total payroll cost. The payments are limited to no more than 10% of the City’s account; or,

- The Controller, Mayor, Trust Board, and two-thirds of the Board of Supervisors approve changes to these limits.

GASB 45 Reporting Requirements. The City was required to begin reporting the liability and related information for unfunded post-retirement medical and other benefits ("OPEBs") in the City's financial statements for the fiscal year ending June 30, 2008. This reporting requirement is defined under Governmental Accounting Standards Board Statement 45 ("GASB 45"). GASB 45 does not require that the affected government agencies, including the City, actually fund any portion of this post-retirement health benefit liability – rather, GASB 45 requires government agencies to determine on an actuarial basis the amount of its total OPEB liability and the annual contributions estimated to fund such liability over 30 years. Any underfunding in a year is recognized as a liability on the government agency's balance sheet.

City's Estimated Liability. The City is required by GASB 45 to prepare a new actuarial study of its post-retirement benefits obligation every two years. In its October 8, 2012 report, Cheiron, Inc. estimated that the City's unfunded liability was approximately $4.42 billion as of July 1, 2010. This estimate assumed a 4.25% return on investments and had an ARC for fiscal year 2011-12 of approximately $397.9 million. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost of each year and any unfunded actuarial liabilities (or funding excesses) amortized over thirty years. The ARC was determined based on the July 1, 2010 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.3 billion and the ratio of the unfunded actuarial accrued liability to the covered payroll was 191.9%.

The difference between the estimated ARC and the amount expended on post-retirement medical benefits in any year is the amount by which the City's overall liability for such benefits increases in that year. The City's most recent CAFR estimated that the 2012-13 annual OPEB cost was $418.5 million, of which the City funded $160.3 million which caused, among other factors, the City's long-term liability to increase by $258.2 million (as shown on the City's balance sheet and below). The annual OPEB cost consists of the ARC, one year of interest on the net OPEB obligation, and recognition of one year of amortization of the net OPEB obligation. While GASB 45 does not require funding of the annual OPEB cost, any differences between the amount funded in a year and the annual OPEB cost are recorded as increases or decreases in the net OPEB obligation. See Note 9(c) and (d) to the City's CAFR, as of June 30, 2013, included as Appendix B to this Official Statement. Four-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Four-year Trend
(000s)

Fiscal Year Ended	Annual OPEB	Percentage of Annual OPEB Cost Funded	Net OPEB Obligation
6/30/2010	374,214	33.9%	852,782
6/30/2011	392,151	37.2%	1,099,177
6/30/2012	405,850	38.5%	1,348,883
6/30/2013	418,539	38.3%	1,607,130

The October 2012 Cheiron Report estimates that the total long-term actuarial liability will reach $5.7 billion by 2030. The calculations in the Cheiron Report are sensitive to a number of critical assumptions, including, but not limited to, the projected rate of increase in health plan costs.

Actuarial projections of the City's OPEB liability will be affected by Proposition B as well as by changes in the other factors affecting that calculation. For example, the City's actuarial analysis shows that by 2031, Proposition B's three-percent of salary funding requirement will be sufficient to cover the cost of retiree health benefits for employees hired after January 10, 2009. See "Retirement System – *Recent Voter Approved Changes to the Retirement Plan*" above. As of June 30, 2013, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $31.2 million. Future projections of the City's GASB 45 liability will be lowered by the HSS implementation of the Employer Group Waiver Plan (EGWP) prescription benefit program for City Plan retirees. See "– Local Elections: Proposition C (2011)."

Total City Employee Benefits Costs

The City budgets to pay its ARC for pension and has established a Retiree Health Care Trust Fund into which both the City and employees are required to contribute funds as retiree health care benefits are earned. Currently, these Trust deposits are only required on behalf of employees hired after 2009, and are therefore limited, but will grow as the workforce retires and this requirement is extended to all employees in 2016. Proposition A, passed by San Francisco voters on November 5, 2013 restricted the City's ability to make withdrawals from the Retiree Health Care Trust Fund.

The balance in the Retiree Health Care Trust Fund as of June 30, 2013 is approximately $31.2 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-18 provides a five-year history for all health benefits costs paid including pension, health, dental and other miscellaneous benefits. For all fiscal years shown, a "pay-as-you-go" approach was used by the City for health care benefits.

Table A-19 below provides a summary of the City's employee benefit actual and budgeted costs from fiscal years 2008-09 to fiscal year 2013-14.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2008-09 through 2013-14
(000s)

	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Budget
SFERS and PERS Retirement Contributions	$197,614	$294,088	$368,185	$428,265	$452,327	$527,564
Social Security & Medicare	147,576	145,969	140,828	147,682	156,322	162,729
Health - Medical + Dental, active employees [1]	274,753	284,426	296,032	330,919	338,840	370,454
Health - Retiree Medical [1]	144,110	154,347	175,799	181,822	186,263	162,234
Other Benefits [2]	18,998	17,009	22,758	21,362	16,250	16,634
Total Benefit Costs	**$783,051**	**$895,839**	**$1,003,602**	**$1,110,050**	**$1,150,002**	**$1,239,615**

FY 2008-09 through FY 2012-13 figures are audited actuals. FY 2013-14 figures are original budget.

[1] Does not include Health Service System administrative costs. Does include flexible benefits that may be used for health insurance.

[2] "Other Benefits" includes unemployment insurance premiums, life insurance, and other miscellaneous employee benefits.

Source: Office of the Controller, City and County of San Francisco.

INVESTMENT OF CITY FUNDS

Investment Pool

The Treasurer of the City and County of San Francisco (the "Treasurer") is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4. In addition to the funds of the City, the funds of various City departments and local agencies located within the boundaries of the City, including the school and community college districts, airport and public hospitals, are deposited into the City and County's Pooled Investment Fund (the "Pool"). The funds are commingled for investment purposes.

Investment Policy

The management of the Pool is governed by the Investment Policy administered by the Office of the Treasurer and Tax Collector in accordance with California Government Code Sections 27000, 53601, 53635, et. al. In order of priority, the objectives of this Investment Policy are safety, liquidity, and return on investments. Safety of principal is the foremost objective of the investment program. The investment portfolio maintains sufficient liquidity to meet all expected expenditures for at least the next six months. The Office of the Treasurer and Tax Collector also attempts to generate a market rate of return, without undue compromise of the first two objectives.

The Investment Policy is reviewed and monitored annually by a Treasury Oversight Committee established by the Board of Supervisors. The Treasury Oversight Committee meets quarterly and is comprised of members drawn from (a) the Treasurer; (b) the Controller; (c) a representative appointed by the Board of Supervisors; (d) the County Superintendent of Schools or his/her designee; (e) the Chancellor of the Community College District or his/her designee; and (f) Members of the general public. See "APPENDIX G – City and County of San Francisco Office of the Treasurer – Investment Policy" for a complete copy of the Treasurer's Investment Policy, dated October 2013. The Investment Policy is also posted at the Treasurer's website: www.sftreasurer.org. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of October 31, 2013, the City's surplus investment fund consisted of the investments classified in Table A-20, and had the investment maturity distribution presented in Table A-21.

TABLE A-20

CITY AND COUNTY OF SAN FRANCISCO
Investment Portfolio
Pooled Funds
As of October 31, 2013

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 685,000,000	$ 685,856,641	$ 690,994,000
Federal Agencies	3,876,513,000	3,889,035,670	3,899,140,500
State and Local Obligations	139,900,000	145,004,378	142,286,593
Public Time Deposits	720,000	720,000	720,000
Negotiable Certificates of Deposit	200,000,000	200,033,502	200,066,578
Banker's Acceptances	-	-	-
Commercial Paper	-	-	-
Medium Term Notes	523,455,000	529,905,320	519,423,880
Money Market Funds	125,065,263	125,065,263	125,065,263
Total	$ 5,550,653,263	$ 5,575,620,774	$ 5,577,696,814

October 2013 Earned Income Yield: 0.69%

Sources: Office of the Treasurer & Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

TABLE A-21

CITY AND OUNTY OF SAN FRANCISCO
Investment Maturity Distribution
Pooled Funds
As of October 31, 2013

Maturity in Months			Par Value	Percentage
0	to	1	$ 175,065,263	3.15%
1	to	2	97,000,000	1.75%
2	to	3	102,730,000	1.85%
3	to	4	240,000	0.00%
4	to	5	235,765,000	4.25%
5	to	6	21,820,000	0.39%
6	to	12	421,690,000	7.60%
12	to	24	1,740,328,000	31.35%
24	to	36	829,395,000	14.94%
36	to	48	1,113,420,000	20.06%
48	to	60	813,200,000	14.65%
			$ 5,550,653,263	100.00%

Weighted Average Maturity: 809 Days

Sources: Office of the Treasurer & Tax Collector, City and County of San Francisco
From Citibank-Custodial Safekeeping, SunGard Systems-Inventory Control Program.

Further Information

A report detailing the investment portfolio and investment activity, including the market value of the portfolio, is submitted to the Mayor and the Board of Supervisors monthly. The monthly reports and annual reports are available on the Treasurer's web page: www.sftreasurer.org. The monthly reports and annual reports are not incorporated by reference herein.

Additional information on the City's investments, investment policies, and risk exposure as of June 30, 2013 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013," Notes 2(d) and 5.

CAPITAL FINANCING AND BONDS

Capital Plan

In October 2005, the Board of Supervisors adopted, and the Mayor approved, Ordinance No. 216-05, which established a new capital planning process for the City. The legislation requires that the City develop and adopt a ten-year capital expenditure plan for City-owned facilities and infrastructure. It also created the Capital Planning Committee ("CPC") and the Capital Planning Program ("CPP"). The CPC, composed of other City finance and capital project officials, makes recommendations to the Mayor and Board of Supervisors on all of the City’s capital expenditures. To help inform CPC recommendations, the CPP staff, under the direction of the City Administrator, review and prioritize funding needs; project and coordinate funding sources and uses; and provide policy analysis and reports on interagency capital planning.

The City Administrator, in conjunction with the CPC, is directed to develop and submit a ten-year capital plan every other fiscal year for approval by the Board of Supervisors. The Capital Plan is a fiscally constrained long-term finance strategy that prioritizes projects based on a set of funding principles. It provides an assessment of the City's infrastructure needs over ten years, highlights investments required to meet these needs and recommends a plan of finance to fund these investments. Although the Capital Plan provides cost estimates and proposes methods to finance such costs, the document does not reflect any commitment by the Board of Supervisors to expend such amounts or to adopt any specific financing method. The Capital Plan is required to be updated and adopted biennially, along with the City’s Five Year Financial Plan and the Five-Year Information & Communication Technology Plan. The CPC is also charged with reviewing the annual capital budget submission and all long-term financing proposals, and providing recommendations to the Board of Supervisors relating to the compliance of any such proposal or submission with the adopted Capital Plan.

The Capital Plan is required to be submitted to the Mayor and the Board of Supervisors by each March 1 in odd-numbered years and adopted by the Board of Supervisors and the Mayor on or before May 1 of the same year. The fiscal year 2014-2023 Capital Plan was approved by the CPC on February 25, 2013 and was adopted by the Board of Supervisors in April 2013. The Capital Plan contains $25.1 billion in capital investments over the coming decade for all City departments, including $4.7 billion in projects for General Fund-supported departments. The Capital Plan proposes $88.0 million for General Fund pay-as-you-go capital projects in fiscal year 2013-14. The amount for General Fund pay-as-you-go capital projects is assumed to grow to $231 million in fiscal year 2022-23. The Capital Plan is not incorporated by reference herein but may be found at http://onesanfrancisco.org/. Major capital projects for General Fund-supported departments included in the Capital Plan consist of upgrades to public health, police, fire and park facilities; street and right-of-way improvements; the removal of barriers to accessibility; park improvements; the replacement of the Hall of Justice; and seismic upgrades to the Veteran's Memorial Building, among other capital projects. Approximately $2.0 billion of the capital projects of General Fund supported departments are financed with general obligation bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, the General Fund, and other sources.

In addition to the City General Fund-supported capital spending, the Capital Plan recommends $14.5 billion in enterprise fund department projects to continue major transit, economic development and public utility projects such as the Central Subway project, runway and terminal upgrades at San Francisco International Airport, Pier 70 infrastructure investments, and the Sewer System Improvement Program, among others. Approximately $8.2 billion of enterprise fund department capital projects is financed with voter-approved revenue bonds and other long-term obligations. The balance is expected to be funded by federal and State funds, user/operator fees, General Fund, and other sources.

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

Failure to make the capital improvements and repairs recommended in the Plan may have the following impacts: (i) failing to meet federal, state, or local legal mandates; (ii) failing to provide for the imminent life, health, safety and security of occupants and the public; (iii) failing to prevent the loss of use of the asset; (iv) impairing the value of the City's assets; (v) increasing future repair and replacement costs; and (vi) harming the local economy.

Tax-Supported Debt Service

Under the State Constitution and the Charter, City bonds secured by *ad valorem* property taxes ("general obligation bonds") can only be authorized with a two-thirds approval of the voters. As of December 1, 2013, the City had approximately $1.89 billion aggregate principal amount of general obligation bonds outstanding.

Table A-22 shows the annual amount of debt service payable on the City's outstanding general obligation bonds.

TABLE A-22

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds Debt Service
As of December 1, 2013 [1 2]

Fiscal Year	Principal	Interest	Annual Debt Service
2014	$150,279,486	$88,438,032	$238,717,518
2015	151,979,884	81,666,532	233,646,416
2016	105,753,046	74,343,844	180,096,890
2017	97,779,110	69,400,105	167,179,215
2018	98,593,225	64,697,632	163,290,857
2019	97,160,545	60,163,962	157,324,507
2020	94,686,232	55,560,375	150,246,607
2021	90,035,457	51,044,062	141,079,519
2022	96,123,401	46,958,724	143,082,125
2023	98,320,251	42,516,801	140,837,052
2024	99,376,206	37,784,550	137,160,756
2025	98,571,476	32,920,682	131,492,158
2026	92,416,279	28,099,652	120,515,931
2027	96,425,840	23,564,823	119,990,663
2028	99,979,035	18,964,084	118,943,119
2029	98,551,751	14,235,655	112,787,406
2030	93,040,095	9,662,829	102,702,924
2031	50,976,950	5,339,777	56,316,727
2032	52,690,000	3,319,875	56,009,875
2033	16,540,000	1,230,200	17,770,200
2034	5,075,000	520,250	5,595,250
2035	5,330,000	266,500	5,596,500
TOTAL [3]	$1,889,683,269	$810,698,946	$2,700,382,215

[1] This table does not reflect any debt other than City direct tax-supported debt, such as any assessment district indebtedness or any redevelopment agency indebtedness.

[2] Totals reflect rounding to nearest dollar.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal assessment district indebtedness or any redevelopment agency indebtedness.

Source: Office of Public Finance, City and County of San Francisco.

General Obligation Bonds

Certain general obligation bonds authorized by the City's voters as discussed below have not yet been issued. Such bonds may be issued at any time by action of the Board of Supervisors, without further approval by the voters.

In November 1992, voters approved Proposition A, which authorized the issuance of up to $350.0 million in general obligation bonds to provide moneys to fund the City's Seismic Safety Loan Program (the "Loan Program"). The purpose of the Loan Program is to provide loans for the seismic strengthening of privately-owned unreinforced masonry buildings in San Francisco for affordable housing and market-rate residential, commercial and institutional purposes. In April 1994, the City issued $35.0 million in taxable general obligation bonds to fund the Loan Program and in October 2002, the City redeemed all outstanding bonds remaining from such issuance. In February 2007, the Board of Supervisors approved the issuance of additional indebtedness under this authorization in an amount not to exceed $35.0 million. Such issuance would be achieved pursuant to the terms of a Credit Agreement with Bank of America, N.A. (the "Credit Bank"), under which the Credit Bank agreed to fund one or more loans to the City from time to time as evidenced by the City's issuance to the Credit Bank of the Taxable General Obligation Bond (Seismic Safety Loan Program), Series 2007A. The funding by the Credit Bank of the loans at the City's request and the terms of repayment of such loans are governed by the terms of the Credit Agreement. Loan funds received by the City from the Credit Bank are in turn used to finance loans to Seismic Safety Loan Program borrowers. In March 2007, the City initiated an initial borrowing of $2.0 million, and in October 2007, the City borrowed approximately $3.8 million from the Credit Bank. In January 2008, the City borrowed approximately $3.9 million and in November 2008, the City borrowed $1.3 million from the Credit Bank. Further borrowings under the Credit Agreement with the Credit Bank (up to the $35.0 million not-to-exceed amount) are expected as additional loans to Seismic Safety Loan Program borrowers are approved.

In February 2008, voters approved Proposition A, which authorized the issuance of up to $185.0 million in general obligation bonds for the construction, reconstruction, purchase, and/or improvement of park and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition A in the amount of approximately $42.5 million in August 2008. The City issued the second series in the amount of approximately $60.4 million in March 2010 and the third series in the amount of approximately $73.4 million in March 2012.

In November 2008, voters approved Proposition A, which authorized the issuance of up to $887.4 million in general obligation bonds to provide funds to finance the building or rebuilding and improving the earthquake safety of the San Francisco General Hospital and Trauma Center. The City issued the first series of bonds under Proposition A in the amount of approximately $131.7 million in March 2009. The City issued the second series in the amount of approximately $294.6 million in March 2010. The City issued its third series in the amount of approximately $251 million in August 2012.

In June 2010, voters approved Proposition B, which authorized the issuance of up to $412.3 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement, and retrofitting of neighborhood fire and police stations, the auxiliary water supply system, a public safety building, and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds under Proposition B in the amount of $79.5 million in December 2010 and the second series of bonds in the amount of $183.3 million in March 2012. The City issued the third series in the amount of approximately $38.3 million in August 2012 and the fourth series of bonds in the amount of $31.0 million in June 2013.

In November 2011, voters approved Proposition B, which authorized the issuance of up to $248.0 million in general obligation bonds to provide funds to repair and repave City streets and remove potholes; strengthen and seismically upgrade street structures; redesign street corridors by adding or improving pedestrian signals, lighting, sidewalk extensions, bicycle lanes, trees and landscaping; construct and renovate curb ramps and sidewalks to increase accessibility and safety for everyone, including persons with disabilities; and add and upgrade traffic signals to improve MUNI service and traffic flow. The City issued the first series of bonds under Proposition B in the amount of approximately $74.3 million in March 2012 and the second series of bonds in the amount of $129.6 million in June 2013.

In November 2012, voters approved Proposition B, which authorized the issuance of up to $195.0 million in general obligation bonds to provide funds for the construction, reconstruction, renovation, demolition, environmental remediation and/or improvement of park, open space, and recreation facilities located in the City and under the jurisdiction of the Recreation and Parks Commission or under the jurisdiction of the Port Commission. The City issued the first series of bonds under Proposition B in the amount of approximately $71.9 million in June 2013.

The Board of Supervisors adopted Resolution No. 272-04 on May 11, 2004 (the "2004 Resolution"). The Mayor approved the 2004 Resolution on May 13, 2004. The 2004 Resolution authorized the issuance of not to exceed $800.0 million aggregate principal amount of its General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding all or a portion of the City's then outstanding General Obligation Bonds. On November 1, 2011, the Board of Supervisors adopted, and the Mayor approved, Resolution No. 448-11 (the "2011 Resolution," and together with the 2004 Resolution, the "Refunding Resolutions"). The 2011 Resolution authorized the issuance of not to exceed $1,355,991,219 aggregate principal amount of the City's General Obligation Refunding Bonds from time to time in one or more series for the purpose of refunding certain outstanding General Obligation Bonds of the City.

Table A-23 below lists for each of the City's voter-authorized general obligation bond programs the amount originally authorized, the amount issued and outstanding, and the amount of remaining authorization for which bonds have not yet been issued. Series are grouped by program authorization in chronological order. The authorized and unissued column refers to total program authorization that can still be issued, and does not refer to any particular series. As of December 1, 2013, the City had authorized and unissued refunding general obligation bond authority of approximately $751 million.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of December 1, 2013)

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$26,323,269	$284,684,550 [2]
Branch Library Facilities Improvement (11/7/00)	2008A	31,065,000	25,460,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	35,165,000	
	2010B	24,785,000	14,025,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	60,270,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	103,565,000	
	2010A	120,890,000	68,410,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	211,180,000	209,955,000
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	74,230,000	
	2012A	183,330,000	150,505,000	
	2012E	38,265,000	37,010,000	
	2013B	31,020,000	31,020,000	80,165,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	61,695,000	
	2013C	129,560,000	129,560,000	44,145,000
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	71,970,000	123,030,000
SUB TOTALS		**$1,523,090,450**	**$1,309,838,269**	**$750,674,550**
General Obligation Refunding Bonds:				
Series 2006-R1 issued 10/31/06		$90,690,000	$54,155,000	
Series 2006-R2 issued 12/18/06		66,565,000	30,300,000	
Series 2008-R1 issued 5/29/08		232,075,000	53,465,000	
Series 2008-R2 issued 5/29/08		39,320,000	24,610,000	
Series 2008-R3 issued 7/30/08		118,130,000	118,130,000	
Series 2011-R1 issued 11/9/2011		339,475,000	299,185,000	
SUB TOTALS		**886,255,000**	**579,845,000**	
TOTALS		**$2,409,345,450**	**$1,889,683,269**	**$750,674,550**

[1] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all taxable real and personal property, located within the City and County.

[2] Of the $35,000,000 authorized by the Board of Supervisors in February 2007, $30,315,450 has been drawn upon to date pursuant to the Credit Agreement described under "General Obligation Bonds."

Source: Office of Public Finance, City and County of San Francisco.

Lease Payments and Other Long-Term Obligations

The Charter requires that any lease-financing agreements with a nonprofit corporation or another public agency must be approved by a majority vote of the City's electorate, except (i) leases approved prior to April 1, 1977, (ii) refunding lease financing expected to result in net savings, and (iii) certain lease financing for capital equipment. The Charter does not require voter approval of lease financing agreements with for-profit corporations or entities.

Table A-24 sets forth the aggregate annual lease payment obligations supported by the City's General Fund with respect to outstanding lease revenue bonds and certificates of participation as of December 1, 2013. Note that the annual payment obligations reflected in Table A-23 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of December 1, 2013

Fiscal Year	Principal	Interest	Annual Payment Obligation
2014	$32,446,550	$39,150,395	$71,596,945
2015	67,600,751	56,088,843	123,689,594
2016	66,510,000	48,156,382	114,666,382
2017	60,310,000	45,346,520	105,656,520
2018	58,785,000	42,610,401	101,395,401
2019	50,770,000	40,176,612	90,946,612
2020	42,015,000	38,098,182	80,113,182
2021	43,050,000	36,217,345	79,267,345
2022	44,160,000	34,329,701	78,489,701
2023	46,085,000	32,376,293	78,461,293
2024	47,610,000	30,311,319	77,921,319
2025	47,230,000	28,143,340	75,373,340
2026	46,960,000	26,040,319	73,000,319
2027	49,165,000	23,828,851	72,993,851
2028	49,670,000	21,521,169	71,191,169
2029	51,950,000	19,157,247	71,107,247
2030	51,510,000	16,710,856	68,220,856
2031	42,835,000	14,314,379	57,149,379
2032	32,105,000	12,125,573	44,230,573
2033	31,175,000	10,532,806	41,707,806
2034	32,670,000	8,879,731	41,549,731
2035	20,155,000	7,383,525	27,538,525
2036	18,420,000	6,313,469	24,733,469
2037	16,450,000	5,322,520	21,772,520
2038	17,180,000	4,404,563	21,584,563
2039	17,935,000	3,446,211	21,381,211
2040	18,735,000	2,441,919	21,176,919
2041	19,565,000	1,393,151	20,958,151
2042	11,490,000	499,471	11,989,471
2043	1,900,000	95,000	1,995,000
TOTAL [1]	$1,136,442,301	$655,416,093 [2]	$1,791,858,394

[1] Totals reflect rounding to nearest dollar.
[2] For purposes of this table, the interest rate on the Lease Revenue Bonds Series 2008-1, and 2008-2 (Moscone Center Expansion Project) is assumed to be 3.25%. These bonds are in variable rate mode.

Source: Office of Public Finance, City and County of San Francisco.

The City electorate has approved several lease revenue bond propositions, some of which have authorized but unissued bonds. The following lease programs have remaining authorization:

In 1987, voters approved Proposition B, which authorizes the City to lease finance (without limitation as to maximum aggregate par amount) the construction of new parking facilities, including garages and surface lots, in eight of the City's neighborhoods. In July 2000, the City issued $8.2 million in lease revenue bonds to finance the construction of the North Beach Parking Garage, which was opened in February 2002. There is no current plan to issue any more bonds under Proposition B.

In 1990, voters approved Proposition C, which amended the Charter to authorize the City to lease-purchase equipment through a nonprofit corporation without additional voter approval but with certain restrictions. The City and County of San Francisco Finance Corporation (the "Corporation") was incorporated for that purpose. Proposition C provides that the outstanding aggregate principal amount of obligations with respect to lease financings may not exceed $20.0 million, such amount increasing by five percent each fiscal year. As of December 1, 2013 the total authorized amount for such financings was $61.4 million. The total principal amount outstanding as of December 1, 2013 was $29.6 million.

In 1994, voters approved Proposition B, which authorized the issuance of up to $60.0 million in lease revenue bonds for the acquisition and construction of a combined dispatch center for the City's emergency 911 communication system and for the emergency information and communications equipment for the center. In 1997 and 1998, the Corporation issued $22.6 million and $23.3 million of Proposition B lease revenue bonds, respectively, leaving $14.0 million in remaining authorization. There is no current plan to issue additional series of bonds under Proposition B.

In June 1997, voters approved Proposition D, which authorized the issuance of up to $100.0 million in lease revenue bonds for the construction of a new football stadium at Candlestick Park, the home of the San Francisco 49ers football team. If issued, the $100.0 million of lease revenue bonds would be the City's contribution toward the total cost of the stadium project and the 49ers would be responsible for paying the remaining cost of the stadium construction project. There is no current plan to issue the Proposition D bonds.

On March 7, 2000, voters approved Proposition C, which extended a two and one half cent per $100.0 in assessed valuation property tax set-aside for the benefit of the Recreation and Park Department (the "Open Space Fund"). Proposition C also authorizes the issuance of lease revenue bonds or other forms of indebtedness payable from the Open Space Fund. The City issued approximately $27.0 million and $42.4 million of such Open Space Fund lease revenue bonds in October 2006 and October 2007, respectively.

In November 2007, voters approved Proposition D, which amended the Charter and renewed the Library Preservation Fund. Proposition D continues the two and one half cent per $100.0 in assessed valuation property tax set-aside and establishes a minimum level of City appropriations, moneys that are maintained in the Library Preservation Fund. Proposition D also authorizes the issuance of revenue bonds or other evidences of indebtedness. The City issued the first series of lease revenue bonds in the amount of approximately $34.3 million in March 2009.

Commercial Paper Program

The Board authorized on March 17, 2009 and the Mayor approved on March 24, 2009 the establishment of a not-to-exceed $150.0 million Lease Revenue Commercial Paper Certificates of Participation Program (the "CP Program"). Under the proposed CP Program, Commercial Paper Notes (the "CP Notes") will be issued from time to time to pay approved project costs in connection with the acquisition, improvement, renovation, and construction of real property and the acquisition of capital equipment and vehicles in anticipation of long-term financing to be issued when market conditions are favorable. Projects will be eligible to access the CP Program once the Board and the Mayor have approved the project and the long-term, permanent financing for the project. In June 2010, the City obtained letters of credit securing the CP Notes issued by J.P. Morgan Chase Bank, N.A. with a maximum principal amount of $50 million and by U.S. Bank, N.A. with a maximum principal amount of $50 million. The letters of credit expires June 2016.

As of December 1, 2013, the outstanding principal amount of CP Notes is $32.4 million. The weighted average interest rate for the CP Notes is approximately 0.12%.

Board Authorized and Unissued Long-Term Obligations

The Board of Supervisors authorized on October 26, 2010 and the Mayor approved on November 5, 2010 the issuance of not to exceed $38,000,000 in City and County of San Francisco certificates of participation to partially finance the rebuilding of severely distressed public housing sites, while increasing affordable housing and ownership opportunities and improving the quality of life for existing residents and the surrounding communities (the HOPE SF Project). The City anticipates issuing the certificates in the Summer of 2014.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011 the issuance of not to exceed $170,000,000 in City and County of San Francisco certificates of participation to finance the construction and installation of certain improvements in connection with the renovation of the San Francisco War Memorial Veterans Building. The City anticipates issuing the certificates in the Summer of 2014.

The Board of Supervisors authorized on February 12, 2013 and the Mayor approved on February 15, 2013 the issuance of not to exceed $507.9 million of City and County of San Francisco Certificates of Participation (Moscone Expansion Project) payable from Moscone Expansion District assessments to finance the costs of additions and improvements to the George R. Moscone Convention Center. The City anticipates issuing the certificates in 2017.

Overlapping Debt

Table A-25 shows bonded debt and long-term obligations as of December 1, 2013 sold in the public capital markets by the City and those public agencies whose boundaries overlap the boundaries of the City in whole or in part. Long-term obligations of non-City agencies generally are not payable from revenues of the City. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. In the table, lease obligations of the City which support indebtedness incurred by others are included. As noted below, the Charter limits the City's outstanding general obligation bond debt to 3% of the total assessed valuation of all taxable real and personal property within the City.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2013-2014 Assessed Valuation (net of non-reimbursable & homeowner exemptions):	$172,489,208,372	
DIRECT GENERAL OBLIGATION BOND DEBT	**Outstanding 12/1/2013**	
General City Purposes Carried on the Tax Roll	$1,889,683,269	
GROSS DIRECT DEBT	$1,889,683,269	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS		
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)	$27,930,000	
San Francisco COPs, Series 2003 (Juvenile Hall Replacement Project)	34,850,000	
San Francisco Finance Corporation, Equipment LRBs Series 2008A, 2010A, 2011A, 2012A, and 2013A	29,620,000	
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1	17,050,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2	120,820,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007	55,490,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A	30,870,000	
San Francisco Redevelopment Agency Moscone Convention Center 1992	4,347,301	[1]
San Francisco Refunding Certificates of Participation, Series 2004-R1(San Francisco Courthouse Project)	18,670,000	
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)	139,945,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)	148,545,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)	35,200,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt	32,510,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs	129,550,000	
San Francisco Refunding Certificates of Participation, Series 2010A	122,060,000	
San Francisco COPs, Refunding Series 2011AB (Moscone)	80,585,000	
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)	41,860,000	
San Francisco COPs, Series 2013A Moscone Center Improvement	28,840,000	
San Francisco COPs, Series 2013BC Port Facilities	37,700,000	
LONG-TERM OBLIGATIONS	$1,136,442,301	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS	$3,026,125,570	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		
Bayshore Hester Assessment District	$660,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds	90,643,333	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B	106,311,000	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005	343,720,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011	41,750,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)	846,357,806	
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)	212,403,097	
Association of Bay Area Governments Obligations (Special Tax Bonds)	41,658,913	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011	647,360,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS	$2,330,864,149	
GROSS COMBINED TOTAL OBLIGATIONS	$5,356,989,719	[2]

Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**
Gross Direct Debt (General Obligation Bonds)	1.10%	< 3.00% [3]
Gross Direct Debt & Long-Term Obligations	1.75%	n/a
Gross Combined Total Obligations	3.11%	n/a

[1] The accreted value as of July 1, 2013 is $19,298,279

[2] Excludes revenue and mortgage revenue bonds and non-bonded third party financing lease obligations. Also excludes tax allocation bonds sold in August, 2009.

[3] Section 9.106 of the City Charter limits issuance of general obligation bonds of the City to 3% of the assessed value of all real and personal property within the City's boundaries that is subject to

Source: Office of Public Finance, City and County of San Francisco.

On November 4, 2003, voters approved Proposition A. Proposition A of 2003 authorized the SFUSD to issue up to $295.0 million of general obligation bonds to repair and rehabilitate school facilities, and various other improvements. The SFUSD issued $58.0 million of such authorization in October 2004, $130.0 million in October 2005, and $92.0 million in October 2006, leaving $15.0 million authorized but unissued. In March 2012, the SFUSD issued $116.1 million in refunding general obligation bonds that refunded $137.4 million in general obligation bonds authorized under Proposition A of 2003.

On November 2, 2004, voters approved Proposition AA. Proposition AA authorized the San Francisco BART to issue general obligation bonds in one or more series over time in an aggregate principal amount not to exceed $980.0 million to strengthen tunnels, bridges, overhead tracks and the underwater Transbay Tube for BART facilities in Alameda and Contra Costa counties and the City. Of the $980.0 million, the portion payable from the levy of *ad valorem* taxes on property within the City is approximately 29.0% or $282.0 million. Of such authorization, BART issued $100.0 million in May 2005 and $400.0 million in July 2007, of which the allocable City portion is approximately $29.0 million and $116.0 million, respectively.

On November 8, 2005, voters approved the issuance of up to $246.3 million in general obligation bonds to improve, construct and equip existing and new facilities of the SFCCD. SFCCD issued an aggregate principal amount of $90.0 million of the November 2005 authorization in June 2006. In December 2007, SFCCD issued an additional $110.0 million of such authorization. SFCCD issued the remaining authorization of $46.3 million in spring 2010.

On November 7, 2006, voters approved Proposition A. Proposition A of 2006 authorized the SFUSD to issue an aggregate principal amount not to exceed $450.0 million of general obligation bonds to modernize and repair up to 64 additional school facilities and various other improvements. The SFUSD issued the first series in the aggregate principal amount of $100 million under the Proposition A authorization in February 2007. The SFUSD issued the second series in the aggregate principal amount of $150.0 million under the Proposition A authorization in January 2009. The SFUSD issued the third series in the aggregate principal amount of $185.0 million under the Proposition A authorization in May 2010.

On November 8, 2011, voters approved Proposition A. Proposition A of 2011 authorized the SFUSD to issue an aggregate principal amount not to exceed $531.0 million of general obligation bonds to repair and rehabilitate school facilities to current accessibility, health, safety, and instructional standards, and where applicable, replace worn-out plumbing, electrical and other major building systems, replace aging heating, ventilation and air handling systems, renovate outdated classrooms and training facilities, construct facilities to replace aging modular classrooms. The SFUSD issued the first series in the aggregate principal amount of $115.0 million under the Proposition A of 2011 authorization in March 2012.

MAJOR ECONOMIC DEVELOPMENT PROJECTS

Numerous development and construction projects are in progress throughout the City at any given time. This section describes several of the most significant privately owned and managed real estate developments currently under way in the City. The information in this section has been prepared by the City based on City-approved plans as well as unofficial plans and representations of the developer in each case, and includes forward-looking statements. These forward-looking statements consist of expressions of opinion, estimates, predictions, projections, plans and the like; such forward-looking statements in this section are those of the developers and not of the City. The City makes no prediction, representation or assurance that the plans and projects described will actually be accomplished, or the time frame in which the developments will be completed, or as to the financial impact on City real estate taxes, developer fees, other tax and fee income, employment, retail or real estate activity, or other consequences that might be expected or projected to result from the successful completion of each development project. Completion of development in each case may depend on the local economy, the real estate market, the financial health of the developer and others involved in the project, specific features of each development and its attractiveness to buyers, tenants, and others, as well as the financial health of such buyers, tenants, and others. Further, the dissolution of redevelopment agencies may have an adverse impact on the projects described below and many other development projects in the City. See "San Francisco Redevelopment Agency Dissolution" above. Completion and success of each development will also likely depend on other factors unknown to the City.

Hunters Point Shipyard (Phase 1 and 2) and Candlestick Point

The Hunters Point Shipyard, a former naval base, is a master planned community of approximately 500 acres located on the southeastern waterfront of San Francisco. The first phase of development, which was conveyed from the Navy in 2005, is currently underway and includes up to 1,600 homes, 27% to 40% of which will be affordable, and 26 acres of parks and open space. Nearly all of the horizontal construction for Phase 1 is complete and the developer broke ground on the vertical development on the first two blocks of homes in June 2013. Two additional blocks are anticipated to break ground in Spring 2014.

In August 2010, the development of the balance of the Shipyard and Candlestick Point received its final approvals from the Board of Supervisors. This includes (i) approximately 10,500 residential housing units across the project site, approximately 32% of which will be offered at below-market rates in a mix of both rental and for-sale housing; (ii) the complete rebuilding of the Alice Griffith Public Housing Development, also known as Double Rock; (iii) approximately 2.5 million square feet of "green" office, research and development uses on the Shipyard; (iv) approximately 150,000 square feet of green office, research and development or other commercial space on Candlestick Point; (v) more than 300 acres of new and restored parks and open space, which includes neighborhood parks, new waterfront parks around the entire perimeter of the Shipyard, connecting to the region's Bay Trail, and a major renovation of the Candlestick Point State Recreation Area into a "Crissy Field" of the southeast, with restored habitat areas and public access to the water; (vi) approximately 635,000 square feet of regional and neighborhood retail on Candlestick Point; and (vii) space for a 10,000-seat performance venue on Candlestick Point. The project is estimated to create thousands of ongoing construction opportunities during the 20- to 30-year construction period, and 10,000 permanent jobs at full build-out. In August 2011, the U.S. Department of Housing and Urban Development (HUD) selected the Alice Griffith Public Housing Development and the surrounding Bayview neighborhood as a recipient of the $30.5 million Choice Neighborhoods Implementation Grant. The Alice Griffith Plan was one of six finalists submitted by communities nationwide competing for HUD Choice Neighborhoods funding. Construction of infrastructure for Alice Griffith and a new mixed-use retail center on the site of the current stadium will commence in the Summer of 2014 and the first new homes will be available starting in 2016.

Treasure Island

Former Naval Station Treasure Island is located in the San Francisco Bay and connected to the City by the San Francisco-Oakland Bay Bridge. The former base, which ceased operations in 1997, consists of approximately 405 acres on Treasure Island and 90 acres on adjoining Yerba Buena Island. Development plans for the islands include up to 8,000 new homes, 25% of which will be offered at below-market rates; up to 500 hotel rooms; a 400 slip marina; restaurants; retail and entertainment venues; and a world-class 300-acre parks and open space system. The compact mixed-use transit-oriented development is centered around a new ferry terminal connecting the island to downtown San Francisco and is designed to prioritize walking, biking and public transit. The development plans include green building standards and best practices in low-impact development.

In August 2010, then-Mayor Gavin Newsom, U.S. House of Representatives Speaker Nancy Pelosi, and U.S. Secretary of the Navy Ray Mabus signed the terms for the conveyance of former Naval Station Treasure Island from the Navy to the City, signifying a major milestone towards realizing an environmentally sustainable new community on Treasure Island and the thousands of construction and permanent jobs it will bring. In April 2011, the Treasure Island Development Authority (TIDA) Board of Directors and the Planning Commission certified the project's Environmental Impact Report (EIR). In June 2011, the Board of Supervisors unanimously upheld the certification of the EIR and approved numerous project documents, including a Disposition and Development Agreement, Development Agreement, Interagency Cooperation Agreement and Treasure Island Homeless Development Initiative (TIHDI) Agreement. Together, these agreements establish a comprehensive vision for the future of the former military base and represented another significant step in moving the project towards implementation. In January 2014, TIDA, acting with and through the San Francisco County Transportation Authority, will begin construction of new west bound on and off ramps connecting the new eastern span of the San Francisco – Oakland Bay Bridge to Yerba Buena Island. The first major land transfer from the Navy is expected to take place in 2014, and the first phase of construction by the developer, Treasure Island Community Development (TICD), is projected to begin in 2015 and will include extensive horizontal infrastructure improvements (utilities, roadway improvements, site preparation, etc.) as well as the initial vertical developments. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

Piers 30-32 and Seawall Lot (SWL) 330 – Warrior's Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a waterfront multipurpose recreation and entertainment venue and associated development on Piers 30-32 and SWL 330. Piers 30-32 are located directly south of the Bay Bridge. On the Piers 30-32 site, the Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts, and family shows. Sixty percent of the Piers 30-32 site will be public, open space. There will also be a robust maritime program, which includes preserving the east apron of the pier as a deep water berth for occasional cruise ship and other large vessel berthing. The project also proposes to relocate the San Francisco Fire Department's Fire Boat station from Pier 22½ to the north apron of Piers 30-32 along with ferry and/or water taxi service. Piers 30-32 will also have restaurants (including Red's Java House), retail, bike valet and a limited amount of parking.

On SWL 330, which sits across the Embarcadero from Piers 30-32, the Warriors propose a mixed-use development, which will include residential units and a hotel use. The SWL site will also have ground floor retail and parking.

Economic & Planning Systems (EPS) was commissioned to author a Fiscal Feasibility Report, which provides both the Economic and Financial benefits of the project for the City. The Fiscal Feasibility Report projects that the project could create $80 million annually in economic activity and generate approximately 5,000 construction jobs and 2,800 permanent jobs within San Francisco. In addition, the Fiscal Feasibility projects that the project could generate approximately $53 million in one-time revenues and $19 million in annual revenue to the City.

Transbay

The Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open in August 2017. Demolition of existing structures on the site was completed in August 2011. The Transbay Transit Center Project will replace the outdated Transbay Terminal at First and Mission Streets with a modern transit hub and extend the Caltrain commuter rail line underground 1.3 miles into the Financial District. The area surrounding the Transbay Transit Center with is being redeveloped with 4,500 new homes, 1,200 to be "affordable" below-market homes, a 1.6 million square-foot tower, parks, and a retail main street. The Pelli Clarke Pelli Architects-designed Transit Center will serve more than 100,000 people per day through nine transportation systems, including future California High Speed Rail, which will be designed to connect San Francisco to Los Angeles in less than 2-1/2 hours. The Center is designed to embrace the goals of green architecture and sustainability. The heart of the Center, "City Park," a 5.4-acre public park will sit atop the facility, and there will be a living green roof for the transit facility. The Center will have a LEED rating of Silver. The project is estimated to create more than 48,000 jobs in its first phase of construction, which will last seven years. The $4.2 billion Transbay Transit Center Project is funded by various public and private funding partners, including the federal government, the State, the Metropolitan Transportation Commission, the San Francisco County and San Mateo County Transportation Authorities, and AC Transit, among others. In November 2012, the TJPA finalized the agreement to sell TJPA property to Hines Corporation, paving the way for construction of the 61-story Transbay Transit Tower, which will contain 1.4 million square feet of office space, for $190 million.

The first phase of the program, which includes constructing the new transit center, is $300 million over budget. To cover the cost increase, the TJPA will use some of the funding that was committed to the second phase of the project – the Downtown Extension of Caltrain. Planning, OCII, the Mayor's Office and consultants are preparing the origination documents for a Mello-Roos (CFD) to finance a portion of the San Francisco County share of the Downtown Extension, City Park and other public benefits.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco (UCSF) research campus containing 2.65 million square feet of building space on 43 acres donated by Catellus and the City; UCSF's 550-bed hospital; 4.4 million square feet of biotech, 'cleantech' and health care office space; 6,350 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 400,000 square feet of retail space; a 250-room hotel with up to 25,000 square feet of retail entertainment uses; 49 acres of public open space, including parks along Mission Creek and San Francisco Bay and eight acres of open space within the UCSF campus; a new 500-student public school; and a new fire and police station and police headquarters. Mission Bay is approximately 50% complete.

Seawall Lot (SWL) 337 and Pier 48 (Mission Rock)

Mission Rock is a proposed mixed-use development at Seawall Lot 337 and Pier 48, Port-owned property comprising approximately 25 acres. The Port, OEWD in its capacity as lead negotiator, and Mission Rock's competitively-selected master developer, Seawall Lot 337 Associates, LLC, have agreed on a development concept and corresponding financial terms for Mission Rock, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

The proposed development plan for Mission Rock includes: approximately 8 acres of public parks and open spaces, including a 5-acre regional waterfront park; 650 to 1,500 new housing units, 15 percent of which will be affordable to low-income households; 1.3 to 1.7 million square feet of commercial space; 150,000 to 250,000 square feet of retail space, approximately 3,000 parking spaces within mixed-use buildings and a dedicated parking structure, which will serve San Francisco Giants baseball team patrons as well as Mission Rock occupants and visitors; and the rehabilitation and reuse of historic Pier 48 as a new brewery/distillery for Anchor Steam Brewing Company.

The developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders in preparation for the commencement of the environmental review process, which begins in January 2014 and is expected to last until mid- to late 2015. That process will be accompanied by negotiation of transaction agreements with final approvals anticipated in late 2015.

Pier 70

Plans for Pier 70 call for substantial development, including major parks and historic building rehabilitation, on this 69-acre site to achieve a number of goals, including preservation and adaptive reuse of historic structures; retention of the ship repair operations; provision of new open space; reactivation and economic development on the site;and needed infrastructure and site remediation. The Port, which controls Pier 70, and OEWD, in its capacity as lead negotiator, have initiated preliminary negotiations with Forest City, the developer selected to build a new mixed-use neighborhood on a 25-acre portion of Pier 70 known as the Waterfront Site. The parties have agreed on a development concept and corresponding financial terms for the Waterfront Site, which are reflected in a non-binding Term Sheet that the Port Commission and Board of Supervisors have endorsed and which will be finalized in a Development Agreement following environmental review.

Current development plans for the Pier 70 Waterfront Site call for 7 acres of parks and up to 3.25 million square feet of above-grade construction (not including parking) which may include between 1.0 to 2.25 million square feet of office space; up to 400,000 square feet of retail, small-scale production, arts space intended to establish the new district as destination with unique character; and between 950 and 2000 housing units, with 15 to 20 percent of them made available to low-income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On February 26, 2013 the Port of San Francisco cut the ribbon opening the $67 million core and shell of the new James R. Herman cruise ship terminal at Pier 27 for use during the America's Cup races in the summer of 2013. The $44 million second phase commenced after the America's Cup competition was completed and will install maritime equipment, complete an operations area within a portion of Pier 29, and complete improvements to the ground transportation area and Northeast Wharf Plaza. When complete in late 2014, the $111 million, approximately 88,000 square foot, two-level cruise terminal will replace the current outmoded and insufficient facility at Pier 35 and will include a 2.5 acre park along the Embarcadero ground transportation area capability and a strengthened connection between the Bay and the base of Telegraph Hill.

The proposed size of the terminal was defined to serve current and anticipated ship berthing requirements and associated passenger flows. The Pier 27 cruise terminal was designed to optimally handle vessels carrying 2,600 passengers and will have the capacity to serve vessels carrying up to 4,000 passengers, totaling 40-80 cruise calls a year. The facility will continue to be used for maritime events, such as Fleet Week, foreign naval diplomatic calls, Tall Ship festivals and visits by oceanic research vessels. When there are no cruise calls, the cruise terminal will provide approximately 60,000 square feet of designated space for shared uses, including meetings and special events.

Bay Area Economics was commissioned to provide an economic impact study for the Pier 27 project. The study projects that the project could create approximately $29.4 million annually in direct economic activity, $42.2 million in total impacts, and generate approximately 408 jobs within San Francisco. In addition, the Bay Area Economics study projects that the project could generate approximately $900,000 annually in direct tax revenues that accrue to the City's General Fund. Regionally, Bay Area Economics estimated $43.4 million in direct impacts and $66.9 million in total impacts, and approximately 470 jobs in the Bay Area.

America's Cup

On December 31, 2010, the City was selected to host two America's Cup World Series regattas in the summer of 2012 and the 34^{th} America's Cup Challenger Selection Series and Match Finals in the summer of 2013. To accommodate the events, the Port invested in a series of Waterfront improvements along the central and northeast waterfront, primarily on Piers 27-29 for the America's Cup Village and at Piers 30-32 for team bases. Prior to the events, the City completed the Brannan Street Wharf project, the core and shell of the Pier 27 James R. Herman Cruise Terminal building, a portion of Jefferson Street, the Marina Green Bicycle Trail and the Pier 43 Bay Link Trail and made significant investments in deferred maintenance needs at Piers 30-32, Pier 23 and several of the aprons and marginal wharves used for the Events. Now that the events have concluded, the City will complete the James R. Herman Cruise Ship Terminal and Northeast Wharf Plaza.

Moscone Convention Center

The Moscone Center Expansion Project would add up to 350,000 square feet to the portion of the existing Moscone Center located on Howard Street between 3rd and 4th Streets in the Yerba Buena Gardens neighborhood of San Francisco. Nearly 140,000 square feet of this additional space would be created by excavating and expanding the existing below-grade exhibition halls that connect the Moscone North and South buildings under Howard Street, with the remaining consisting of new and repurposed lobby area, new multi-purpose/meeting room area, and new and repurposed building support area.

In addition to adding new rentable square footage, the project architects seek to create an iconic sense of arrival that enhances Moscone's civic presence on Howard Street and reconnects it to the surrounding neighborhood through the creation of reintroduced lost mid-block passageways. As such, the project proposes a new mid-block pedestrian entrance, or 'paseo' from Third St and a new, enclosed pedestrian bridge~~s~~ connecting the upper levels of the new Moscone North and Moscone South. This would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion while maintaining from the successful activity in Yerba Buena Gardens and the children's cultural facilities.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City could lose up to $2 billion in foregone revenue over the next decade if Moscone was not expanded. The project allows the City to recover approximately $734 million of this future revenue and create 3,480 local jobs through a phased construction schedule that keeps Moscone in continuous revenue generating operation.

The proposed project is a joint partnership between the City and the hotel industry, acting through the Tourist Improvement District Management Corporation, with the City paying approximately one-third of all expansion costs and the hotel community paying approximately two-thirds. The Board of Supervisors unanimously approved the creation of the Moscone Expansion District and the issuance of $507 million in Certificates of Participation on February 5, 2013. Project sponsors initiated environmental review in March 2013 with the goal of starting construction in late 2014, continuing intermittently around existing convention reservations through 2018.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND EXPENDITURES

Several constitutional and statutory limitations on taxes, revenues and expenditures exist under State law which limits the ability of the City to impose and increase taxes and other revenue sources and to spend such revenues, and which, under certain circumstances, would permit existing revenue sources of the City to be reduced by vote of the City electorate. These constitutional and statutory limitations, and future limitations, if enacted, could potentially have an adverse impact on the City's general finances and its ability to raise revenue, or maintain existing revenue sources, in the future. However, *ad valorem* property taxes required to be levied to pay debt service on general obligation bonds was authorized and approved in accordance with all applicable constitutional limitations. A summary of the currently effective limitations is set forth below.

Article XIII A of the California Constitution

Article XIII A of the California Constitution, known as "Proposition 13," was approved by the California voters in June of 1978. It limits the amount of *ad valorem* tax on real property to 1% of "full cash value," as determined by the county assessor. Article XIII A defines "full cash value" to mean the county assessor's valuation of real property as shown on the 1975-76 tax bill under "full cash value," or thereafter, the appraised value of real property when "purchased, newly constructed or a change in ownership has occurred" (as such terms are used in Article XIII A) after the 1975 assessment. Furthermore, all real property valuation may be increased or decreased to reflect the inflation rate, as shown by the consumer price index or comparable data, in an amount not to exceed 2% per year, or may be reduced in the event of declining property values caused by damage, destruction or other factors. Article XIII A provides that the 1% limitation does not apply to *ad valorem* taxes to pay interest or redemption charges on 1) indebtedness approved by the voters prior to July 1, 1978, 2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition, or 3) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district voting on the proposition, but only if certain accountability measures are included in the proposition.

The California Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher or lower than 2%, depending on the assessor's measure of the restoration of value of the damaged property. The California courts have upheld the constitutionality of this procedure.

Since its adoption, Article XIII A has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be assessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate persons with disabilities and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIII A.

Article XIII B of the California Constitution

Article XIII B was enacted by California voters as an initiative constitutional amendment in November 1979. Article XIII B limits the annual appropriations from the proceeds of taxes of the State and any city, county, school district, authority or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population, and services rendered by the governmental entity. However, no limit is imposed on the appropriation of local revenues and taxes to pay debt service on bonds existing or authorized by January 1, 1979, or subsequently authorized by the voters. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax or fee schedules over the next two years.

Articles XIII C and XIII D of the California Constitution

Proposition 218, an initiative constitutional amendment, approved by the voters of the State in 1996, added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments, including charter cities such as the City, to levy and collect both existing and future taxes, assessments, fees and charges. Proposition 218 does not affect the levy and collection of taxes for voter-approved debt. However, Proposition 218 affects the City's finances in other ways. Article XIII C requires that all new local taxes be submitted to the electorate for approval before such taxes become effective. Taxes for general governmental purposes of the City require a majority vote and taxes for specific purposes require a two-thirds vote. Under Proposition 218, the City can only continue to collect taxes that were imposed after January 1, 1995 if voters subsequently approved such taxes by November 6, 1998. All of the City's local taxes subject to such approval have been either reauthorized in accordance with Proposition 218 or discontinued. The voter approval requirements of Article XIII C reduce the City's flexibility to manage fiscal problems through new, extended or increased taxes. No assurance can be given that the City will be able to raise taxes in the future to meet increased expenditure requirements.

In addition, Article XIII C addresses the initiative power in matters of local taxes, assessments, fees and charges. Pursuant to Article XIII C, the voters of the City could, by initiative, repeal, reduce or limit any existing or future local tax, assessment, fee or charge, subject to certain limitations imposed by the courts and additional limitations with respect to taxes levied to repay bonds. The City raises a substantial portion of its revenues from various local taxes which are not levied to repay bonded indebtedness and which could be reduced by initiative under Article XIII C. No assurance can be given that the voters of the City will disapprove initiatives that repeal, reduce or prohibit the imposition or increase of local taxes, assessments, fees or charges. See "OTHER CITY TAX REVENUES" herein, for a discussion of other City taxes that could be affected by Proposition 218.

With respect to the City's general obligation bonds (City bonds secured by *ad valorem* property taxes), the State Constitution and the laws of the State impose a duty on the Board of Supervisors to levy a property tax sufficient to pay debt service coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of the City's general obligation bonds or to otherwise interfere with performance of the duty of the City with respect to such taxes which are pledged as security for payment of those bonds.

Article XIII D contains several provisions making it generally more difficult for local agencies, such as the City, to levy and maintain "assessments" (as defined in Article XIII D) for local services and programs. The City has created a number of special assessment districts both for neighborhood business improvement purposes and community benefit purposes, and has caused limited obligation bonds to be issued in 1996 to finance construction of a new public right of way. The City cannot predict the future impact of Proposition 218 on the finances of the City, and no assurance can be given that Proposition 218 will not have a material adverse impact on the City's revenues.

Statutory Limitations

On November 4, 1986, California voters adopted Proposition 62, an initiative statute that, among other things, requires (i) that any new or increased general purpose tax be approved by a two-thirds vote of the local governmental entity's legislative body and by a majority vote of the voters, and (ii) that any new or increased special purpose tax be approved by a two-thirds vote of the voters.

In *Santa Clara County Local Transportation Authority v. Guardino,* 11 Cal. 4th 220 (1995) (the *"Santa Clara* decision"), the California Supreme Court upheld a Court of Appeal decision invalidating a one-half cent countywide sales tax for transportation purposes levied by a local transportation authority. The California Supreme Court based its decision on the failure of the authority to obtain a two-thirds vote for the levy of a "special tax" as required by Proposition 62. The *Santa Clara* decision did not address the question of whether it should be applied retroactively. In *McBrearty v. City of Brawley,* 59 Cal. App. 4th 1441 (1997), the Court of Appeal, Fourth District, concluded that the *Santa Clara* decision is to be applied retroactively to require voter approval of taxes enacted after the adoption of Proposition 62 but before the *Santa Clara* decision.

The *Santa Clara* decision also did not decide, and the California Supreme Court has not otherwise decided, whether Proposition 62 applies to charter cities. The City is a charter city. Cases decided by the California Courts of Appeal have held that the voter approval requirements of Proposition 62 do not apply to certain taxes imposed by charter cities. See *Fielder v. City of Los Angeles,* 14 Cal. App. 4th 137 (1993) and *Fisher v. County of Alameda*, 20 Cal. App. 4th 120 (1993).

Proposition 62, as an initiative statute, does not have the same level of authority as a constitutional initiative, but is analogous to legislation adopted by the State Legislature, except that it may be amended only by a vote of the State's electorate. Since it is a statute, it is subordinate to the authority of charter cities to impose taxes derived from the State Constitution. Proposition 218 (discussed above), however, incorporates the voter approval requirements initially imposed by Proposition 62 into the State Constitution.

Even if a court were to conclude that Proposition 62 applies to charter cities, the City's exposure under Proposition 62 may not be significant. The effective date of Proposition 62 was November 1986. Proposition 62 contains provisions that apply to taxes imposed on or after August 1, 1985. Since August 1, 1985, the City has collected taxes on businesses, hotel occupancy, utility use, parking, property transfer, stadium admissions and vehicle rentals. See "OTHER CITY TAX REVENUES" herein. Only the hotel and stadium admissions taxes have been increased since that date. The increases in these taxes were ratified by the voters on November 3, 1998 pursuant to the requirements of Proposition 218. With the exception of the vehicle rental tax, the City continues to collect all of the taxes listed above. Since these remaining taxes were adopted prior to August 1, 1985, and have not been increased, these taxes would not be subject to Proposition 62 even if Proposition 62 applied to a charter city.

Proposition 1A

Proposition 1A, a constitutional amendment proposed by the State Legislature and approved by the voters in November 2004, provides that the State may not reduce any local sales tax rate, limit existing local government authority to levy a sales tax rate, or change the allocation of local sales tax revenues, subject to certain exceptions. As set forth under the laws in effect as of November 3, 2004, Proposition 1A generally prohibits the State from shifting any share of property tax revenues allocated to local governments for any fiscal year to schools or community colleges. Any change in the allocation of property tax revenues among local governments within a county must be approved by two-thirds of both houses of the Legislature. Proposition 1A provides, however, that beginning in fiscal year 2008-09, the State may shift to schools and community colleges up to 8% of local government property tax revenues, which amount must be repaid, with interest, within three years, if the Governor proclaims that the shift is needed due to a severe state financial hardship, the shift is approved by two-thirds of both houses and certain other conditions are met. The State may also approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county.

Proposition 1A also provides that if the State reduces the annual vehicle license fee rate below 0.65% of vehicle value, the State must provide local governments with equal replacement revenues. Further, Proposition 1A requires the State to suspend State mandates affecting cities, counties and special districts, excepting mandates relating to employee rights, schools or community colleges, in any year that the State does not fully reimburse local governments for their costs to comply with such mandates.

Proposition 1A may result in increased and more stable City revenues. The magnitude of such increase and stability is unknown and would depend on future actions by the State. However, Proposition 1A could also result in decreased resources being available for State programs. This reduction, in turn, could affect actions taken by the State to resolve budget difficulties. Such actions could include increasing State taxes, decreasing aid to cities and spending on other State programs, or other actions, some of which could be adverse to the City.

Proposition 22

Proposition 22 ("Proposition 22") which was approved by California voters in November 2010, prohibits the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services and prohibits fuel tax revenues from being loaned for cash-flow or budget balancing purposes to the State General Fund or any other State fund. In addition, Proposition 22 generally eliminates the State's authority to temporarily shift property taxes from cities, counties, and special districts to schools, temporarily increase a school and community college district's share of property tax revenues, prohibits the State from borrowing or redirecting redevelopment property tax revenues or requiring increased pass-through payments thereof, and prohibits the State from reallocating vehicle license fee revenues to pay for State-imposed mandates. In addition, Proposition 22 requires a two-thirds vote of each house of the State

Legislature and a public hearing process to be conducted in order to change the amount of fuel excise tax revenues shared with cities and counties. Proposition 22 prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies (but see "San Francisco Redevelopment Agency Dissolution" above). While Proposition 22 will not change overall State and local government costs or revenues by the express terms thereof, it will cause the State to adopt alternative actions to address its fiscal and policy objectives.

Due to the prohibition with respect to the State's ability to take, reallocate, and borrow money raised by local governments for local purposes, Proposition 22 supersedes certain provisions of Proposition 1A (2004). However, borrowings and reallocations from local governments during 2009 are not subject to Proposition 22 prohibitions. In addition, Proposition 22 supersedes Proposition 1A of 2006. Accordingly, the State is prohibited from borrowing sales taxes or excise taxes on motor vehicle fuels or changing the allocations of those taxes among local governments except pursuant to specified procedures involving public notices and hearings.

Proposition 26

On November 2, 2010, the voters approved Proposition 26 ("Proposition 26"), revising certain provisions of Articles XIIIA and XIIIC of the California Constitution. Proposition 26 re-categorizes many State and local fees as taxes, requires local governments to obtain two-thirds voter approval for taxes levied by local governments, and requires the State to obtain the approval of two-thirds of both houses of the State Legislature to approve State laws that increase taxes. Furthermore, pursuant to Proposition 26, any increase in a fee beyond the amount needed to provide the specific service or benefit is deemed to be a tax and the approval thereof will require a two-thirds vote. In addition, for State-imposed charges, any tax or fee adopted after January 1, 2010 with a majority vote which would have required a two-thirds vote if Proposition 26 were effective at the time of such adoption is repealed as of November 2011 absent the re-adoption by the requisite two-thirds vote.

Proposition 26 amends Article XIII C of the State Constitution to state that a "tax" means a levy, charge or exaction of any kind imposed by a local government, except (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property or the purchase rental or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law, including late payment fees, fees imposed under administrative citation ordinances, parking violations, etc.; (6) a charge imposed as a condition of property development; or (7) assessments and property related fees imposed in accordance with the provisions of Proposition 218. Fees, charges and payments that are made pursuant to a voluntary contract that are not "imposed by a local government" are not considered taxes and are not covered by Proposition 26.

Proposition 26 applies to any levy, charge or exaction imposed, increased, or extended by local government on or after November 3, 2010. Accordingly, fees adopted prior to that date are not subject to the measure until they are increased or extended or if it is determined that an exemption applies.

If the local government specifies how the funds from a proposed local tax are to be used, the approval will be subject to a two-thirds voter requirement. If the local government does not specify how the funds from a proposed local tax are to be used, the approval will be subject to a fifty percent voter requirement. Proposed local government fees that are not subject to Proposition 26 are subject to the approval of a majority of the governing body. In general, proposed property charges will be subject to a majority vote of approval by the governing body although certain proposed property charges will also require approval by a majority of property owners.

Future Initiatives and Changes in Law

The laws and Constitutional provisions described above were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiative measures could be adopted, further affecting revenues of the City or the City's ability to expend revenues. The nature and impact of these measures cannot be anticipated by the City.

On April 25, 2013, the California Supreme Court in *McWilliams v. City of Long Beach* (April 25, 2013, No. S202037), held that the claims provisions of the Government Claims Act (Government Code Section 900 *et. seq.*) govern local tax and fee refund actions (absent another State statue governing the issue), and that local ordinances were without effect. The effect of the McWilliams case is that local governments could face class actions over disputes involving taxes and fees. Such cases could expose local governments to significant refund claims in the future. The City cannot predict whether any such class claims will be filed against it in the future, the outcome of any such claim or its impact on the City.

LITIGATION AND RISK MANAGEMENT

Pending Litigation

There are a number of lawsuits and claims routinely pending against the City, including those summarized in Note 16 to the City's CAFR as of June 30, 2013, attached as Appendix B to this Official Statement. Included among these are a number of actions which if successful would be payable from the City's General Fund. In the opinion of the City Attorney, such suits and claims presently pending will not impair the ability of the City to make debt service payments or otherwise meet its General Fund lease or debt obligations, nor materially impair the City's ability to fund current operations.

Risk Retention Program

Citywide risk management is coordinated by the Office of Risk Management Division within the City's General Services Agency, which is under the supervision of the City Administrator. With certain exceptions, it is the general policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed but rather to first evaluate self-insurance for such risks. The City's policy in this regard is based on its analysis that it is more economical to manage its risks internally and administer, adjust, settle, defend, and pay claims from budgeted resources (i.e., "self-insurance"). The City obtains commercial insurance in certain circumstances, including when required by bond or lease financing covenants and for other limited purposes. The City actuarially determines liability and workers' compensation risk exposures as permitted under State law. The City does not maintain commercial earthquake coverage, with certain minor exceptions.

The City's property risk management approach varies depending on various factors including whether the facility is currently under construction or if the property is owned by a self-supporting enterprise fund department. For new construction projects, the City has utilized traditional insurance, owner-controlled insurance programs or contractor-controlled insurance programs. Under the latter two approaches, the insurance program provides coverage for the entire construction project. When a traditional insurance program is used, the City requires each contractor to provide its own insurance, while ensuring that the full scope of work be covered with satisfactory levels to limit the City's risk exposure. The majority of the City's commercial insurance coverage is purchased for enterprise fund departments and other similar revenue-generating departments (the Airport, MTA, the SF Public Utilities Commission, the Port and Convention Facilities, etc.). The remainder of the commercial insurance coverage is for General Fund departments that are required to provide coverage for bond-financed facilities, coverage for collections at City-owned museums and to meet statutory requirements for bonding of various public officials, and other limited purposes where required by contract or other agreement.

Through coordination with the City Controller and the City Attorney's Office, the City's general liability risk exposure is actuarially determined and is addressed through appropriations in the City's budget and also reflected in the CAFR. The appropriations are sized based on actuarially determined anticipated claim payments and the projected timing of disbursement.

The City actuarially estimates future workers' compensation costs to the City according to a formula based on the following: (i) the dollar amount of claims; (ii) yearly projections of payments based on historical experience; and (iii) the size of the department's payroll. The administration of workers' compensation claims and payouts are handled by the Workers' Compensation Division of the City's Department of Human Resources. The Workers' Compensation Division determines and allocates workers' compensation costs to departments based upon actual payments and costs associated with a department's injured workers' claims. Statewide workers' compensation reforms have resulted in City budgetary savings in recent years. The City continues to develop and implement programs to lower or mitigate workers' compensation costs. These programs focus on accident prevention, transitional return to work for injured workers, improved efficiencies in claims handling and maximum utilization of medical cost containment strategies.

The City's estimated liability and workers' compensation risk exposures are summarized in Note 16 to the City's CAFR, attached to this Official Statement as Appendix B.

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APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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CITY AND COUNTY OF SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2013

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2013

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2013

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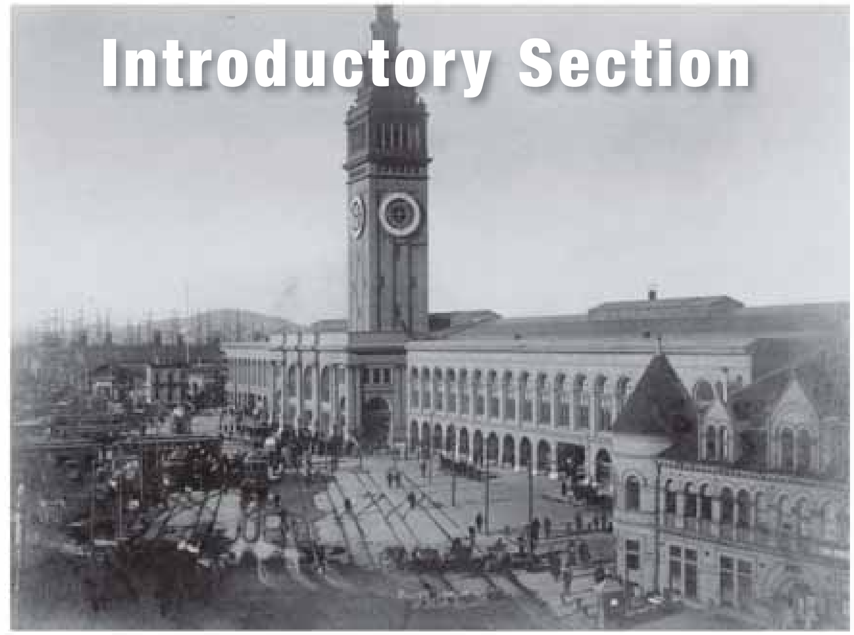

The Ferry Building with the turreted Post Office building that opened in 1901.

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

November 27, 2013

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

Ladies and Gentlemen:

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

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

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

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

KEY FINANCIAL REPORT SECTIONS:

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

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

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

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

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

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

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

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

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

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

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

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

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

San Francisco's Budgetary Process

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

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

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

Internal and Budgetary Controls

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

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

Cash Management

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

Risk Management

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

Pension and Retiree Health Trust Fund Operations

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

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

General Fund Financial Position Highlights

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

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

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

Key Government Initiatives

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

Improving the City's Public Transportation Systems

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

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

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

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

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

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

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

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

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

Expanding Access to Healthcare

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

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

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

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

Modernizing the City's Parks and Libraries

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

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

Delivering Public and Private Waterfront Improvements

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

Planning for the City's Growth

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

Other Long-Term Challenges Remain

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

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

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

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

OTHER INFORMATION:

Independent Audit

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

Award for Financial Reporting

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

Acknowledgements

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

Respectfully submitted,

Ben Rosenfield
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

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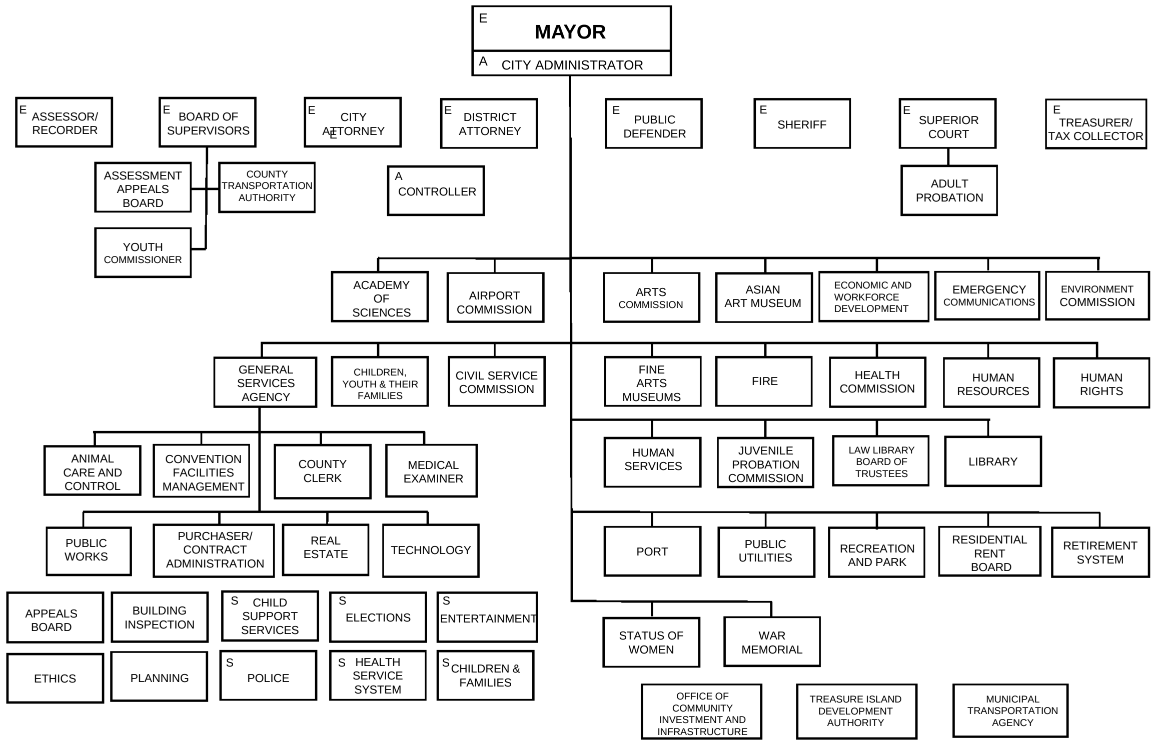
City and County of San Francisco Organization Chart

(As of June 30, 2013)



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

CITY AND COUNTY OF SAN FRANCISCO
List of Principal Officials
As of June 30, 2013

ELECTED OFFICIALS

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

APPOINTED OFFICIALS

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

DEPARTMENT DIRECTORS/ADMINISTRATORS

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

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2013

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

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

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Mirian Saez

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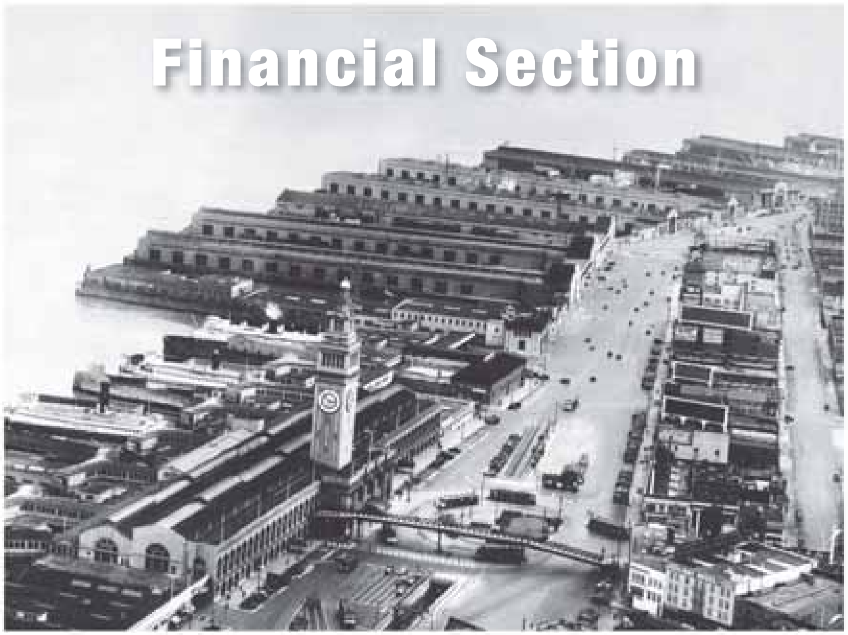
Financial Section



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

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

MGO Certified Public Accountants.

Walnut Creek
2121 N. California Blvd., Suite 750
Walnut Creek, CA 94596
925.274.0190

Sacramento

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City and County of San Francisco (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinion Unit	Assets	Net Position/Fund Balances	Revenues/ Additions
Business-type activities	91.4%	87.7%	73.1%
Aggregate remaining fund information	0.9%	0.5%	9.9%

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information
The financial statements include partial and summarized prior-year comparative information. Such information does not include all of the information required or sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2012, from which such partial and summarized information was derived.

We have previously audited the City's 2012 financial statements, and we expressed, based on our audit and the reports of other auditors, unmodified audit opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information in our report dated January 8, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 27, 2013

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

FINANCIAL HIGHLIGHTS

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

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

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

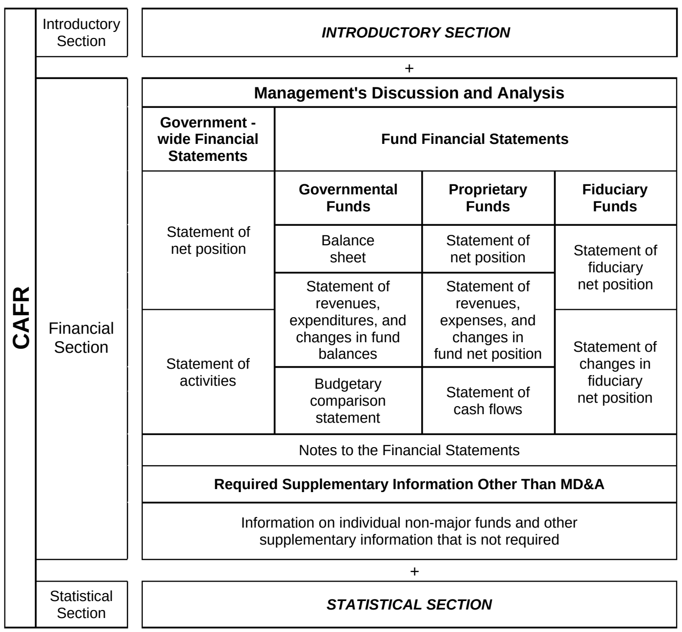
The City's total long-term debt, including all bonds, loans, commercial paper and capital leases increased by $649.9 million during this fiscal year. The City issued a total of $1.27 billion in debt this year. Of this amount, a total of $521.9 million in general obligation bonds were issued for improvements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

During fiscal year 2012-13, the City returned $176.6 million of current assets, $29.0 million of capital assets and $3.9 million of current liabilities, to the Successor Agency, which had been transferred to the City in the prior year. The return of assets and related liabilities was pursuant to State and City law and additional State Department of Finance (DOF) guidance clarifying that ongoing enforceable housing obligations and related assets and liabilities were supposed to be retained by the Successor Agency upon dissolution. Such transfers made prior to the DOF issuing a Finding of Completion on May 29, 2013 are treated as extraordinary items. Therefore, an extraordinary loss of $201.7 million was recorded in the statement of activities. A corresponding extraordinary gain of $190.1 million, representing the amount transferred by the City less $11.6 million in distributions to taxing entities, was recorded in the statement of changes in fiduciary net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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



CITY AND COUNTY OF SAN FRANCISCO

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

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

	Government - wide Statements	Fund Financial Statements		
		Governmental	**Proprietary**	**Fiduciary**
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as employee benefits
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus; except agency funds do not have measurement focus
Type of asset and liability information	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows of resources, and liabilities, both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

The City, for the first time, adopted a rolling two year budget in July 2012, which appropriated budget for its General Fund for fiscal year 2012-13. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), Municipal Transportation Agency (MTA), San Francisco General Hospital Medical Center (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

Combining Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position
(in thousands)

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

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

Analysis of Net Position

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

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

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

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

Changes in Net Position
(in thousands)

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

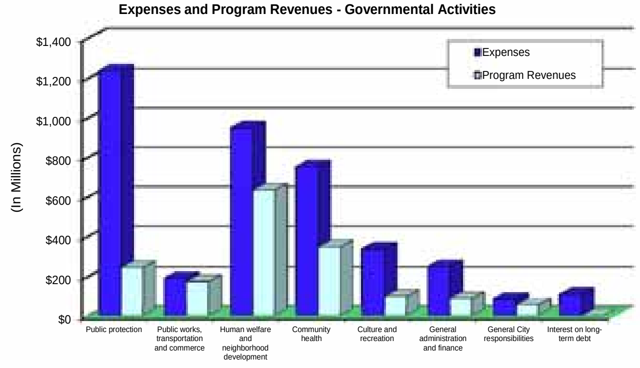
Analysis of Changes in Net Position

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

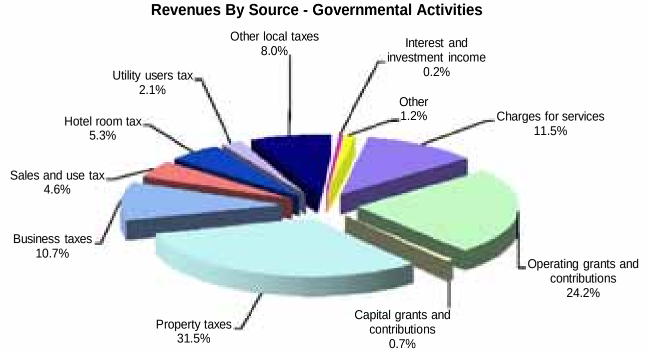
The City's governmental activities experienced a $213.4 million or 5.0 percent growth in total revenues reflecting increases in nearly all of the general city revenues. This included $87.5 million in operating grants and contributions, $59.2 million in property taxes, $82.5 million in charges for services,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

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

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



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

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

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

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

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

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

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

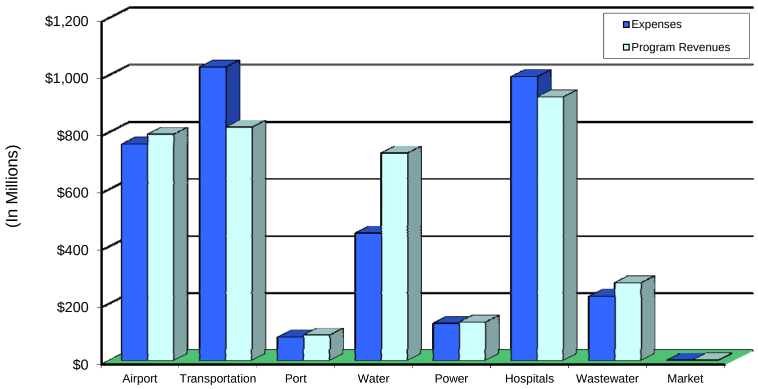
Net transfers from the governmental activities to business-type activities were $483.0 million, a 92.4 percent or $231.9 million increase from the prior fiscal year. This was mainly due to increased operating subsidies of $84.7 million from the General Fund to Laguna Honda and $13.9 million to the MTA.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

The moderate increase of total governmental expenses of $166.3 million or 4.4 percent was primarily due to increases in demand for the government's services in almost all functional services by $202.2 million, which was partly offset by the decrease of expenses in public works, transportation and commerce, general city responsibility and unallocated interest on long term debt functions by $35.9 million.

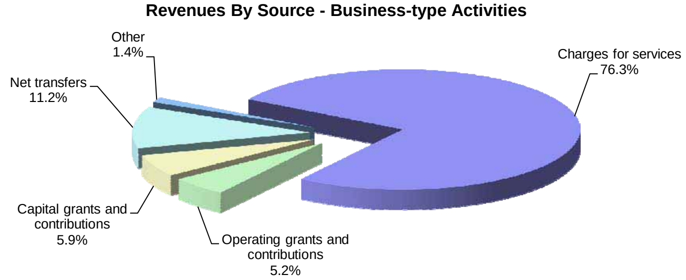
The City recorded an extraordinary loss due to the dissolution of the former Redevelopment Agency of $201.7 million, which consisted of returning $176.6 million of current assets and $29.0 million of capital assets offset by $3.9 million of current liabilities.

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

Expenses and Program Revenues - Business-Type Activities



Revenues By Source - Business-type Activities



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

- The San Francisco International Airport's net position at fiscal year-end was $294.4 million, a $3.8 million or 1.3 percent increase over the prior fiscal year. Total operating revenues of $726.4 million were offset by operating expenses of $561.5 million, resulting in $164.9 million in net operating income for the fiscal year, a $39.3 million or 31.3 percent improvement over the prior fiscal year largely due to a rise in passenger traffic and spending. This was offset by an $18.4 million increase in total operating expenses. At the same time, non-operating activities deficit was $190.6 million, an $84.1 million increase over the prior fiscal year. Non-operating revenues decreased by $92.1 million due largely to a decrease in investment income associated with a fair value adjustment change. Interest expense, increased by $8.0 million, while capital contributions from grants grew by $51.4 million, offset by a $2.5 million increase in transfers to the City.

- The City's Water Enterprise, the third largest municipal water agency in California, ended fiscal year 2012-13 with a net position of $733.0 million, an increase of $374.5 million over the prior year, a 104.5 percent increase. Of this, 94.6 percent or $356.1 million, is water service revenue due to a one-time early repayment of capital cost recovery payments from Wholesale Water Customers through the Bay Area Water Supply and Conservation Agency. Water service revenue also reported an additional $20.2 million due primarily to rate increases of 12.5 and 11.5 percent for retail and wholesale customers, respectively. Operating expenses decreased slightly by $0.8 million, or 0.3 percent. Non-operating revenue categories reported a decrease of $29.7 million due mostly to a decrease in investment income of $33.7 million as a result of an unrealized loss in the fair value of investments as well as lower interest rates. Interest expense increased by $15.4 million The enterprise received $66.4 million in capital contributions from the City due to bond proceeds for improvements to the Auxiliary Water Supply System Earthquake Safety and Emergency Response Project. Transfers to the City were $2.9 million, a decrease of $12.2 million since the last fiscal year as projects related to water conservation were completed in prior years.

- Hetch Hetchy Water and Power's net position at fiscal year-end was $518.5 million, an increase of $5.8 million, or 1.1 percent, since the end of the prior fiscal year. $2.4 million is attributable to Hetch Hetchy Water and $3.4 million to Power, the enterprise's two segments, which share some assets used for both water and power operations. Power's operating revenues increased this fiscal year by $1.7 million, which was offset by a $4.9 million decline in non-operating activities, primarily related to grants and an unrealized investment loss reflecting a decline in fair value, resulting in a year over year decrease in change in net position from $6.3 million to $3.5 million. Hetch Hetchy Water reported a $4.9 million increase to operating revenues and a $2.1 million decline in operating expenses, offset by a $14.0 million decrease in transfers in for this fiscal year. In the prior fiscal year, the fund had received a transfer in from Water Enterprise for certain water storage and transmission facility improvements.

- The Municipal Transportation Agency (MTA) reported a net position of $2.27 billion at the end of this fiscal year, an increase of $171.0 million, or 8.2 percent since the end of last fiscal year. This is attributable to increases of: $144.3 million in operating revenues including passenger fares, parking and transportation fees and fines, and charges for service; $25.3 million in capital contributions; and $22.5 million in transfers from the City. These were offset on the expense side by increases of $67.2 million, or 7.0 percent, in contract, personnel, maintenance, and other expenses. The largest portion of the MTA's net position reflects its net investment in capital assets, which totaled $2.13 billion, an increase of 2.5 percent over the prior year. The MTA's unrestricted net position balance is $125.5 million, which increased significantly by $119.0 million over the prior year's unrestricted net position balance of $6.5 million.

- General Hospital, the City's acute care hospital, ended the fiscal year with a net deficit of $75.9 million compared to a deficit of $90.7 million the prior year, a decrease in the net deficit of $14.8 million or 16.3 percent. Although the Hospital had an overall increase in operating revenues of approximately $127.1 million, primarily attributable to increased net patient service revenue, those revenues were exceeded by an increase in operating expenses of $23.0 million, mostly in personnel expenses. Non-operating activity showed decreases in grant revenues of $5.6 million, and net transfers out of $15.1 million for this year compared to net transfers in of $47.5 million in the prior year. Transfers in and out will vary from year to year based upon the City's budget.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

General Fund Budgetary Highlights

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

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

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

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

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

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2013, increased by $1.32, billion, 8.5 percent, to $16.89 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $358.1 million or 27.2 percent to this total while $960.4 million or 72.8 percent was from business-type activities. Details are shown in the table below.

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

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

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

- MTA's net capital assets increased by $77.0 million or 3.6 percent, compared to the previous year, which was attributed to an increase in construction work for new and existing projects with a corresponding increase in depreciation expense for existing assets. Construction in progress is made up of various transit pedestrian and bike projects. The four projects that have the highest balances on June 30, 2013, are the New Central Subway, rail replacement, Historic Street Car Renovation and the wayside fare collection. The Central Subway Project will link the existing 5.2 mile Phase I T-line, beginning at 4th Street and King Streets, to BART, Muni Metro Market Street, Union Square and Chinatown to the north. Detailed design contracts for the Chinatown, Moscone and Union Square Market Street Stations are now completed; all advanced utility relocation construction and the Tunnel Boring Machine (TBM) Launch Box construction were also completed this year. The first of two TBMs was installed and began tunneling. The final construction contract for all stations, track and systems was awarded and issued a Notice to Proceed. The Federal Transportation Agency (FTA) executed the Full Funding Grant Agreement dedicating a total of $942.2 million in federal Section 5309 funds through project completion; this was followed by an FTA allocation of $85.0 million to the project; the remaining funds will be awarded annually over the next five years. The California Transportation Commission awarded the full amount of $61.3 million in Proposition 1A Connectivity funds grant for the project tunnel construction and $117.0 million in Prop. 1B PTMISEA funds right-of-way, final design and construction.

- Laguna Honda Hospital's net capital assets increased by $9.2 million or 1.7 percent due primarily to construction-in-progress on the remaining projects to rebuild the hospital. In December 2010, Laguna Honda Hospital and Rehabilitation Center occupied its newly constructed modern patient care facility that provides 780 resident beds in three state of the art buildings on Laguna Honda's 62-acre campus. As of June 30, 2013, LHH has entered into various purchase contracts totaling approximately $8.7 million that are related to the old building remodel phase of the Replacement Project.

- General Hospital's net capital assets increased by $8.0 million or 11.1 percent primarily due to the increase in construction-in-progress related to the hospital rebuild project. As of June 30, 2013, General Obligation Bonds, in the amount of $677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

- The Wastewater Enterprise net capital assets reported an increase of $126.7 million or 8.0 percent mainly in construction activities. These include the Mission/Cesar Chavez Improvements, Sunnydale Sewer Improvements, Spot Sewer Repair, Sewer Repair and Replacement, and other capital projects throughout the system. The SFPUC is underway with the initial phase of the Sewer System Improvement Program (SSIP), a multi-year and multi-billion dollar Citywide investment to upgrade the aging sewer system to provide a reliable, sustainable, and seismically safe sewer system. The $6.93 billion program includes three phases over the span of next 20 years: Phase I consists of $2.71 billion in authorized funds for mission-critical repairs, Phase II consists of $3.29 billion in critical grey and green infrastructure improvements, and Phase III consists of $0.93 billion to complete seismic and reliability project upgrades to the system and ensures full implementation of green infrastructure projects. Phase I includes rebuilding of the aging solids processing and energy recovery facilities at the Southeast Treatment Plant, construction of the eight green infrastructure projects, as well as planning, design, and environmental review of improvements for the Central Bayside project. As of June 30, 2013, Phase I expenditures totaled $66.8 million.

- Hetch Hetchy net capital assets increased by $13.5 million or 4.0 percent during the year, resulting from an increase of $21.4 million in construction in progress offset by decreases of $7.4 million in facilities, improvements, machinery and equipment, and $0.5 million in intangible assets, net of depreciation and $1.6 million in capital write-offs.

- The Airport's net capital assets decreased $13.6 million or 0.4 percent primarily due to the disposition of capital assets.

- The Port's net capital assets increased by $114.3 million or 38.8 percent mainly in construction activities that include James R. Herman Cruise Terminal at Pier 27, Pier 15 Substructure Improvements, and the Brannan Street Wharf.

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

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

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

Debt Administration

At the end of fiscal year 2012-13, the City had total long-term and commercial paper debt outstanding of $13.01 billion. Of this amount, $1.89 billion is general obligation bonds secured by ad valorem property taxes without limitation as to rate or amount upon all property subject to taxation by the City and $11.12 billion is revenue bonds, loans, certificates of participation, capital leases, and other debts of the City secured solely by specified revenue sources.

As noted previously, the City's total long-term debt including all bonds, loans, commercial paper notes and capital leases increased by $649.9 million or 5.3 percent during the fiscal year. The net increase in debt obligations in the governmental activities was $444.4 million primarily due to issuance of new debt. For the business-type activities, the net increase in debt obligations was $205.5 million due primarily to the issuance of revenue bonds by the San Francisco Wastewater Enterprise and commercial paper by the Airport for various capital projects.

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

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

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

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

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

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

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

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

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

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy. The following economic factors were considered in the preparation of the City's budget for fiscal years 2013-14 and 2014-15. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, MTA, and the Port, which each have a fixed two-year budget.

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

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

REQUESTS FOR INFORMATION

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

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

Individual Department Financial Statements

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

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
1155 Market Street, 11th Floor
San Francisco, CA 94103

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

Municipal Transportation Agency
SFMTA Finance and Information Technology Services
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103

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

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees' Retirement System
Executive Director
30 Van Ness Avenue, Suite 3000
San Francisco, CA 94102

Successor Agency to the
San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

Blended Component Units Financial Statements

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

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

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Basic Financial Statements

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

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Activities
Year Ended June 30, 2013
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO
Balance Sheet
Governmental Funds
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

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

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

City and County of San Francisco
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2013

(In Thousands)

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

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

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

Year Ended June 30, 2013

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

(In Thousands)

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

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

City and County of San Francisco
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Year Ended June 30, 2013
(In Thousands)

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

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

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

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

(Continued)

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

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

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

(Continued)

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

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Net Position - Proprietary Funds (Continued)
June 30, 2013
(with comparative financial information as of June 30, 2012)
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds

Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

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

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

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CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

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

(Continued)

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2013
(with comparative total financial information for the year ended June 30, 2012)
(In Thousands)

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

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2013
(In Thousands)

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

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

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

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

San Francisco Parking Authority (The Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA administrative offices at 1 South Van Ness Avenue, 7th Floor, San Francisco, CA 94102.

Discretely Presented Component Unit

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

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

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

Fiduciary Component Unit

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

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

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

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

Non-Disclosed Organizations

There are other governmental agencies that provide services within the City. These entities have independent governing boards and the City is not financially accountable for them. The City's basic financial statements, except for certain cash held by the City as an agent, do not reflect operations of the San Francisco Airport Improvement Corporation, San Francisco Health Authority, San Francisco

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

(2) Summary of Significant Accounting Policies

(a) Government-wide and fund financial statements

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

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

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

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

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

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

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

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

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

The City reports the following major governmental fund:

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

(c) Budgetary Data

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

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

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

Original Budget

(1) Departments and Commissions conduct hearings to obtain public comment on their proposed annual budgets beginning in December and submit their budget proposals to the Controller's Office no later than February 21.

(2) The Controller's Office consolidates the budget estimates and transmits them to the Mayor's Office no later than the first working day of March. Staff of the Mayor's Office analyze, review and refine the budget estimates before transmitting the Mayor's Proposed Budget to the Board of Supervisors.

(3) By the first working day of May, the Mayor submits the Proposed Budget for selected departments to the Board of Supervisors. The selected departments are determined by the Controller in consultation with the Board President and the Mayor's Budget Director. Criteria for selecting the departments include (1) that they are not supported by the City's General Fund or (2) that they do not rely on the State's budget submission in May for their revenue sources.

(4) By the first working day of June, the Mayor submits the complete Proposed Budget to the Board of Supervisors along with a draft of the Annual Appropriation Ordinance prepared by the Controller's Office.

(5) Within five working days of the Mayor's proposed budget transmission to the Board of Supervisors, the Controller reviews the estimated revenues and assumptions in the Mayor's Proposed Budget and provides an opinion as to their accuracy and reasonableness. The Controller also may make a recommendation regarding prudent reserves given the Mayor's proposed resources and expenditures.

(6) The designated Committee (usually the Budget Committee) of the Board of Supervisors conducts hearings, hears public comment, and reviews the Mayor's Proposed Budget. The Committee recommends an interim budget reflecting the Mayor's budget transmittal and, by June 30, the Board of Supervisors passes an interim appropriation and salary ordinances.

(7) Not later than the last working day of July, the Board of Supervisors adopts the budget through passage of the Annual Appropriation Ordinance, the legal authority for enactment of the budget.

Final Budget

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

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

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

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

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

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

(d) Deposits and Investments

Investment in the Treasurer's Pool

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

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

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

Investment Valuation

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

Investment Income

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

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

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

(e) Loans Receivable

The Mayor's Office of Housing (MOH) and the Mayor's Office of Community Development (MOCD) administer several housing and small business subsidy programs and issue loans to qualified applicants. In addition, the Department of Building Inspection manages other receivables from organizations. Management has determined through policy that many of these loans may be forgiven or renegotiated and extended long into the future if certain terms and conditions of the loans are met. At June 30, 2013, it was determined that $945.0 million of the $1,015.3 million loan portfolio is not expected to be ultimately collected.

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

(f) Inventories

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

(g) Property Held for Resale

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

(h) Capital Assets

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

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

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

(i) Accrued Vacation and Sick Leave Pay

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

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

(Dollars in Thousands)

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

In the government-wide financial statements, the proprietary fund type and fiduciary fund type financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, proprietary fund or fiduciary fund statement of net position. San Francisco International Airport's bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. The remaining bond premiums, discounts, and issuance costs are calculated using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

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

(k) Fund Equity

Governmental Fund Balance

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

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

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

Fund balances for all the major and nonmajor governmental funds as of June 30, 2013, were distributed as follows:

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

General Fund Stabilization and Other Reserves

Rainy Day Reserve – The City maintains a "Rainy Day" or economic stabilization reserve under Charter Section 9.113.5. In any year when the City projects that total General Fund revenues for the upcoming budget year are going to be more than 5 percent higher than the General Fund revenues for the current year, the City automatically deposits one-half of the "excess revenues," in the Rainy Day Reserve. The total amount of money in the Rainy Day Reserve may not exceed 10 percent of the City's actual total General Fund revenues. The City may spend money from the Rainy Day Reserve for any lawful governmental purpose, but only in years when the City projects that total General Fund revenues for the upcoming year will be less than the current year's total General Fund revenues, i.e., years when the City expects to take in less money than it had taken in for the current year. In those years, the City may spend up to half the money in the Rainy Day Reserve, but no more than is necessary to bring the City's total available General Fund revenues up to the level of the current year. The City may also spend up to 25 percent of the balance of the Rainy Day Reserve to help the San Francisco Unified School District in years when certain conditions are met. The City does not expect to routinely spend money from the Rainy Day Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

Budget Stabilization Reserve – The City sets aside as an additional reserve 75 percent of (1) real estate transfer taxes in excess of the average collected over the previous five years, (2) proceeds from the sale of land and capital assets, and (3) ending unassigned General Fund balances. The City will be able to spend those funds in years in which revenues decline or grow by less than two percent, after using the amount legally available from the Rainy Day Reserve. The City, by a resolution of the Board of Supervisors adopted by a two-thirds' vote, may temporarily suspend these provisions following a natural disaster that has caused the Mayor or the Governor to declare an emergency, or for any other purpose. The City does not expect to routinely spend money from the Budget Stabilization Reserve after evaluating its recent General Fund revenues trends and its Five-Year Financial Plan covering fiscal years 2013-14 through 2017-18.

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

Encumbrances

The City establishes encumbrances to record the amount of purchase orders, contracts, and other obligations, which have not yet been fulfilled, cancelled, or discharged. Encumbrances outstanding at year-end are recorded as part of restricted or assigned fund balance. At June 30, 2013, encumbrances recorded in the General Fund and nonmajor governmental funds were $74.8 million and $368.6 million, respectively.

Restricted Net Position

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

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

- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At

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

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

The City issued general obligation bonds and certificates of participation for the purpose of rebuilding and improving Laguna Honda Hospital. General obligation bonds were also issued for the purpose of reconstructing and improving waterfront parks and facilities on Port property and for the retrofit and improvement work to ensure a reliable water supply (managed by the Water Enterprise) in an emergency or disaster and for certain street improvements managed by the MTA. These capital assets are reported in the City's business-type activities. However, the debt service will be paid with governmental revenues and as such these general obligation bonds and certificates of participation are reported with unrestricted net position in the City's governmental activities. In accordance with GASB guidance, the City reclassified $373.5 million of unrestricted net position of governmental activities, of which $275.1 million reduced net investment in capital assets and $98.4 million reduced net position restricted for capital projects to reflect the total column of the primary government as a whole perspective.

Deficit Net Position/Fund Balances

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

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

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

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

Prior to February 1, 2012, the California Redevelopment Law provided tax increment financing as a source of revenue to redevelopment agencies to fund redevelopment activities. Once a redevelopment area was adopted, the former Agency could only receive tax increment to the extent that it could show on an annual basis that it has incurred indebtedness that must be repaid with tax increment. Due to the nature of the redevelopment financing, the former Agency liabilities exceeded assets. Therefore, the former Agency historically carried a deficit, which was expected to be reduced as future tax increment revenues were received and used to reduce its outstanding long-term debt. This deficit was transferred to the Successor Agency on February 1, 2012. At June 30, 2013, the Successor Agency has a deficit of $457.0 million, which will be eliminated with future redevelopment property tax revenues distributed from the Redevelopment Property Tax Trust Fund administered by the City's Controller.

(l) Interfund Transfers

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

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

(m) Refunding of Debt

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

(n) Pollution Remediation Obligations

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

(o) Cash Flows

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

(p) Extraordinary Items

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

The components of the extraordinary loss recognized are as follows:

Governmental Funds/Governmental Activities:	
Transfers out of the former Agency's housing noncapital assets:	
Cash and investments	$ (175,957)
Other current assets	(648)
Transfers out of the former Agency's housing related liabilities	3,954
Governmental Fund's extraordinary loss from dissolution of the Redevelopment Agency	(172,651)
Transfers out of the former Agency's housing capital assets	(29,019)
Governmental Activities' extraordinary loss from dissolution of the Redevelopment Agency	$ (201,670)

(q) Estimates

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

(r) Reclassifications

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

(s) Effects of New Pronouncements

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

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

In November 2010, GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and No. 34,* is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. GASB Statement No. 61 improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending – reporting component units as if they were part of the primary government – in certain circumstances. Application of this statement is effective for the City's fiscal year ended June 30, 2013. The implementation of this statement did not have a significant impact on the City for the fiscal year ended June 30, 2013.

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

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

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

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

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

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

Key changes include:

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

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

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

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

(t) Restricted Assets

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

(Dollars in Thousands)

(3) Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

Cost of capital assets	$ 5,272,009
Accumulated depreciation	(1,233,281)
	$ 4,038,728

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

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

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

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

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

Deferred tax, grant and subvention revenues	$ 177,203
Deferred credits and other liabilities	129,298
	$ 306,501

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

Net position before adjustments	$ 8,650
Adjustments for internal balances with the San Francisco Finance Corporation:	
Capital lease receivables from other governmental and enterprise funds	(262,543)
Deferred charges and other assets	3,606
Deferred credits and other liabilities	59,882
	$ (190,405)

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

(Dollars in Thousands)

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

The net change in fund balances for governmental funds, $131,480, differs from the change in net position for governmental activities, $(99,851), reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

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

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

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

$ (11,590)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Certain long-term liabilities reported in the prior year statement of net position were paid during the current period resulting in expenditures in the governmental funds. This is the amount by which the increase in long-term liabilities exceeded expenditures in funds that do not require the use of current financial resources. $ (145,009)

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

$ (129,792)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

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

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

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

Total property rent payments $ 14,560

(Dollars in Thousands)

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

Bond issuance costs	$ 2,913
Amortization of bond issuance costs	(1,158)
Difference	$ 1,755

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

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

Principal payments made	$ 154,542

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

General obligation bonds	$ (521,915)
Certificates of participation	(35,575)
Loans	(5,890)
	(563,380)
	$ (408,838)

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

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

(4) Budgetary Results Reconciled to Results in Accordance with Generally Accepted Accounting Principles

Budgetary Results Reconciliation

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

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

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

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

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

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 23,329	
Rainy Day - One Time Spending Account	3,010	
Committed Fund Balance:		
Budget Stabilization Reserve	121,580	
Recreation and Parks Expenditure Saving Reserve	15,907	
Assigned for Encumbrances	74,815	
Assigned for Appropriation Carryforward	112,327	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	24,819	
Salaries and benefits costs (MOU)	6,338	
Subtotal		$ 382,125
Available for appropriations:		
Assigned for Litigation and Contingences	30,254	
Assigned for General Reserve	21,818	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2013-14	122,689	
Unassigned - Available for future appropriations	117,751	
Subtotal		292,512
Fund Balance, June 30, 2013 - Budget basis		$ 674,637

(Dollars in Thousands)

(5) DEPOSITS AND INVESTMENTS

(a) Cash, Deposits and Investments Presentation

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

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

Custodial Credit Risk – Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code, the City's investment policy and the Retirement System's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits, other than the following provision. The California Government Code requires that a financial institution secure deposits made by state or local governmental units not covered by Federal Deposit Insurance Corporation insurance by pledging government securities as collateral. The market value of pledged securities must equal at least 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i) of the City's deposits. The collateral must be held at the pledging bank's trust department or another bank, acting as the pledging bank's agent, in the City's name. As of June 30, 2013, $0.3 million of the business-type activities bank balances were exposed to custodial credit risk by not being insured or collateralized.

(b) Investment Policies

Treasurer's Pool

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

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

The table below identifies the investment types that are authorized by the City's investment policy dated October 2012. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

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

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

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

Other Funds

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

(Dollars in Thousands)

Employees' Retirement System

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

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

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

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

(c) **Investment Risks**

Interest Rate Risk

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

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

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

Credit Risk

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

Custodial Credit Risk for Investments

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

(Dollars in Thousands)

Concentration of Credit Risk

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

As of June 30, 2013, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

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

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

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

Airport's Forward Purchase and Sale Agreements

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

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

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

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

[+] *The amount invested varies depending on principal and interest deposits on the outstanding bonds.*

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

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

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

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

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

Provider	June 30, 2013
Merrill Lynch Capital Services	$ 4,439
Morgan Stanley Capital Services	727
Total FPSAs	$ 5,166

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

(Dollars in Thousands)

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

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

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

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

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

(d) Treasurer's Pool

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

Statement of Net Position	
Net position held in trust for all pool participants	$ 6,381,644
Equity of internal pool participants	$ 5,956,466
Equity of separately managed account participant	97,202
Equity of external pool participants	327,976
Total equity	$ 6,381,644
Statement of Changes in Net Position	
Net position at July 1, 2012	$ 5,707,347
Net change in investments by pool participants	674,297
Net position at June 30, 2013	$ 6,381,644

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

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

(e) Retirement System Investments

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

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

(Dollars in Thousands)

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk.

Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2013:

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

Credit Risk

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

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

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

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

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

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

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

(Dollars in Thousands)

Foreign Currency Risk

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

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

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

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Derivative Instruments

As of June 30, 2013, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2013:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ (7,411)	$ (7,411)
Other Contracts	(a)	101	101
Options			
Foreign Exchange Contracts	2,837	(261)	(649)
Swaps			
Credit Contracts	2,837	(357)	521
Rights/Warrants			
Equity Contracts	890 shares	1,051	(30)
Total		$ (6,877)	$ (7,468)

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

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

(Dollars in Thousands)

Counterparty Credit Risk

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

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2013, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2013.

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

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

Foreign Currency Risk

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

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

Contingent Features

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

(Dollars in Thousands)

Currency Management Program

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

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

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

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

Securities Lending

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

Investments in Real Estate Holdings

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

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

(6) PROPERTY TAXES

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

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

The Proposition 13 limitations on general property taxes do not limit taxes levied to pay the interest and redemption charges on any indebtedness approved by the voters prior to June 6, 1978 (the date of passage of Proposition 13). Proposition 13 was amended in 1986 to allow property taxes in excess of the 1% tax rate limit to fund general obligation bond debt service when such bonds are approved by two-thirds of the local voters. In 2000, California voters approved Proposition 39, which set the approval threshold at 55% for school facilities-related bonds. These "override" taxes for the City's debt service amounted to approximately $176.9 million for the year ended June 30, 2013.

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

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

(7) CAPITAL ASSETS

Primary Government

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

Governmental Activities:

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

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

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

(Dollars in Thousands)

Business-type Activities:

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

San Francisco International Airport

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

San Francisco Water Enterprise

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

Hetch Hetchy Water and Power

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

Municipal Transportation Agency

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

(Dollars in Thousands)

San Francisco General Hospital Medical Center

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

San Francisco Wastewater Enterprise

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

Port of San Francisco

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

Laguna Honda Hospital

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

(Dollars in Thousands)

Other Fund – San Francisco Market Corporation

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

Total Business-type Activities

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

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

Governmental Activities:	
Public protection	$ 14,240
Public works transportation and commerce	18,466
Human welfare and neighborhood development	496
Community Health	1,055
Culture and recreation	42,263
General administration and finance	22,157
Capital assets held by the City's internal service funds charged to the various functions on a prorated bases	1,547
Total depreciation expense - governmental activities	$ 100,224
Business-type activities:	
Airport	$ 176,522
Water	75,448
Power	15,457
Transportation	122,479
Hospitals	21,493
Wastewater	46,347
Port	16,367
Market	280
Total depreciation expense - business-type activities	$ 474,393

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the MTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of MTA, and pier substructures of the Port, which totaled $2.60 billion as of June 30, 2013. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.7 million as of June 30, 2013. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2013.

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

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

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

(Dollars in Thousands)

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

Changes in Short-Term Obligations

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

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

San Francisco County Transportation Authority

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

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

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

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

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

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

San Francisco International Airport

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

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

San Francisco Water Enterprise

The San Francisco Public Utilities Commission and Board of Supervisors have authorized the issuance of up to $250.0 million in CP pursuant to the voter-approved 2002 Proposition A and $250.0 million in CP pursuant to the voter-approved 2002 Proposition E for a combined total authorization of $500.0 million. As of June 30, 2013, $174.0 million in CP was outstanding under Proposition E. The CP interest rate ranged from 0.16% to 0.24%. With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the next five years, at which time outstanding CP will be refunded with long-term revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

San Francisco Wastewater Enterprise

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

Long-Term Obligations

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

GOVERNMENTAL ACTIVITIES

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

Debt service payments are made from the following sources:

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

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

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

CITY AND COUNTY OF SAN FRANCISCO
Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

BUSINESS-TYPE ACTIVITIES

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

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

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

(Dollars in Thousands)

Debt Compliance

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

Legal Debt Limit and Legal Debt Margin

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

Arbitrage

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

San Francisco Sustainable Financing

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

Assessment District

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

Mortgage Revenue Bonds

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

Changes in Long-Term Obligations

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

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

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

(Dollars in Thousands)

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

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
San Francisco International Airport					
Bonds payable:					
Revenue bonds	$ 4,062,265	$ 84,675	$ (240,545)	$ 3,906,395	$ 418,935
Less deferred amounts:					
For issuance premiums	149,544	4,200	(14,412)	139,332	-
For issuance discounts	(301)	-	7	(294)	-
On refunding	(127,868)	-	19,287	(108,581)	-
Total bonds payable	4,083,640	88,875	(235,663)	3,936,852	418,935
Accrued vacation and sick leave pay	15,629	11,589	(11,619)	15,599	8,167
Accrued workers' compensation	5,075	2,244	(2,086)	5,233	1,121
Estimated claims payable	1,332	307	(77)	1,562	755
Other postemployment benefits obligation	75,824	14,889	-	90,713	-
Long-term obligations	$ 4,181,500	$ 117,904	$ (249,445)	$ 4,049,959	$ 428,978
San Francisco Water Enterprise					
Bonds payable:					
Revenue bonds	$ 4,335,810	$ 24,040	$ (166,300)	$ 4,193,550	$ 20,825
Certificates of participation	119,717	-	(1,971)	117,746	2,035
Less deferred amounts:					-
For issuance premiums	171,495	3,036	(14,822)	159,709	-
On refunding	(16,237)	(856)	(5,653)	(22,746)	-
Total bonds payable	4,610,785	26,220	(188,746)	4,448,259	22,860
Accreted interest payable	4,450	317	-	4,767	-
Accrued vacation and sick leave pay	12,543	7,945	(8,771)	11,717	6,044
Accrued workers' compensation	7,964	3,232	(2,697)	8,499	1,364
Estimated claims payable	9,095	5,812	(4,022)	10,885	2,976
Other postemployment benefits obligation	73,009	20,695	(7,875)	85,829	-
Long-term obligations	$ 4,717,846	$ 64,221	$ (212,111)	$ 4,569,956	$ 33,244
Hetch Hetchy Water and Power					
Bonds payable:					
Clean renewable energy bonds	$ 19,528	$ -	$ (1,009)	$ 18,519	$ 1,308
Certificates of participation	16,298	-	(268)	16,030	277
Less deferred amounts:					-
For issuance premiums	273	-	(49)	224	-
For issuance discounts	(144)	-	14	(130)	-
Total bonds payable	35,955	-	(1,312)	34,643	1,585
Accrued vacation and sick leave pay	3,084	1,709	(1,495)	3,298	1,761
Accrued workers' compensation	2,321	610	(508)	2,423	418
Estimated claims payable	2,671	2,698	(1,932)	3,437	1,152
Other postemployment benefits obligation	14,302	4,796	(1,539)	17,559	-
Long-term obligations	$ 58,333	$ 9,813	$ (6,786)	$ 61,360	$ 4,916

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

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013	Amounts Due Within One Year
Municipal Transportation Agency					
Bonds payable:					
Revenue bonds	$ 37,615	$ 63,795	$ (40,690)	$ 60,720	$ 3,315
Lease revenue bonds	5,075	-	(5,075)	-	-
Less deferred amounts:					
For issuance premiums	661	7,256	(1,230)	6,687	-
On refunding	-	(898)	163	(735)	-
Total bonds payable	43,351	70,153	(46,832)	66,672	3,315
Accrued vacation and sick leave pay	28,279	21,021	(20,146)	29,154	17,207
Accrued workers' compensation	87,839	18,216	(16,853)	89,202	14,366
Estimated claims payable	33,731	9,232	(5,326)	37,637	15,301
Other postemployment benefits obligation	153,369	53,272	(25,984)	180,657	-
Long-term obligations	$ 346,569	$ 171,894	$ (115,141)	$ 403,322	$ 50,189
San Francisco General Hospital Medical Center					
Bonds payable:					
Certificates of participation	$ 22,006	$ -	$ (1,132)	$ 20,874	$ 1,196
Capital leases	2,923	1,776	(1,217)	3,482	1,223
Accrued vacation and sick leave pay	20,895	15,536	(14,771)	21,660	12,027
Accrued workers' compensation	21,995	5,125	(4,693)	22,427	3,433
Other postemployment benefits obligation	142,198	45,480	(16,202)	171,476	-
Long-term obligations	$ 210,017	$ 67,917	$ (38,015)	$ 239,919	$ 17,879
San Francisco Wastewater Enterprise					
Bonds payable:					
Revenue bonds	$ 446,765	$ 524,985	$ (207,200)	$ 764,550	$ 32,805
Certificates of participation	31,655	-	(521)	31,134	538
Less deferred amounts:					
For issuance premiums	19,558	60,203	(19,054)	60,707	-
On refunding	(11,668)	(5,009)	12,580	(4,097)	-
Total bonds payable	486,310	580,179	(214,195)	852,294	33,343
State of California - revolving fund loans	36,898	-	(36,898)	-	-
Accrued vacation and sick leave pay	5,698	3,137	(2,822)	6,013	3,176
Accrued workers' compensation	3,927	2,042	(1,638)	4,331	748
Estimated claims payable	8,538	2,869	(3,029)	8,378	2,768
Other postemployment benefits obligation	26,513	8,508	(2,456)	32,565	-
Long-term obligations	$ 567,884	$ 596,735	$ (261,038)	$ 903,581	$ 40,035

(Dollars in Thousands)

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

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

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

Governmental Activities (1)

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

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

(2) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.065%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.

(3) The interest is before the federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately $43.9 million and $9.0 million, respectively, through the year ending 2030. The payment of subsidy by the IRS from March 1, 2013 to September 30, 2013, was reduced by 8.7% due to federal sequestration. Future interest subsidy may be reduced as well.

(4) Includes approximately $9.4 million in lease payments to the Successor Agency for the Moscone Convention Center through fiscal year 2018.

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

San Francisco International Airport (1)

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

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

(Dollars in Thousands)

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

San Francisco International Airport (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest
2014...........	$ 418,535	$ 186,832
2015..............	216,620	170,646
2016..............	275,875	158,562
2017..............	264,025	147,414
2018..............	173,415	138,174
2019-2023....	1,052,250	544,791
2024-2028....	881,015	287,756
2029-2033....	348,400	122,260
2034-2038....	211,670	55,568
2039-2040....	64,590	4,325
Total..........	$ 3,906,395	$ 1,816,328

San Francisco Water Enterprise (1)

Fiscal Year Ending June 30	Revenue Bonds Principal	Revenue Bonds Interest (2)	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest (2)	Total Principal	Total Interest
2014..............	$ 20,825	$ 215,594	$ 2,035	$ 7,132	$ 22,860	$ 222,726
2015..............	25,850	214,508	2,106	7,060	27,956	221,568
2016..............	33,700	213,068	2,199	6,968	35,899	220,036
2017..............	53,625	210,954	2,313	6,856	55,938	217,810
2018..............	59,715	208,346	2,431	6,737	62,146	215,083
2019-2023....	495,215	982,162	14,163	31,681	509,378	1,013,843
2024-2028....	649,270	840,366	17,761	27,108	667,031	867,474
2029-2033....	817,995	653,798	21,834	20,808	839,829	674,606
2034-2038....	1,001,445	414,806	26,918	12,940	1,028,363	427,746
2039-2043	791,940	162,053	25,986	3,460	817,926	165,513
2044-2048....	169,080	46,415	-	-	169,080	46,415
2049-2051....	74,890	7,965	-	-	74,890	7,965
Total..........	$ 4,193,550	$ 4,170,035	$ 117,746	$ 130,750	$ 4,311,296	$ 4,300,785

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

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

Hetch Hetchy Water and Power (1)

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

Municipal Transportation Agency (1)

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

San Francisco General Hospital (1)

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

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

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

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

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

(Dollars in Thousands)

San Francisco Wastewater Enterprise [1]

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

Port of San Francisco [1]

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

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

(2) Interest before subsidy amounts include the interest for the 2010 Series A and B and 2013 Series A and B bonds. The Federal interest subsidy represents 35% of the interest for the 2010 Series B revenue bonds, which is approximately $74.4 million through the year ending 2043.

(3) The interest is before the Wastewater Enterprise's portion of the Federal interest subsidy for the Certificates of Participation Series 2009 D (Taxable), which amounts to approximately $11.5 million through the year ending 2042.

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

Laguna Honda Hospital [1]

Fiscal Year Ending June 30	Other Long-Term Obligations	
	Principal	Interest
2014...........	$ 5,443	$ 7,411
2015.............	5,641	7,162
2016.............	5,875	6,875
2017.............	6,140	6,611
2018.............	6,440	6,309
2019-2023....	37,145	26,607
2024-2028....	47,400	16,348
2029-2031....	34,585	3,665
Total..........	$ 148,669	$ 80,988

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

Total Business-type Activities

Fiscal Year Ending June 30	Revenue/Lease Revenue Bonds		Other Long-Term Obligations		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014............	$ 222,073	$ 445,663	$ 10,827	$ 18,899	$ 232,900	$ 464,562
2015............	243,906	436,176	11,190	18,476	255,096	454,652
2016............	257,727	425,787	11,238	17,905	268,965	443,692
2017............	261,529	413,967	11,138	17,284	272,667	431,251
2018............	282,746	401,887	11,469	16,688	294,215	418,575
2019-2023...	1,833,859	1,767,546	66,558	74,248	1,900,417	1,841,794
2024-2028...	1,851,209	1,299,888	78,637	54,957	1,929,846	1,354,845
2029-2033...	1,368,715	877,199	65,386	32,818	1,434,101	910,017
2034-2038...	1,371,370	531,582	37,700	18,124	1,409,070	549,706
2039-2043...	1,041,430	186,721	36,395	4,846	1,077,825	191,567
2044-2048...	169,080	46,415	-	-	169,080	46,415
2049-2051...	74,890	7,965	-	-	74,890	7,965
Total........	$ 8,978,534	$6,840,796	$ 340,538	$ 274,245	$ 9,319,072	$7,115,041

(Dollars in Thousands)

Governmental Activities Long-term Liabilities

General Obligation Bonds

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

Governmental Activities - General Obligation Bonds

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

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

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

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

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

Certificates of Participation

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

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

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

Lease Revenue Bonds

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

Governmental Activities - Lease Revenue Bonds

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

Finance Corporation

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

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

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

(a) Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2013, the cumulative amount authorized was $58.5 million, of which $35.2 million remains outstanding.

(Dollars in Thousands)

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

San Francisco Marina West Harbor Loan

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

Business-Type Activities Long-Term Liabilities

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

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)

Pursuant to resolutions approved in fiscal years 2008 and 2012, the Airport has authorized the issuance of up to $1.2 billion of San Francisco International Airport Second Series Revenue Bonds for the purpose of financing the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes issued for capital projects, funding debt service reserves, and for paying costs of issuance.

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

Second Series Revenue Refunding Bonds (Remarketing)

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

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

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

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

Variable Rate Demand Bonds

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

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

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

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

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

(Dollars in Thousands)

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

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

Interest Rate Swaps

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

The fair value of the interest rate swap portfolio is recorded as a liability (since the swaps are out of the money from the perspective of the Airport) in the statement of net position. Unless a swap was determined to be an off-market swap at the inception of its hedging relationship, the fair value of the swap is recorded as a deferred outflows of resources (if out of the money) or inflow of resources (if in the money). The off-market portions of the Airport's swaps are recorded as carrying costs with respect to various refunded bond issues. Unlike fair value and deferred inflows/outflows values, the balance of remaining off-market portions are valued on a present value, or fixed yield, to maturity basis. The difference between the deferred outflows of resources and derivative instruments above is the unamortized off-market portions of the swaps as of June 30, 2013.

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

San Francisco Water Enterprise

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

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

Municipal Transportation Agency

Revenue Bonds Series 2012A and 2012B

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

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

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

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

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

San Francisco Wastewater Enterprise

Wastewater Revenue Bonds 2013 Series A

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

Wastewater Revenue Bonds 2013 Series B

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

(Dollars in Thousands)

(9) Employee Benefit Programs

(a) Retirement Plan

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

Employees' Retirement System

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

Legislative Changes to the Plan – In June 2010, the voters of the City approved a Charter amendment to create new benefit plans for miscellaneous employees and firefighter and police employees who are hired on or after July 1, 2010. The new benefit plan covering miscellaneous employees hired on or after July 1, 2010 provides for a service retirement benefit, which is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 75% of the member's final compensation. The two new benefit plans covering firefighter and police employees hired on or after July 1, 2010 provide for: a) an increase in required employee contributions from 7.5% of covered compensation in the previous safety plans to 9% of covered compensation, and b) a service retirement benefit, which is calculated using the member's final compensation (highest two-year average monthly compensation) multiplied by the member's years of credited service times the member's age factor up to a maximum of 90% of the member's final compensation.

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

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

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

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

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

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2012-13 varied from 7% to 9% as a percentage of gross salary. For fiscal year ended June 30, 2013, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2011 actuarial report, the required employer contribution rate for fiscal year 2012-13 ranges from 17.71% to 20.71%.

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

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

Three-year trend information is as follows:

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

Funded Status and Funding Progress – As of July 1, 2012, the most recent actuarial valuation date, the actuarial value of assets was $16.0 billion; the actuarial accrued liability was $19.4 billion; the total unfunded actuarial accrued liability was $3.4 billion; the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio) was 82.6%; the annual covered payroll was $2.4 billion; and the ratio of the unfunded actuarial liability to annual covered payroll was 140.6%. The actuarial assumptions used were the same as described in the Annual Pension Cost section above except the assumptions for the investment rate of return of 7.58% and projected wage increases of 3.83%. The Retirement System's unfunded actuarial accrued liability from its July 1, 2011 actuarial valuation increased $1.1 billion from a deficit of $2.3 billion to a deficit of $3.4 billion primarily due to investment experience during the year ended June 30, 2009. The actuarial value of assets is "smoothed" in order to mitigate the impact of investment performance volatility on employer contribution rates. Under the 5 years smoothing policy adopted by the Retirement Board, the investment losses from fiscal year 2008-09 will not be fully recognized until the July 1, 2013 actuarial valuation, which determines contribution rates for fiscal year 2014-15. As a result, the City's contribution rate is expected to continue to increase over the next three fiscal years even if the fund achieves its investment return assumptions. The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(Dollars in Thousands)

California Public Employees' Retirement System

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

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

Miscellaneous Plan

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

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

Three-year payment trend information is as follows:

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

Safety Plan

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

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

Three-year trend information is as follows:

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

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

(b) **Deferred Compensation Plan**

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

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

(c) **Health Service System**

The Health Service System was established in 1937. Health care benefits of employees, retired employees and surviving spouses are financed by beneficiaries and by the City through the Health Service System. The employers' contribution, which includes the San Francisco Community College District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $630.1 million in fiscal year 2012-13. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $193.9 million to provide postemployment health care benefits for 25,141 retired participants, of which $155.9 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 200, San Francisco, CA 94103 or by calling (800) 541-2266.

(Dollars in Thousands)

(d) **Postemployment Health Care Benefits**

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

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

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

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

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

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

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

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

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

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

Three-year trend information is as follows:

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

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

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

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

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

The San Francisco Retiree Health Care Trust Fund (RHCTF) was established in December 2010 by the Retiree Health Trust Fund Board of the City and County of San Francisco. The RHCTF was established to receive employer and employee contributions prescribed by the Charter for the purpose of pre-funding certain postretirement health benefits. Proposition B requires employees hired on or after January 10, 2009 to contribute 2% of pay and the employer to contribute 1% of pay. Between January 10, 2009 and the establishment of the RHCTF, contributions were set aside and deposited into the RHCTF when it was established. Proposition C also requires all employees hired on or before January 9, 2009 to contribute 0.25% of pay to the RHCTF commencing July 1, 2016, increasing annually by 0.25% to a maximum of 1.0% of pay. The employer is required to contribute an equal amount. The RHCTF is currently invested in short-term fixed income securities. The RHCTF may not pay benefits from the Trust before January 1, 2020.

(Dollars in Thousands)

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

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

San Francisco County Transportation Authority

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

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

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

Successor Agency

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

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

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

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

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

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

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

Three-year trend information is as follows:

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

* Represents trend information for the former Agency for the fiscal year.
** Represents trend information for the former Agency for the period July 1, 2011 through January 31, 2012.
*** Represents trend information for the Successor Agency for the period February 1, 2012 through June 30, 2012.

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

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

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

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

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

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

(10) San Francisco County Transportation Authority

The San Francisco County Transportation Authority (SFCTA) was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax are set forth in the San Francisco County Transportation Expenditure Plan (the Plan), which was approved as part of Proposition B. The SFCTA was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MTA Metro Network; B) construction of the MTA Central Subway (Third Street Light Rail Project–Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-

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

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

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

Prop AA Program. On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the SFCTA to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis following the category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the SFCTA Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17).The Prop AA program is a pay-as-you-go program. The SFCTA could use up to 5% of the funds for administrative costs.

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

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

Pledged Revenues under the 1991 Master Resolution – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

(Dollars in Thousands)

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

(a) Net revenues (as defined in the bond resolutions) in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make all payments required to be made to the City and

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

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

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

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

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

Construction	$ 35,909
Operating	7,724
Total	$ 43,633

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

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

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

United Airlines	22.2%

(b) **Port of San Francisco**

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

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

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

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

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

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

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2013, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $11.0 million for capital projects and $3.1 million for general operations.

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

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

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

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

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

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

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

remediation prior to any rehabilitation or development for adaptive reuse. The lack of adequate information about environmental conditions has hindered previous development proposals for Pier 70.

The environmental investigation work includes preparation of a feasibility study to evaluate potential remedial action; a remedial action plan, which will establish institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impacts to the environment. Future development will likely cover existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The contractor prepared an earlier report in 2009 describing potential remediation scenarios for Pier 70 site and probability of certain contamination being encountered in soil, soil vapor or groundwater, and various degrees of remediation that would be required. The model calculation estimated that soil, groundwater, and soil vapor remediation and/or management (excluding hazardous building materials such as asbestos or lead-based paint) would cost between $15.0 million and $50.0 million, with a most likely probability-weighted estimated cost of $27.5 million. The investigation work, completed in 2011, reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan.

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

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State. Certain Port facility projects in 2013 included costs for remediation or mitigation work, including $0.6 million for the removal of various transformers at Pier 70 in connection with shoreside power project, over $0.7 million in connection with the insurance-funded Pier 29 fire repair building stabilization work, and $0.2 million in connection with Pier 36 demolition and removal. Before releasing facilities for use under AC34 venue leases, the Port completed approximately $0.2 million of lead abatement work.

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

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

(c) **San Francisco Water Enterprise**

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. The Water Enterprise sold water, approximately 78,500 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

(Dollars in Thousands)

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

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

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

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

During fiscal year 2013, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $174.7 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2013, the City owed the Wholesale Customers $23.5 million or $19.4 million net of receivable under the Water Supply Agreement.

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

***Transactions with Other Funds* –** The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $35.1 million and $8.4 million, respectively, for the year ended June 30, 2013, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $14.2 million for the year ended June 30, 2013 and have been included in services provided by other departments.

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

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

Approximately 73% of the electricity generated by Hetch Hetchy Power is used to provide electric service to the City's municipal customers (including the San Francisco Municipal Transportation Agency, Recreation and Parks Department, the Port of San Francisco, the San Francisco International Airport and its tenants, San Francisco General Hospital, street lights, Moscone Convention Center, and the Water and Wastewater Enterprises). The majority of the remaining 27% balance of electricity is sold to other utility districts, such as the Turlock and Modesto Irrigation Districts (the Districts). As a result of the 1913 Raker Act, energy produced above the City's Municipal Load is sold first to the Districts to cover their pumping and municipal load needs and any remaining energy is either sold to other municipalities and/or government agencies (not for resale) or deposited into an energy bank account under the City's agreement with Pacific Gas and Electric Company (PG&E). Hetch Hetchy consists of a system of reservoirs, hydroelectric power plants, aqueducts, pipelines, and transmission lines.

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

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

Condensed Statements of Net Position

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

(Dollars in Thousands)

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

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

Condensed Statements of Cash Flows

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

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

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

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

Commitments and Contingencies – As of June 30, 2013, Hetch Hetchy Water and Power had outstanding commitments with third parties of $27.0 million for various capital projects and other purchase agreements for materials and services.

Hetch Hetchy Water

To meet certain requirements of the Don Pedro Reservoir operating license, the City entered into an agreement with the Modesto and Turlock Irrigation Districts (the Districts) in which they would be responsible for an increase in water flow releases from the reservoir in exchange for annual payments from the City. Total payments were $4.4 million in fiscal year 2013. The payments are to be made for the duration of the license, but may be terminated with one year's prior written notice after 2001. The City and the Districts have also agreed to monitor the fisheries, in the lower Tuolumne River, for the duration of the license. A maximum monitoring expense of $1.4 million is to be shared between the City and the Districts over the term of the license. The City's share of the monitoring costs is 52% and the Districts are responsible for 48% of the costs.

Hetch Hetchy Power

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

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

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

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

Transactions with Other Funds –The Water Enterprise purchases water from Hetch Hetchy Water and power from Hetch Hetchy Power. Included in the operating revenues are the water assessment fees totaling $35.1 million and purchased electricity for $8.4 million for the year ended June 30, 2013. In addition, the Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $8.4 million for the year ended June 30, 2013.

(Dollars in Thousands)

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

(e) **Municipal Transportation Agency**

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

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

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

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

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

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

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

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

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

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The MTA received cash totaling $136.5 million in fiscal year 2013 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2013, $41.4 million drawdowns were made from the funds for various eligible projects costs.

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

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

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2

In April 2002 and in September 2003, following the approval of the Federal Transit Administration, MTA Board of Directors, and the City's Board of Supervisors, MTA entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, MTA may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, MTA maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

MTA received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. MTA deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. MTA also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of MTA's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that MTA will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the MTA as of June 30, 2013. The terms of the SILO documents require MTA to replace AGM, as successor to FSA, if its ratings are downgraded below “BBB+” by S&P or “Baa1” by Moody’s. AGM’s current ratings of “AA-” from S&P and “A2” from Moody’s satisfy this requirement.

(Dollars in Thousands)

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

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

(f) Laguna Honda Hospital

General Fund Subsidy – The Laguna Honda Hospital (LHH) is a skilled nursing facility, which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City’s General Fund. It is the City’s policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2013, the subsidy for LHH was $84.2 million.

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

Third-Party Payor Agreements – LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital’s established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to

future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2013, LHH’s patient receivables and charges for services were as follows:

Patient Receivables, net

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

Net Patient Service Revenue

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

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

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

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

(g) San Francisco General Hospital Medical Center

General Fund Subsidy – San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City’s General Fund. It is the City’s policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2013, the subsidy for SFGH was $129.1 million.

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

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

(Dollars in Thousands)

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

During the year ended June 30, 2013, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable...........................	$ 223,338	$ 94,445	$ 121,064	$ 438,847
Less:				
Contractual Allowances..............................	(196,902)	(80,533)	(60,320)	(337,755)
Bad Debt...	-	-	(38,286)	(38,286)
Total, Net Accounts Receivable..............	$ 26,436	$ 13,912	$ 22,458	$ 62,806

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Patient Service Revenue.................	$ 791,801	$ 440,369	$ 1,443,096	$ 2,675,266
Less:				
Contractual Allowances......................	(666,347)	(346,850)	(825,056)	(1,838,253)
Bad Debt..	-	-	(108,302)	(108,302)
Total, Net Patient Service Revenue.	$ 125,454	$ 93,519	$ 509,738	$ 728,711

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform. Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program. The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated $233.0 million for the year ended June 30, 2013.

The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes. The Low Income Health Program (LIHP) is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program builds off and expands the previous Health Care Coverage Initiative (HCCI). Revenues recognized under the LIHP approximated $27.5 million for the year ended June 30, 2013. The LIHP covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco

Program section below. In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2013, reimbursement under the Short-Doyle Program amounted to approximately $5.4 million and is included in net patient service revenue.

Deferred Credits and Other Liabilities – As of June 30, 2013, SFGH recorded approximately $83.2 million in deferred credits and other liabilities, which was comprised of $54.9 million in deferred credits related to receipts under Safety Net Care Pool and AB915 programs, and $28.3 million in third-party payor settlements payable.

Charity Care – SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $414.6 million and estimated costs and expenses to provide charity care were $135.0 million in fiscal year 2013.

Other Nonoperating Revenues – The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. For the year ended June 30, 2013, SFGH recognized $48.7 million as other nonoperating revenue for realignment funding.

Contract with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2013, was approximately $ 141.6 million.

SFGH Rebuild – In 1996, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2013. In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients in 2013 and beyond.

In October 2005, the San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in fiscal year 2007. Schematic design of the new building is complete and the project cost is estimated at $887.4 million.

The majority of the funding for the Rebuild will be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2013, General Obligation Bonds, in the amount of $677.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as a governmental activity and transactions are accounted for in the City's governmental capital projects funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

Healthy San Francisco Program – In July 2007, the City's Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Uninsured San Francisco residents between the ages of 18-64 with incomes at or below 500% of the federal poverty level (FPL) are eligible for the HSF. Participants with household income above 100% FPL pay a quarterly fee based on their income.

(Dollars in Thousands)

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH is a new federally-supported health access program that provides affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. On December 31, 2013, all enrolled participants will transition automatically to Medi-Cal or have the opportunity to purchase health insurance through California's health benefit exchange (Covered California). The Department estimates that over 12,000 individuals will transition seamlessly into Medi-Cal effective January 1, 2014. SF PATH will continue to enroll participants through the end of the year, but will close on December 31, 2013. Healthy San Francisco will still be needed for those San Francisco residents who do not qualify for new health insurance options under the Affordable Care Act (ACA) and will continue to enroll eligible participants.

As of June 30, 2013, over 51,161 uninsured adult residents were enrolled in HSF. Combined with the nearly 10,000 participants in SF PATH, both programs provided care to approximately 73% of the estimated 84,000 uninsured adult residents. In addition to increasing access by serving more uninsured adults, the program also expanded access by increasing the number of primary care medical homes that participate in the program. HSF ended fiscal year 2013 with 37 primary care medical homes – a 37% increase from fiscal year 2007-08 (the program's first year).

Commitments and Contingencies – At the end of the fiscal year, SFGH has approximately $4.3 million in commitments for various capital projects.

(h) **San Francisco Wastewater Enterprise**

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

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,308 residential accounts, which discharge about 18.0 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,137 non-residential accounts, which discharge about 8.5 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net power revenues of Wastewater Enterprise and are payable through fiscal year ending 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2013, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 764,550
Principal and interest remaining due at the end of the year	1,339,346
Principal and interest paid during the year	38,750
Net revenues for the year	74,047
Funds available for bond debt service	154,141

Commitments and Contingencies – As of June 30, 2013, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $130.4 million.

Pollution Remediation Obligations – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs. The liability balance remained at $571 as of June 30, 2013.

(i) **San Francisco Market Corporation**

The City of San Francisco Market Corporation (Corporation) is a non-profit corporation organized to acquire, construct, finance, and operate a produce market. The information about this non-profit corporation is presented in the financial statements of the proprietary funds as a non-major fund.

On February 1, 2013, the Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing SFWPM stakeholders separate from the City. The SFWPM constituted the primary activities of the Corporation. It is expected that the Corporation will wind down and dissolve in December 2013 or early 2014.

(12) SUCCESSOR AGENCY TO THE REDEVELOPMENT AGENCY OF THE CITY AND COUNTY OF SAN FRANCISCO

As discussed in Note 1, the financial statements present the Successor Agency and its component units, entities for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan ("LRPMP") to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six month of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and will submit it to DOF prior to the deadline of November 29, 2013.

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2013, a summary of changes in capital assets was as follows:

	Balance July 1, 2012	Additions	Balance June 30, 2013
Capital assets not being depreciated:			
Land held for lease	$ 30,363	$ 29,019 *	$ 59,382
Construction in progress	-	1,291	1,291
Total capital assets not being depreciated	30,363	30,310	60,673
Capital assets being depreciated:			
Furniture and equipment	8,144	-	8,144
Building and improvements	223,474	1,547	225,021
Total capital assets being depreciated	231,618	1,547	233,165
Less accumulated depreciation for:			
Furniture and equipment	(8,028)	(27)	(8,055)
Building and improvements	(78,622)	(5,479)	(84,101)
Total accumulated depreciation	(86,650)	(5,506)	(92,156)
Total capital assets being depreciated, net	144,968	(3,959)	141,009
Total capital assets, net	$ 175,331	$ 26,351	$ 201,682

* Amount represents assets transferred from the City on July 1, 2012 in accordance with DOF guidance regarding the management of former Agency housing assets.

(b) Summary of the Successor Agency's Long-Term Obligations

Entity and Type of Obligation	Final Maturity Date	Remaining Interest Rate	Amount
Lease Revenue Bonds:			
Moscone Convention Center [(a)] …………………………	2015	7.05%	$ 4,347
Hotel tax revenue bonds [(b)] …………………………………	2025	2.00% - 5.00%	41,750
Financing Authority Bonds:			
Tax allocation revenue bonds [(c)] …………………………	2042	2.92% - 9.00%	889,979
South Beach Harbor Variable Rate			
Refunding bonds [(d)] ………………………………………	2017	3.50%	4,500
California Department of Boating and			
Waterways Loan [(e)] ………………………………………	2037	4.50%	7,482
Total long-term bonds and loans ………………………			$ 948,058

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
(b) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
(c) Redevelopment property tax revenues and existing debt service/escrow trust funds.
(d) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2042, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.66 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2013 was $114.0 million as against the total debt service payment of $94.8 million.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately $19.5 million. The lease payments received during the year ended through June 30, 2013 was $12.8 million, which equaled the total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $56.3 million. The hotel tax revenue recognized during the year ended June 30, 2013 was $3.2 million as against the total debt service payment of $3.2 million.

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

	July 1, 2012	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2013
Bonds payable:				
Tax revenue bonds ………………………………	$ 979,896	$ -	$ (43,667)	$ 936,229
Lease revenue bonds ……………………………	7,478	-	(3,131)	4,347
Less deferred amounts:				
For issuance premiums ………………………	7,165	-	(842)	6,323
For issuance discounts ………………………	(5,461)	-	255	(5,206)
On refunding………………………………………	(3,851)	-	463	(3,388)
Total bonds payable …………………………	985,227	-	(46,922)	938,305
Accreted interest payable………………………	52,121	6,042	(11,881)	46,282
Notes, loans, and other payables………………	7,673	-	(191)	7,482
Accrued vacation and sick leave pay…………	988	812	(558)	1,242
Other postemployment benefits obligation………	921	1,306	(1,006)	1,221
Successor Agency - long-term obligations…	$ 1,046,930	$ 8,160	$ (60,558)	$ 994,532

As of June 30, 2013, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows (in thousands):

Fiscal Year Ending	Tax Revenue Bonds		Lease Revenue Bonds		Other Long-Term Obligations		Total	
June 30	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2014…………	$ 45,966	$ 53,704	$ 2,921	$ 9,899	$ 199	$ 337	$ 49,086	$ 63,940
2015…………	51,875	50,484	1,426	5,279	208	328	53,509	56,091
2016…………	53,375	46,583	-	-	218	318	53,593	46,901
2017…………	54,380	43,879	-	-	227	309	54,607	44,188
2018…………	56,750	41,093	-	-	238	298	56,988	41,391
2019-2023…..	208,562	192,389	-	-	1,358	1,321	209,920	193,710
2024-2028…..	126,233	168,163	-	-	1,693	987	127,926	169,150
2029-2033…..	128,093	112,023	-	-	2,110	570	130,203	112,593
2034-2038…..	134,175	67,781	-	-	1,231	100	135,406	67,881
2039-2042…..	76,820	11,019	-	-	-	-	76,820	11,019
Total………	$ 936,229	$ 787,118	$ 4,347	$ 15,178	$ 7,482	$ 4,568	$ 948,058	$ 806,864

Mortgage Revenue Bonds and Other Conduit Debt – In order to facilitate construction and rehabilitation in the City, various community district facility bonds and mortgage revenue bonds with an aggregate outstanding balance of approximately $358 million as of June 30, 2013 have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the accompanying financial statements. Debt service payments will be made by developers or property owners.

Due to/Advances from the Primary Government – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. As of June 30, 2013, the long-term balance due to the City's General Fund was $20.1 million. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. During the year ended June 30, 2013, the City advanced $5.7 million in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of $0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $2.2 million to the City.

The short-term balance of $2.4 million consists of $0.9 million in Jessie Square reimbursement payments due to the City's General Fund and $1.5 million in payments for services provided by the City, of which $1.3 million is due to the General Fund and $0.2 million is due to other nonmajor governmental funds.

The amounts due to the City are offset by $0.3 million due from the City's Low and Moderate Income Housing Asset nonmajor governmental fund to the Successor Agency.

(c) Commitments and Contingencies Related to the Successor Agency

At June 30, 2013, the Successor Agency had outstanding encumbrances totaling approximately $2.8 million.

During the fiscal year ended June 30, 2013, the Successor Agency carried property insurance with a $0.3 million deductible (reduced to $0.05 million beginning July 1, 2013) and workers' compensation insurance through the State Compensation Insurance Fund up to statutorily determined limits. Prior to dissolution in 2012, the Successor Agency obtained liability insurance through membership in the Bay Cities Joint Powers Insurance Authority. During the fiscal year ended June 30, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

The Successor Agency has noncancelable operating leases for its office sites, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

Fiscal Years			Fiscal Years		
2014…………………	$	1,311	2024-2028…………	$	4,351
2015…………………		870	2029-2033…………		4,351
2016…………………		870	2034-2038…………		4,351
2017…………………		870	2039-2043…………		4,351
2018…………………		870	2044-2048…………		4,350
2019-2023…………		4,351	2049-2051…………		1,958
			Total…………………	$	32,854

Rent payments totaling $0.9 million are included in the Successor Agency's financial statements for the year ended June 30, 2013.

The Successor Agency assumed noncancelable operating leases from the former Agency on various facilities within the Yerba Buena Center, Western Addition and Hunters Point, South of Market, Mission Bay North, and South Beach Harbor project areas. The minimum future rental income are as follows (in thousands):

Fiscal Years			Fiscal Years		
2014…………………	$	4,222	2024-2028…………	$	22,508
2015…………………		4,280	2029-2033…………		22,626
2016…………………		4,240	2034-2038…………		21,582
2017…………………		3,985	2039-2043…………		19,904
2018…………………		3,866	2044-2048…………		14,444
2019-2023…………		19,682	2049-2050…………		988
			Total…………………	$	142,327

For the year ended June 30, 2013, operating lease rental income for noncancelable operating leases was $9.7 million. Within the operating lease rental income, $5.4 million represents contingent rental income received. At June 30, 2013, the leased assets had a net book value of $41.2 million.

The former Agency provides standby payment agreements in conjunction with its issuance of Mortgage Revenue Bonds wherein the Department of Housing and Urban Development guarantees Housing Assistance Payments (HAP) subsidized under Section 8 for multifamily residential facilities. If the HAP contract expires and is not renewed or is substantially reduced, the Successor Agency will be required to pay the difference. The estimated maximum obligation until June 30, 2019 over the terms of all standby payment agreements is $47.7 million. As of June 30, 2013, management has assigned approximately $4.8 million for the standby payment agreements. It is management's intent to assign 10% of the estimated maximum obligation.

(13) Treasure Island Development Authority

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

The services provided by TIDA include negotiating the acquisition of former Naval Station Treasure Island with the U.S. Navy and establishing the Treasure Island Development Project; renting Treasure Island facilities leased from the U.S. Navy to generate revenues sufficient to cover operating costs; maintaining Treasure Island facilities owned by the U.S. Navy which are not leased to TIDA or the City; providing facilities for special events, film production and other commercial business uses; providing approximately 800 housing units; and overseeing the U.S. Navy's toxic remediation activities on the former naval base.

In early 2000, TIDA initiated a master developer selection process, culminating in the selection of Treasure Island Community Development, LLC (TICD) in March 2003. TIDA and TICD entered into an Exclusive Negotiating Agreement in 2003, and began work on the Development Plan and Term Sheet for the Redevelopment of Naval Station Treasure Island (Development Plan). The Development Plan represented the culmination of nearly seven years of extensive public discourse about the future of Treasure Island, and was the product of the most extensive public review process for a large development project in the City's history. The Development Plan was endorsed by the TIDA Board and the San Francisco Board of Supervisors in December 2006. In May 2010, the TIDA Board and Board of Supervisors both unanimously endorsed a package of legislation that included an Update to the Development Plan and Term Sheet, terms of an Economic Development Conveyance Memorandum of Agreement (EDC MOA Term Sheet), and a Term Sheet between TIDA and the

Treasure Island Homeless Development Initiative (TIHDI). The 2006 endorsement and 2010 update of the Development Plan marked two very important milestones in the project, as they very specifically guided the enormous efforts undertaken since then to make the ambitious development plans for Treasure Island a reality. Together the updated Development Plan, the EDC MOA Term Sheet and the TIHDI Term Sheet formed the comprehensive vision for the future of the former military base and represented a major milestone in moving the project closer towards implementation.

In April 2011, the TIDA Board and the Planning Commission certified the environmental impact report for the project and approved various project entitlements, including amendments to the Planning Code, Zoning Maps and General Plan, as well as a Development Agreement, Disposition and Development Agreement and Interagency Cooperation Agreement. These entitlements include detailed plans regarding land uses, phasing, infrastructure, transportation, sustainability, housing, including affordable housing, jobs and equal opportunity programs, community facilities and project financing, and provide a holistic picture of the future development. In June 2011, the Board of Supervisors unanimously upheld the certification of the project's environmental impact report as well as approved project entitlements. These project approvals were a key milestone in realizing a new environmentally sustainable community on Treasure Island and the thousands of construction and permanent jobs the construction will bring. Pending property transfer from the Navy, the first phase of infrastructure construction should begin in the fourth quarter of 2014 with vertical construction beginning in 2015. The complete build-out of the project is anticipated to occur over fifteen to twenty years.

In July 2008, amended in November 2011 and later in July 2013, the SFCTA entered into a loan agreement with TIDA in the amount of $11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the SFCTA for all project costs incurred by the SFCTA and accrued interest, less federal government reimbursements to the SFCTA. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the SFCTA's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the SFCTA for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18.8 million. The repayment to the SFCTA may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2013. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the SFCTA for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the SFCTA's borrowing rate, whichever is applicable, beginning on the date of the SFCTA's reimbursement claim to Caltrans until the SFCTA costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy.

As of June 30, 2013, TIDA has drawn down $9.9 million on the loan with the SFCTA and accrued $0.4 million in interest. At June 30, 2013, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	$ -	$ 10,336	$ 10,336
SFCTA	YBI expenses	220	-	220
Hetch Hetchy	Utility operations under MOU	200	828	1,028
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 420	$ 13,763	$ 14,183

(14) INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2013 is as follows (in thousands):

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 11,681
	Internal Service Funds	32
	San Francisco Water Enterprise	40
		11,753
Nonmajor Governmental Funds	General Fund	395
	Nonmajor Governmental Funds	316
	Internal Service Funds	1,931
	Municipal Transportation Agency	33
	Port of San Francisco	26,785
		29,460
San Francisco Water Enterprise	Nonmajor Governmental Funds	268
Hetch Hetchy Water and Power Enterprise	General Fund	475
	Nonmajor Governmental Funds	8,606
	Port of San Francisco	505
	General Hospital Medical Center	1,198
	San Francisco Wastewater Enterprise	2,006
		12,790
Municipal Transportation Agency	Nonmajor Governmental Funds	6,462
Port of San Francisco	Nonmajor Governmental Funds	435
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	88
Total		$ 61,256

(Dollars in Thousands)

In addition to the routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account (SEA) to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA. At June 30, 2013, Hetch Hetchy loaned $11.2 million to other City funds. Hetch Hetchy is also due $1.6 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for living machine equipment.

The Port also has an obligation to General Fund of $26.8 million, which represents the total amount of commercial paper draws used to fund the expenditures incurred to date on authorized Port projects and related costs. The due from nonmajor governmental fund of $0.4 million is for a capital project reimbursement due from the SFCTA. The Port also received an advance of $0.5 million from Hetch Hetchy Water and Power Enterprise for an energy efficiency project.

The MTA has a receivable from nonmajor governmental fund of $6.5 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise [1]	Component unit - Treasure Island Development Authority	$ 200
Primary government - Nonmajor Governmental Fund [1]	Component unit - Treasure Island Development Authority	220
Primary government - General fund [2]	Successor Agency	2,179
Primary government - Nonmajor Governmental Fund [2]	Successor Agency	237
Successor Agency [2]	Primary government - Nonmajor Governmental Fund	280

Advance to component units:

Receivable Entity	Payable Entity	Amount
Hetch Hetchy Water and Power Enterprise [1]	Component unit - Treasure Island Development Authority	$ 3,427
Primary government - Nonmajor Governmental Fund [1]	Component unit - Treasure Island Development Authority	10,336
Primary government - General fund [2]	Successor Agency	20,067

(1) See discussion at Note 13.
(2) See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In: Funds									
Funds	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Water Enterprise	Municipal Transportation Agency	San Francisco General Hospital	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General fund..................	$ -	$ 138,545	$ 177	$ 800	$ 287,860	$129,069	$ -	$ 1,310	$ 89,151	$ 646,912
Nonmajor governmental funds.....	4,937	102,196	-	65,575	91,971	-	919	18,255	28	283,881
Internal Service Funds....	324	-	-	-	-	-	-	-	-	324
San Francisco International Airport.....	36,464	-	-	-	-	-	-	-	-	36,464
Water Enterprise...........	-	2,891	-	-	-	-	-	-	-	2,891
Hetch Hetchy................	173	23	-	-	-	-	-	-	-	196
Municipal Transportation Agency.	-	3,811	-	-	-	-	-	-	-	3,811
San Francisco General Hospital.........	153,349	-	-	-	-	-	-	-	127	153,476
Wastewater Enterprise...	-	31	-	-	-	-	-	-	-	31
Port of San Francisco....	-	-	-	-	-	-	-	-	-	-
Laguna Honda Hospital...	25	4,965	-	-	-	9,287	-	-	-	14,277
Total transfers out	$195,272	$ 252,462	$ 177	$ 66,375	$ 379,831	$138,356	$ 919	$ 19,565	$ 89,306	$1,142,263

The $646.9 million General Fund transfer out includes a total of $501.1 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). Laguna Honda Hospital also received operating transfer in of $5.0 million from General Fund. The transfer of $138.5 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Fund, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

In connection with a memorandum of understanding, the General Fund reimbursed the Port $1.3 million for certain lost revenues (payment in lieu of rents) during the America's Cup events. Also, Port received $18.3 million from the first sale of the 2012 San Francisco Clean and Safe Neighborhood Parks Bond for parks and open space on Port property.

San Francisco International Airport transferred $36.5 million to the General Fund, representing a portion of concession revenue (note 11(a)). The General Fund received transfers in of $123.9 million from San Francisco General Hospital Medical Center for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program (DSRIP) intergovernmental transfers (IGT) matching program reimbursement, $7.2 million for Low Income Health Program (LIHP) reimbursement for Primary Care clinics, $21.4 million for Healthy San Francisco reimbursement, and $0.8 million for Child Health Initiative reimbursement (note 11(g)).

Wastewater enterprise received a transfer in of $0.9 million from nonmajor governmental funds for performing emergency work on the Great Highway that was funded by a grant given to City's Department of Public Works.

MTA received $92.0 million transfers, of which $69.4 million was for capital activities and $11.7 million was for operating activities from nonmajor governmental funds. Nonmajor governmental funds also transferred $10.9 million in bond proceeds to MTA to fund various street improvement projects and in turn the MTA transferred $3.8 million to pay for various street improvement projects.

Laguna Honda Hospital (LHH) transferred $5.0 million of Senate Bill No. 1128 MediCal reimbursements to nonmajor governmental funds for the debt service payment of the LHH general obligation bonds and to SFGH the supplemental surplus revenue in the amount of $9.3 million to fund SFGH's budgetary cost overruns.

The Water Enterprise received $66.4 million from transfers in, which included $63.1 million in general obligation bond proceeds for the improvement of the Auxiliary Water Supply System Earthquake Safety and Emergency Response project, $2.5 million for the second payment of the 17th and Folsom property with the remaining balance of $2.3 million will be paid over a period of five years, and $0.8 million from the San Francisco Recreation and Parks Department for the Lake Merced boat house renovation. On the other hand, the Water Enterprise transferred $2.9 million to other City departments, including $0.4 million to San Francisco Recreation and Parks Department for a landscape and irrigation project, $2.5 million to the Arts commission for art work at 525 Golden Gate Headquarters, and $31 to a nonmajor special revenue fund for the City Surety Bond Program.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that no significant liabilities will result.

(b) Operating Leases

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

Primary Government

Governmental Activities

Fiscal Years	
2014....................	$ 28,252
2015....................	25,726
2016....................	22,600
2017....................	21,077
2018....................	17,071
2019-2023..........	36,720
2024-2028..........	310
Total....................	$ 151,756

Operating lease expense incurred for fiscal year 2012-2013 was approximately $19.4 million.

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency (MTA)	Total Business-type Activities
2014......................	$ 193	$ 2,861	$ 11,224	$ 14,278
2015......................	75	2,861	11,475	14,411
2016......................	-	2,794	11,765	14,559
2017......................	-	2,702	11,635	14,337
2018......................	-	2,702	11,880	14,582
2019-2023............	-	13,508	64,865	78,373
2024-2028............	-	13,508	75,211	88,719
2029-2933............	-	13,508	83,698	97,206
2034-2038............	-	13,508	79,268	92,776
2039-2943............	-	13,508	-	13,508
2044-2048............	-	13,508	-	13,508
2049-2050............	-	2,927	-	2,927
Total......................	$ 268	$ 97,895	$ 361,021	$ 459,184

Operating lease expense incurred for the Airport, Port, and MTA for fiscal year 2012-2013 was $0.2 million, $2.8 million, and $13.4 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years	
2014…………	$ 2,472
2015…………	2,189
2016…………	1,859
2017…………	1,773
2018…………	1,124
2019-2023….	906
2024-2028….	666
2029-2033….	250
Total…………	$ 11,239

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	General Hospital Medical Center	Municipal Transportation Agency	Market Corp	Total Business-type Activities
2014…………	$ 87,444	$ 39,344	$ 1,268	$ 5,006	$ 82	$ 133,144
2015…………	84,568	34,507	1,306	3,824	-	124,205
2016…………	80,827	29,974	1,346	2,615	-	114,762
2017…………	77,514	23,639	1,386	1,690	-	104,229
2018…………	96,535	21,459	1,428	1,512	-	120,934
2019-2023…..	-	94,017	7,807	7,275	-	109,099
2024-2028…..	-	70,844	-	6,335	-	77,179
2029-2033…..	-	63,111	-	6,250	-	69,361
2034-2038…..	-	54,439	-	6,250	-	60,689
2039-2043…..	-	39,678	-	6,250	-	45,928
2044-2048…..	-	34,715	-	6,250	-	40,965
2049-2053…..	-	20,895	-	6,250	-	27,145
2054-2058…..	-	16,055	-	3,333	-	19,388
2059-2063…..	-	16,014	-	-	-	16,014
2064-2068…..	-	12,894	-	-	-	12,894
2069-2073…..	-	8,991	-	-	-	8,991
2074-2077…..	-	6,011	-	-	-	6,011
Total…………	$ 426,888	$ 586,587	$ 14,541	$ 62,840	$ 82	$ 1,090,938

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $21.7 million and $14.2 million, respectively, in fiscal year 2012-13. In addition, the Airport has a car rental agreement that will expire on December 31, 2013, with the option to extend for five years. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual Enplanements achieved during a one-month period is less than 80% of the actual Enplanements of the same Reference Month in the Reference Year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately $38.8 million for fiscal year 2012-13.

(Dollars in Thousands)

Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.3 billion at June 30, 2013.

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

(16) RISK MANAGEMENT

Risk Retention Program Description

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

The Airport carries general liability insurance coverage of $1 billion, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a deductible of $500 per single occurrence. Additionally, tenants and contractors on all contracts are required to carry commercial general and automobile liability insurance in various amounts naming the Airport as additional insured. The Airport carries public officials liability and employment practices liability coverage of $5 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of $50 million, subject to a deductible of $75 per occurrence; 2) hull and machinery liability coverage of $3.5 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1 billion and a deductible of $500 per occurrence; and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, and property damage for certain high value Port vehicles, water pollution and data processing equipment. In addition, the Port requires its tenants, licensees and contractors on all contracts to carry commercial general liability insurance in various amounts naming the Port and the City as additional insured parties. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The MTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. MTA's general policy is to first evaluate self-insurance for the risks of

loss to which it is exposed. When economically more viable or when required by debt financing covenants, MTA purchases insurance as necessary or required.

	Risks	Coverage
a.	General/Transit Liability	Self-Insure
b.	Property	Self-Insure and Purchase Insurance
c.	Workers' Compensation	Self-Insure
d.	Employee (Transit Operators)	Purchase Insurance
e.	Directors and Officers	Purchase Insurance

The MTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the MTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $2.0 million. As of June 30, 2013, the reserve was $10.0 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors. MTA's workers' compensation payments are addressed through pay-as-you-go funding as part of the budgetary process. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering open claims' future exposure based on current costs and estimation for injuries that may have occurred but not yet reported. The workers' compensation claims and payouts are handled by a third-party administrator under MTA's oversight and management. MTA continues to develop and implement programs to mitigate growth of costs such as the transitional work programs that bring injured workers back to work on modified duty. Other programs include injury prevention, injury investigation and medical treatment bill review.

The MTA purchases property insurance on scheduled facilities and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. For MTA contractors, MTA requires each contractor to provide its own insurance, the traditional insurance ensuring that the full scope of work be covered with satisfactory levels to limit the risk exposure to City and MTA's property.

MTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per Memorandum of Understanding with Transport Workers' Union and starting in fiscal year 2012, has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2013 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

(Dollars in Thousands)

Changes in the reported estimated claims payable since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	$ 224,481	$ 26,579	$ (81,673)	$ 169,387
2012-2013	169,387	36,851	(31,656)	174,582

Breakdown of the estimated claims payable at June 30, 2013 is follows:

Governmental activities:	
Current portion of estimated claims payables……………………	$ 37,374
Long-term portion of estimated claims payable…………………	73,627
Total …………………………………………………………………	$ 111,001
Business-type activities:	
Current portion of estimated claims payables……………………	$ 24,284
Long-term portion of estimated claims payable…………………	39,297
Total …………………………………………………………………	$ 63,581

During the year ended June 30, 2013, the Retirement System was involved in various petitions, lawsuits, and threatened lawsuits relating to individuals' benefits due under the Retirement System, which management does not expect to have a material impact on the net position available for pension benefits. The results of such actions are included in the Retirement System's experience factors used in its actuarial valuations and accordingly, are eventually considered in establishing the City's required annual contributions.

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2013 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2013 was $377.8 million, which is reported in the appropriate individual funds in accordance with the City's accounting policies.

Changes in the reported accrued workers' compensation since June 30, 2011, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Ending Fiscal Year Liability
2011-2012	$ 371,014	$ 74,600	$ (74,730)	$ 370,884
2012-2013	370,884	76,308	(69,416)	377,776

Breakdown of the accrued workers' compensation liability at June 30, 2013 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability……	$ 39,759
Long-term portion of accrued workers' compensation liability..	189,573
Total …………………………………………………………………	$ 229,332
Business-type activities:	
Current portion of accrued workers' compensation liability……	$ 24,002
Long-term portion of accrued workers' compensation liability..	124,442
Total …………………………………………………………………	$ 148,444

(17) SUBSEQUENT EVENTS

a) Long-term Debt Issuance

In July 2013, the Airport terminated the $100.0 million direct-pay letter of credit from Barclays, which supported a subseries of the Airport commercial paper.

In July 2013, the City issued $35.8 million taxable and $16.2 million tax-exempt commercial paper to refund maturing $35.7 million taxable and $15.9 million tax-exempt commercial paper. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.10% and 0.12%. The taxable and tax-exempt notes are scheduled to mature on August 13, 2013. In August 2013, the City issued $37.2 million taxable and $18.0 million tax-exempt commercial paper to refund the July 2013 issuance and to provide $3.0 million and $0.3 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.16% and the tax-exempt notes at 0.09% and are all scheduled to mature on October 3, 2013.

In July 2013, the Airport issued its Second Series Revenue Bonds, Series 2013A-C in the amount of $461.1 million to finance and refinance (through the payment of subordinate commercial paper notes) a portion of the Capital Plan. The Series 2013A-C bonds are uninsured, long-term fixed rate bonds. The Series 2013A (AMT) bonds mature from May 2020 through May 2038 with interest rates ranging from 5.00% to 5.50%. The Series 2013B (Non-AMT/Governmental Purpose) bonds mature in May 2043, with an interest rate of 5.00%. The Series 2013C (Taxable) bonds mature from May 2017 through May 2019 with interest rates ranging from 2.12% to 2.86%. The bonds were issued to repay the entire outstanding balance of commercial paper notes, to finance the Airport's capital projects and to pay certain costs related to the issuance of the Series 2013A-C bonds.

In August 2013, the San Francisco Water Enterprise issued $12.0 million of Series A-1-T taxable commercial paper. The proceeds of this issuance will provide the initial deposit to a special endowment fund that was created to provide long-term funding to benefit the Bioregional Habitat Restoration (BHR) Program of the San Francisco Water Enterprise. The BHR program is a Water System Improvement Program (WSIP) capital project. The commercial paper notes bear an interest rate at 0.19% and will mature on November 14, 2013.

In March 2013, Deutsche Bank National Trust Company sold its Municipal Bond Trustee Business, including the Trust Agreement with the City for San Francisco General Hospital Emergency Backup Generator Project, to U.S. Bank National Association. In connection with the sale, Deutsche Bank resigned as trustee under the Trust Indenture and U.S. Bank National Association was appointed as successor trustee and assumes all of the duties, obligations and responsibilities of the trustee under the Trust Indenture effective August 23, 2013.

In September 2013, based on approval by the MTA Board of Directors and concurrence by the Board of Supervisors, the MTA obtained an irrevocable, direct pay letter of credit issued by State Street

Bank that will support the MTA's issuance of up to $100.0 million in Commercial Paper (CP) Notes, the proceeds of which are expected to be used to pay for costs of projects pending the receipt of grant proceeds and/or to finance state of good repair and other capital projects. Such CP Notes, and the MTA's obligation to reimburse State Street Bank for draws under the letter of credit to pay the principal of and interest on the CP Notes, will be secured by a pledge of Pledged Revenues that is junior and subordinate to the pledge securing the Series 2013 Bonds. The letter of credit issued by State Street Bank is scheduled to expire on September 10, 2018, subject to prior termination pursuant to its terms and as provided for in the related reimbursement agreement.

In September 2013, the Board of Supervisors approved the authorization by the MTA's Board of Directors to issue MTA revenue bonds not exceeding $165.0 million to finance certain transportation projects. MTA will issue Revenue Bonds Series 2013 in December 2013 with par value of $85.0 million, with the US Bank as trustee, to finance a portion of the cost of various capital projects for the MTA, to make a deposit to the Series 2013 reserve account of the reserve fund and pay the costs of issuance of the Series 2013 revenue bonds.

In October 2013, the Port Commission issued Certificates of Participation (COPs) in the total amount of $37.7 million. The COPs were issued to finance the construction, reconstruction, equipping and improvement and rehabilitation of certain facilities to be operated by the Port, as well as to refinance commercial paper previously issued by the City for the same purpose. The COPs are issued in two series, consisting of Series 2013B (Non-AMT) in the amount of $4.8 million and Series 2013C (AMT) in the amount of $32.9 million. Series 2013B will mature March 2036 and March 2038, and carry coupon rates of 5.25% and 4.75%, respectively. Series 2013C will mature March 2014 through March 2043 with coupon rates ranging from 4.00% to 5.25%.

In October 2013, the City issued $39.4 million taxable and $27.8 million tax-exempt commercial paper to refund the August 2013 issuance and to provide $9.9 million and $1.7 million interim funding for the War Memorial Veterans Building Seismic Retrofit project and Port Cruise Ship Terminal project, respectively. The taxable notes bear interest rates at 0.15% and the tax-exempt notes at 0.07% and are all scheduled to mature on November 20, 2013.

In November 2013, the City issued $8.3 million taxable and $24.1 million tax-exempt commercial paper to refund the October 2013 issuance for the interim financing of the War Memorial Veterans Building Retrofit project, the Department of Public Works equipment purchase, and the HOPE SF affordable housing project. The taxable and tax-exempt notes are scheduled to mature on March 5, 2014 and bear interest rate at 0.18% and 0.10%, respectively.

(b) San Francisco General Hospital

SFGH participated in California's Medi-cal Hospital/Uninsured Care Demonstration Project (Demonstration Project), which paid selected hospitals for providing care to Medi-cal and uninsured patients. Payments under the Demonstration Project consisted of fee-for-service cost-based reimbursement, Disproportionate Share Hospital payments, and distribution from a pool of funding for uninsured care, known as the Safety Net Care Pool. The Demonstration Project began in fiscal year 2005-06 and participating hospitals are paid an estimated amount from each of these pools of funds, which is subject to a final reconciliation as determined by the Department of Health Care Services. Subsequent to year end, SFGH received notice of the final reconciliation amounts owed to SFGH for fiscal year 2005-06 and recognized revenue of previously deferred cash receipts of $9.0 million from fiscal year 2005-06 in fiscal year 2012-13. SFGH will record the remaining $10.2 million it is still owed in fiscal year 2013-14 when it receives the related cash.

(c) Rim Fire

In August 2013, the Rim Fire, one of the largest in California history was a massive wildfire in Tuolumne County and the Stanislaus National Forest, began and burned over 257,135 acres. It passed through an area containing two of Hetch Hetchy Power's generating stations and reaching the southern edge of the Hetch Hetchy Reservoir, which supplies 85% of San Francisco's drinking water. The City has critical assets in the area, managed by San Francisco Public Utilities Commission and

the Recreation and Parks Department. Other critical infrastructure, inclusive of power transmission and distribution lines, switch yards and structures were in the wildfire's direct path.

The City declared a State of Emergency, followed by Governor Jerry Brown's declaration of a State of Emergency for San Francisco, on August 23, 2013. Emergency response teams were immediately deployed to protect the City's resources and assets upcountry. There was no impact to drinking water quality despite some ash being observed falling onto the reservoir. The City's hydroelectric power generation system was interrupted by the fire, forcing Hetch Hetchy Power to spend approximately $1.6 million buying power on the open market and using existing banked energy with PG&E.

The fire was fully contained on October 24, 2013. The Rim Fire has inflicted approximately $40.0 million in damage to parts of the City's water and power infrastructure located upcountry in the region. SFPUC retail and wholesale customers remained unaffected; water and power continued to be supplied with consistent quality and quantity. Cost recovery alternatives being considered include Federal Emergency Management Agency and California Emergency Management Agency assistance as well as purchased property insurance coverage for mission-critical assets. Both the Hetch Hetchy and Water Enterprise funds have available reserves, which may also be considered for use to backfill unrecovered costs.

(d) Claims

In July 2013, Asiana Airlines Flight 214 crashed on final approach to the Airport. The City anticipates litigation related to this matter but believes that any such litigation would not have a material financial impact. The City intends to tender all claims to Asiana Airlines and Asiana's insurance carriers. Under the Lease and Use Agreement, Asiana Airlines must defend, hold harmless and indemnify the City and the City is additionally insured under Asiana Airline's insurance policy. The City also believes that in the unlikely event that there is any potential liability not covered by Asiana Airlines and/or its insurance policies, the Airport's insurance policies will cover any such loss.

(e) Elections

On November 5, 2013, the San Francisco voters approved Propositions A, a charter amendment that will keep the Retiree Health Care Trust Fund (the Trust Fund) from being depleted and would allow the Trust Fund Board make payments toward City retiree health care costs from the City's account in the fund only when the Trust Fund is fully funded or only under certain circumstances as specified below.

Fiscal Impact: The City's ability to withdraw from the Trust Fund would be restricted. The restrictions would ensure that the Trust Fund more rapidly accumulates sufficient funding and investment earnings to pay for required City retiree health costs and would therefore reduce the burden of these costs on the City's annual budget. The City currently pays for the health care benefits of retired employees through the annual budget. These expenses are now approximately $150.0 million annually, or about 6% of payroll expenditures, but are expected to grow over time to approximately $250.0 million, or about 10% of payroll expenses. Instead of bearing this cost in the annual budget, as a sound financial management practice, employers can instead set-aside funds during a worker's career and use investment income from those funds to pay for the benefits.

Through earlier Charter amendments, the City established a Retiree Health Care Trust Fund into which both the City and the employees are required to contribute funds. Deposits are now required on behalf of employees hired after January 9, 2009 and, beginning in 2016, will be required on behalf of all employees. No withdrawals are currently permitted from the Trust Fund until 2020, ensuring that the balance will grow until that time, however no such prohibitions are in place following that date. The City's most recent actuarial analysis estimates that the cost of health benefits already earned by current and future retirees as of July 1, 2010 is $4.4 billion, of which only $3.2 million has been set aside to date.

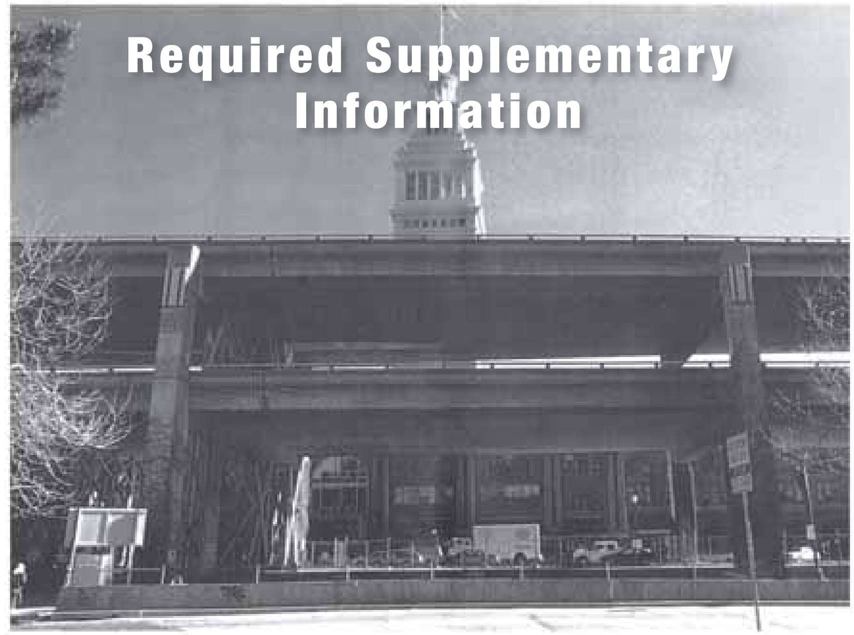
CITY AND COUNTY OF SAN FRANCISCO

Notes to Basic Financial Statements (continued)
June 30, 2013
(Dollars in Thousands)

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

The City's external actuary has estimated that given these proposed provisions, the Trust Fund would be fully funded in approximately 30 years. At that time, the City's annual costs would drop to approximately $50.0 million in current dollars or about 2% of the payroll expenses. Current and future projections of the benefit costs and of the Trust's status are dependent on assumptions of future medical inflation, investment returns, and other trends, which will likely differ from those assumed. Higher rates of medical inflation or lower rates of investment returns would delay the shift to a fully funded Trust Fund.

Proposition A also (1) further clarifies the required segregation of moneys within the Trust Fund into sub-trusts for other participating employers such as the School District, (2) limits withdrawals from these sub-trusts by other participating government employers until their governing board has adopted a funding strategy by a two-thirds vote, and (3) allows the Treasurer, Controller and General Manager of the Retirement System to serve on the Trust Fund Board, rather than appoint members to the Trust Fund Board.



The Embarcadero Freeway covered the face of the Ferry Building from 1957 - 1991.

(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Employees' Retirement System – Pension Plan (1)

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Entry Age	(Under) funded AAL (O/UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
07/01/10	$ 16,069,058	$ 17,643,394	$ (1,574,336)	91.1%	$ 2,398,823	-65.6%
07/01/11	16,313,120	18,598,728	(2,285,608)	87.7%	2,360,413	-96.8%
07/01/12	16,027,683	19,393,854	(3,366,171)	82.6%	2,393,842	-140.6%

(1) As a result of the Retirement Board's decision to phase in a reduction of the Plan's assumed investment rate of return from 7.75% to 7.50% over three years, the assumed investment rate of return used for the most recent actuarial valuation as of July 1, 2012 was 7.58%. The unfunded actuarial liability (UAL) as of July 1, 2012 was $3.37 billion, an increase of $1.08 billion from the UAL of $2.29 billion as of July 1, 2011. This increase in the unfunded liability is primarily a result of the market value losses during fiscal year 2008-09 that are being recognized over five years as well as liability experience losses related to changes to the economic and demographic assumptions approved by the Retirement Board.

The July 1, 2012 valuation results incorporate the following significant assumption changes approved by the Retirement Board at its December 14, 2011 Board meeting:

- Investment Rate of Return Assumption – phase in reduction from 7.75% to 7.50% over three years (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; and fiscal year 2013-14 to 7.50%)
- Wage/inflation Assumption – phase in reduction from 4.00% to 3.75% over three years (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%)
- Long-term Consumer Price Index Assumption – phase in reduction from 3.50% to 3.25% over three years (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%)

California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	$ 707,615	$ 758,124	$ (50,509)	93.3%	$ 101,929	-49.6%
06/30/10	743,188	787,186	(43,998)	94.4%	104,072	-42.3%
06/30/11	788,580	836,171	(47,591)	94.3%	105,575	-45.1%

Schedule of Funding Progress – City and County of San Francisco – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/06	$ -	$ 4,036,324	$ (4,036,324)	0.0%	$ 2,066,866	-195.3%
07/01/08	-	4,364,273	(4,364,273)	0.0%	2,296,336	-190.1%
07/01/10(2)	-	4,420,146	(4,420,146)	0.0%	2,393,930	-184.6%

(1) The actuarial valuation report is conducted once every two years.

(2) As of July 1, 2010, the City set-aside approximately $3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010 and these assets will be reflected in the next actuarial valuation report.

Schedule of Employer Contributions – City and County of San Francisco – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2011	$ 384,334	37.9%
2012	397,862	39.2%
2013	408,735	39.2%

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/08	$ -	$ 182	$ (182)	0.0%	$ 1,978	-9.2%
01/01/10	173	374	(201)	46.3%	2,858	-7.0%
6/30/11 (2)	405	671	(266)	60.4%	3,251	-8.2%

(1) The actuarial valuation report is conducted once every two years. The SFCTA's next valuation is scheduled to be performed in fiscal year 2013-14.

(2) As of June 30, 2012, the SFCTA complied with GASB Statement No. 57 and completed an OPEB actuarial valuation based on a common date of its trust account with CalPERS. CalPERS requires June 30 valuations to be prepared for each odd numbered year. As such, the SFCTA performed its latest actuarial valuation as of June 30, 2011.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (unaudited) (continued)
June 30, 2013
(Dollars in Thousands)

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date (1)	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
6/30/07	$ -	$ 13,829	$ (13,829)	0.0%	$ 9,634	-143.5%
06/30/09	493	13,790	(13,297)	3.6%	10,515	-126.5%
06/30/11 (2)	1,856	14,390	(12,534)	12.9%	4,185	-299.5%

(1) The actuarial valuation report is conducted once every two years.

(2) As of June 30, 2013, no actuarial valuation was performed.

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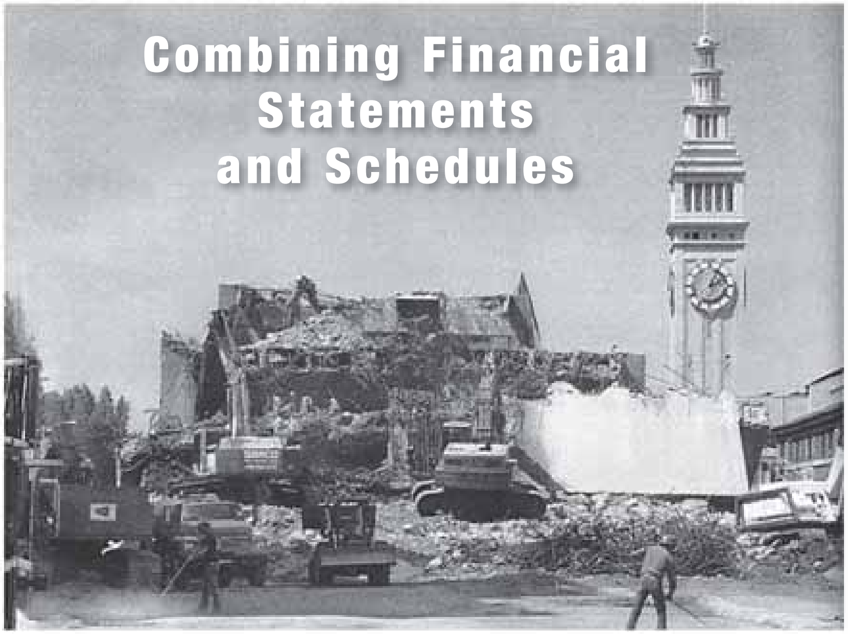
Combining Financial Statements and Schedules



The Ferry Building, as the Embarcadero Freeway is being torn down after the 1989 Loma Prieta Earthquake.

CITY AND COUNTY OF SAN FRANCISCO
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

SPECIAL REVENUE FUNDS (Continued)

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

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

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2013
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets					
Deposits and investments with City Treasury	$ 551,445	$ 116,126	$ 682,375	$ 7,608	$ 1,357,554
Deposits and investments outside City Treasury	16,568	31,489	23,356	-	71,413
Receivables:					
Property taxes and penalties	3,715	5,265	-	-	8,980
Other local taxes	15,191	-	-	-	15,191
Federal and state grants and subventions	104,005	-	5,303	-	109,308
Charges for services	11,532	6	-	-	11,538
Interest and other	1,759	125	185	2	2,071
Due from other funds	743	-	28,717	-	29,460
Due from component unit	421	-	36	-	457
Advance to component unit	10,336	-	-	-	10,336
Loans receivable (net of allowance for uncollectibles)	70,169	-	-	-	70,169
Deferred charges and other assets	12,404	-	-	-	12,404
Total assets	$ 798,288	$ 153,011	$ 739,972	$ 7,610	$ 1,698,881
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 78,477	$ 10	$ 70,694	$ 65	$ 149,246
Accrued payroll	20,425	-	2,583	1	23,009
Deferred tax, grant and subvention revenues	38,449	4,640	1,136	81	44,306
Due to other funds	19,124	-	8,732	-	27,856
Due to component unit	280	-	-	-	280
Deferred credits and other liabilities	108,324	14,635	1,949	40	124,948
Bonds, loans, capital leases and other payables	151,821	-	49,725	-	201,546
Total liabilities	416,900	19,285	134,819	187	571,191
Fund balances:					
Nonspendable	274	-	-	-	274
Restricted	436,861	133,726	613,179	7,423	1,191,189
Assigned	30,759	-	-	-	30,759
Unassigned	(86,506)	-	(8,026)	-	(94,532)
Total fund balances	381,388	133,726	605,153	7,423	1,127,690
Total liabilities and fund balances	$ 798,288	$ 153,011	$ 739,972	$ 7,610	$ 1,698,881

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2013
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 122,899	$ 176,857	$ -	$ -	$ 299,756
Business taxes	504	-	-	-	504
Sales and use tax	85,754	-	-	-	85,754
Hotel room tax	56,386	-	-	-	56,386
Licenses, permits and franchises	14,628	-	-	-	14,628
Fines, forfeitures and penalties	19,969	23,646	-	-	43,615
Interest and investment income	4,201	583	580	-	5,364
Rents and concessions	61,717	738	312	730	63,497
Intergovernmental:					
Federal	240,618	-	5,404	-	246,022
State	107,566	721	5,054	-	113,341
Other	33,925	-	4,792	-	38,717
Charges for services	131,668	-	-	-	131,668
Other	60,360	3,918	2,502	92	66,872
Total revenues	940,195	206,463	18,644	822	1,166,124
Expenditures:					
Current:					
Public protection	88,433	-	-	-	88,433
Public works, transportation and commerce	155,204	-	-	-	155,204
Human welfare and neighborhood development	284,449	-	-	-	284,449
Community health	100,035	-	-	-	100,035
Culture and recreation	222,224	-	-	700	222,924
General administration and finance	24,796	-	-	-	24,796
General City responsibilities	118	-	-	-	118
Debt service:					
Principal retirement	-	154,542	-	-	154,542
Interest and fiscal charges	1,707	105,337	1,145	-	108,189
Bond issuance costs	-	2	2,911	-	2,913
Capital outlay	-	-	410,994	-	410,994
Total expenditures	876,966	259,881	415,050	700	1,552,597
Excess (deficiency) of revenues over (under) expenditures	63,229	(53,418)	(396,406)	122	(386,473)
Other financing sources (uses):					
Transfers in	135,495	106,922	10,045	-	252,462
Transfers out	(125,319)	(486)	(158,073)	(3)	(283,881)
Issuance of bonds and loans:					
Face value of bonds issued	-	-	557,490	-	557,490
Face value of loans issued	5,890	-	-	-	5,890
Premium on issuance of bonds	-	-	64,469	-	64,469
Other financing sources-capital leases	1,045	-	7,983	-	9,028
Total other financing sources (uses)	17,111	106,436	481,914	(3)	605,458
Extraordinary loss from dissolution of the Redevelopment Agency	(172,651)	-	-	-	(172,651)
Net change in fund balances	(92,311)	53,018	85,508	119	46,334
Fund balances at beginning of year	473,699	80,708	519,645	7,304	1,081,356
Fund balances at end of year	$ 381,388	$ 133,726	$ 605,153	$ 7,423	$ 1,127,690

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
June 30, 2013
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Assets						
Deposits and investments with City Treasury................	$ 90,189	$ 71,251	$ 88,369	$ 30,271	$ 36,711	$ 5
Deposits and investments outside City Treasury...........	3	-	2,581	-	-	-
Receivables:						
Property taxes and penalties......................................	-	1,393	-	-	-	-
Other local taxes..	-	-	-	-	-	-
Federal and state grants and subventions.................	-	4,020	17,959	24,907	-	-
Charges for services..	374	-	3	-	1,507	157
Interest and other...	26	26	19	18	-	-
Due from other funds..	-	-	62	-	-	-
Due from component unit...	-	-	-	-	-	-
Advance to component unit..	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)...	306	-	69,417	-	-	-
Deferred charges and other assets...............................	-	-	1	-	-	-
Total assets..	$ 90,898	$ 76,690	$ 178,411	$ 55,196	$ 38,218	$ 162
Liabilities and Fund Balances						
Liabilities:						
Accounts payable...	$ 1,611	$ 13,686	$ 10,434	$ 15,389	$ 2,437	$ 10
Accrued payroll...	1,939	931	810	2,052	54	-
Deferred tax, grant and subvention revenues............	-	4,094	690	6,426	-	-
Due to other funds..	-	-	-	615	-	4,396
Due to component unit...	-	-	-	-	-	-
Deferred credits and other liabilities...........................	16,217	3,972	69,751	782	2,437	-
Bonds, loans, capital leases and other payables........	-	-	1,495	-	-	-
Total liabilities...	19,767	22,683	83,180	25,264	4,928	4,406
Fund balances:						
Nonspendable..	-	-	-	-	-	-
Restricted...	71,131	54,007	92,398	29,932	33,290	-
Assigned..	-	-	2,833	-	-	-
Unassigned..	-	-	-	-	-	(4,244)
Total fund balances...................................	71,131	54,007	95,231	29,932	33,290	(4,244)
Total liabilities and fund balances..............	$ 90,898	$ 76,690	$ 178,411	$ 55,196	$ 38,218	$ 162

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
June 30, 2013
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets						
Deposits and investments with City Treasury................	$ 5	$ 1,381	$ 14,123	$ 12,970	$ 9,071	$ 2,299
Deposits and investments outside City Treasury...........	7	373	2	1	192	-
Receivables:					-	
Property taxes and penalties......................................	-	-	-	-	-	-
Other local taxes..	-	-	-	-	-	-
Federal and state grants and subventions.................	151	1,773	2,408	532	56	-
Charges for services..	119	-	426	1,659	-	384
Interest and other...	-	-	3	591	1	1
Due from other funds..	-	205	-	-	-	-
Due from component unit...	-	-	-	-	-	-
Advance to component unit..	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)...	-	-	-	-	-	-
Deferred charges and other assets...............................	-	-	-	-	-	-
Total assets..	$ 282	$ 3,732	$ 16,962	$ 15,753	$ 9,320	$ 2,684
Liabilities and Fund Balances						
Liabilities:						
Accounts payable...	$ 654	$ 129	$ 2,353	$ 887	$ 228	$ 492
Accrued payroll...	261	327	1,233	430	24	277
Deferred tax, grant and subvention revenues............	217	2,230	-	111	151	-
Due to other funds..	2,483	-	-	-	-	-
Due to component unit...	-		-	-	-	-
Deferred credits and other liabilities...........................	8	-	-	125	-	-
Bonds, loans, capital leases and other payables........	-	-	-	-	-	-
Total liabilities...	3,623	2,686	3,586	1,553	403	769
Fund balances:						
Nonspendable..	-	-	-	-	192	-
Restricted...	-	1,046	13,376	7,109	8,725	-
Assigned..	-	-	-	7,091	-	1,915
Unassigned..	(3,341)	-	-	-	-	-
Total fund balances...................................	(3,341)	1,046	13,376	14,200	8,917	1,915
Total liabilities and fund balances..............	$ 282	$ 3,732	$ 16,962	$ 15,753	$ 9,320	$ 2,684

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
June 30, 2013
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets						
Deposits and investments with City Treasury	$ -	$ 19,357	$ 24,186	$ 41,112	$ 16,805	$ 16,580
Deposits and investments outside City Treasury	-	-	-	-	-	193
Receivables:						-
Property taxes and penalties	-	-	1,161	1,161	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	7,574	-	-	41	33,104	135
Charges for services	-	-	-	12	1,403	5,468
Interest and other	-	-	8	12	168	-
Due from other funds	-	-	-	-	-	2
Due from component unit	-	-	-	-	-	57
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectibles)	-	446	-	-	-	-
Deferred charges and other assets	-	6,233	-	-	1,457	4,631
Total assets	$ 7,574	$ 26,036	$ 25,355	$ 42,338	$ 52,937	$ 27,066
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	$ 2,131	$ 1	$ 189	$ 2,692	$ 12,257	$ 1,376
Accrued payroll	53	21	1,247	3,887	1,514	3,497
Deferred tax, grant and subvention revenues	1,034	-	1,023	1,033	14,811	608
Due to other funds	4,106	-	-	-	-	358
Due to component unit	-	280	-	-	-	-
Deferred credits and other liabilities	-	3,137	3,311	3,310	1	4,873
Bonds, loans, capital leases and other payables	-	-	-	-	-	320
Total liabilities	7,324	3,439	5,770	10,922	28,583	11,032
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	22,597	19,585	30,332	22,745	57
Assigned	250	-	-	1,084	1,609	15,977
Unassigned	-	-	-	-	-	-
Total fund balances	250	22,597	19,585	31,416	24,354	16,034
Total liabilities and fund balances	$ 7,574	$ 26,036	$ 25,355	$ 42,338	$ 52,937	$ 27,066

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
June 30, 2013
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Assets					
Deposits and investments with City Treasury	$ 10,565	$ 54,282	$ 503	$ 11,410	$ 551,445
Deposits and investments outside City Treasury	419	12,797	-	-	16,568
Receivables:					
Property taxes and penalties	-	-	-	-	3,715
Other local taxes	-	15,191	-	-	15,191
Federal and state grants and subventions	-	11,032	313	-	104,005
Charges for services	12	-	-	8	11,532
Interest and other	-	886	-	-	1,759
Due from other funds	-	474	-	-	743
Due from component unit	-	364	-	-	421
Advance to component unit	-	10,336	-	-	10,336
Loans receivable (net of allowance for uncollectibles)	-	-	-	-	70,169
Deferred charges and other assets	-	82	-	-	12,404
Total assets	$ 10,996	$ 105,444	$ 816	$ 11,418	$ 798,288
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 993	$ 9,533	$ 796	$ 199	$ 78,477
Accrued payroll	1,183	268	-	417	20,425
Deferred tax, grant and subvention revenues	-	5,973	48	-	38,449
Due to other funds	-	7,166	-	-	19,124
Due to component unit	-	-	-	-	280
Deferred credits and other liabilities	-	385	-	15	108,324
Bonds, loans, capital leases and other payables	-	150,006	-	-	151,821
Total liabilities	2,176	173,331	844	631	416,900
Fund balances:					
Nonspendable	-	82	-	-	274
Restricted	8,820	10,924	-	10,787	436,861
Assigned	-	-	-	-	30,759
Unassigned	-	(78,893)	(28)	-	(86,506)
Total fund balances	8,820	(67,887)	(28)	10,787	381,388
Total liabilities and fund balances	$ 10,996	$ 105,444	$ 816	$ 11,418	$ 798,288

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Year Ended June 30, 2013
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community/ Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes	$ -	$ 46,087	$ -	$ -	$ -	$ -
Business taxes	-	-	504	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	47,227	-
Licenses, permits and franchises	6,684	-	-	-	-	-
Fines, forfeitures and penalties	-	-	695	2,585	-	30
Interest and investment income	-	-	3,853	-	31	2
Rents and concessions	-	-	4,987	-	23,433	-
Intergovernmental:						
Federal	-	9,326	53,625	63,760	-	-
State	-	14,510	10,050	33,423	-	-
Other	-	-	447	10	-	-
Charges for services	60,307	-	6,252	4,764	-	2,937
Other	-	696	35,020	402	1,497	-
Total revenues	66,991	70,619	115,433	104,944	72,188	2,969
Expenditures:						
Current:						
Public protection	-	-	-	-	-	371
Public works, transportation and commerce	45,228	-	11,812	2,860	944	175
Human welfare and neighborhood development	-	132,009	88,207	-	5,876	-
Community health	-	-	-	100,035	-	-
Culture and recreation	-	-	45	-	57,340	-
General administration and finance	-	-	2,296	-	41	-
General City responsibilities	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges	-	-	12	-	-	-
Total expenditures	45,228	132,009	102,372	102,895	64,201	546
Excess (deficiency) of revenues over (under) expenditures	21,763	(61,390)	13,061	2,049	7,987	2,423
Other financing sources (uses):						
Transfers in	4	61,777	5,577	19	-	-
Transfers out	-	(12)	(9,019)	-	(7,365)	(4,189)
Issuance of bonds and loans						
Face value of loans issued	-	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-
Total other financing sources (uses)	4	61,765	(3,442)	19	(7,365)	(4,189)
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	(618)	-	-	-
Net change in fund balances	21,767	375	9,001	2,068	622	(1,766)
Fund balances at beginning of year	49,364	53,632	86,230	27,864	32,668	(2,478)
Fund balances at end of year	$ 71,131	$ 54,007	$ 95,231	$ 29,932	$ 33,290	$ (4,244)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Licenses, permits and franchises	259	-	-	2,219	-	-
Fines, forfeitures and penalties	-	-	-	-	219	-
Interest and investment income	-	-	-	-	7	-
Rents and concessions	383	-	-	1,127	-	3,030
Intergovernmental:						
Federal	63	3,348	-	3,544	-	-
State	-	8,780	26,036	-	-	-
Other	-	612	-	-	-	-
Charges for services	5,378	9	1,900	2,614	55	6,392
Other	281	640	-	324	2,091	-
Total revenues	6,364	13,389	27,936	9,828	2,372	9,422
Expenditures:						
Current:						
Public protection	-	-	-	260	23	-
Public works, transportation and commerce	7,522	-	28,664	-	321	-
Human welfare and neighborhood					-	
development	-	13,106	-	-	544	-
Community health	-	-	-	-	-	-
Culture and recreation	8,597	-	-	951	1,815	10,697
General administration and finance	-	-	-	7,079	97	-
General City responsibilities	-	10	-	99	9	-
Debt service:					-	
Interest and fiscal charges	211	-	-	-	-	-
Total expenditures	16,330	13,116	28,664	8,389	2,809	10,697
Excess (deficiency) of revenues over (under) expenditures	(9,966)	273	(728)	1,439	(437)	(1,275)
Other financing sources (uses):						
Transfers in	3,640	13	765	184	9	2,265
Transfers out	(40)	(61)	(2,587)	-	(134)	(861)
Issuance of bonds and loans						
Face value of loans issued	5,890	-	-	-	-	-
Other financing sources-capital leases	-	-	1,045	-	-	-
Total other financing sources (uses)	9,490	(48)	(777)	184	(125)	1,404
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-
Net change in fund balances	(476)	225	(1,505)	1,623	(562)	129
Fund balances at beginning of year	(2,865)	821	14,881	12,577	9,479	1,786
Fund balances at end of year	$ (3,341)	$ 1,046	$ 13,376	$ 14,200	$ 8,917	$ 1,915

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ -	$ 38,406	$ 38,406	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-
Licenses, permits and franchises	249	-	-	-	493	-
Fines, forfeitures and penalties	11	-	-	-	16,304	125
Interest and investment income	-	187	-	-	48	52
Rents and concessions	-	564	-	24	-	10
Intergovernmental:						
Federal	18,704	-	-	80	77,997	-
State	548	-	79	220	12,347	57
Other	54	504	-	-	3	1,442
Charges for services	150	-	1	741	14,420	25,334
Other	43	16,344	-	20	178	445
Total revenues	19,759	17,599	38,486	39,491	121,790	27,465
Expenditures:						
Current:						
Public protection	-	-	-	-	87,779	-
Public works, transportation and commerce	-	-	1,088	22	562	16,891
Human welfare and neighborhood development	22,618	802	-	-	4,430	11,204
Community health	-	-	-	-	-	-
Culture and recreation	-	-	41,467	89,168	-	16
General administration and finance	-	-	-	12	30	122
General City responsibilities	-	-	-	-	-	-
Debt service:						
Interest and fiscal charges	-	-	-	-	-	1
Total expenditures	22,618	802	42,555	89,202	92,801	28,234
Excess (deficiency) of revenues over (under) expenditures	(2,859)	16,797	(4,069)	(49,711)	28,989	(769)
Other financing sources (uses):						
Transfers in	2,884	-	861	55,333	1,532	538
Transfers out	-	(101)	-	(2,760)	(2,083)	(52)
Issuance of bonds and loans						
Face value of loans issued	-		-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-
Total other financing sources (uses)	2,884	(101)	861	52,573	(551)	486
Extraordinary loss from dissolution of the Redevelopment Agency	-	(172,033)	-	-	-	-
Net change in fund balances	25	(155,337)	(3,208)	2,862	28,438	(283)
Fund balances at beginning of year	225	177,934	22,793	28,554	(4,084)	16,317
Fund balances at end of year	$ 250	$ 22,597	$ 19,585	$ 31,416	$ 24,354	$ 16,034

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 122,899
Business taxes	-	-	-	-	504
Sales and use tax	-	85,754	-	-	85,754
Hotel room tax	-	-	-	9,159	56,386
Licenses, permits and franchises	-	4,724	-	-	14,628
Fines, forfeitures and penalties	-	-	-	-	19,969
Interest and investment income	-	21	-	-	4,201
Rents and concessions	25,764	-	-	2,395	61,717
Intergovernmental:					
Federal	-	5,379	4,792	-	240,618
State	-	760	756	-	107,566
Other	456	30,397	-	-	33,925
Charges for services	42	-	-	372	131,668
Other	-	2,305	74	-	60,360
Total revenues	26,262	129,340	5,622	11,926	940,195
Expenditures:					
Current:					
Public protection	-	-	-	-	88,433
Public works, transportation and commerce	1,023	38,092	-	-	155,204
Human welfare and neighborhood development	-	-	5,653	-	284,449
Community health	-	-	-	-	100,035
Culture and recreation	-	-	-	12,128	222,224
General administration and finance	15,119	-	-	-	24,796
General City responsibilities	-	-	-	-	118
Debt service:					
Interest and fiscal charges	-	1,483	-	-	1,707
Total expenditures	16,142	39,575	5,653	12,128	876,966
Excess (deficiency) of revenues over (under) expenditures	10,120	89,765	(31)	(202)	63,229
Other financing sources (uses):					
Transfers in	85	-	3	6	135,495
Transfers out	(14,967)	(81,088)	-	-	(125,319)
Issuance of bonds and loans					
Face value of loans issued	-	-	-	-	5,890
Other financing sources-capital leases	-	-	-	-	1,045
Total other financing sources (uses)	(14,882)	(81,088)	3	6	17,111
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	(172,651)
Net change in fund balances	(4,762)	8,677	(28)	(196)	(92,311)
Fund balances at beginning of year	13,582	(76,564)	-	10,983	473,699
Fund balances at end of year	$ 8,820	$ (67,887)	$ (28)	$ 10,787	$ 381,388

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds
Year Ended June 30, 2013
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 44,716	$ 44,716	$ 46,087	$ 1,371
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,761	6,761	6,684	(77)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	252	252	58	(194)	295	295	583	288
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	9,576	9,557	9,328	(229)
State	-	-	-	-	13,489	12,953	12,939	(14)
Other	-	-	-	-	-	-	-	-
Charges for services	42,766	42,767	60,794	18,027	-	-	-	-
Other revenues	-	-	-	-	160	764	763	(1)
Total revenues	49,779	49,780	67,536	17,756	68,236	68,285	69,700	1,415
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	50,039	52,371	45,225	7,146	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	133,270	133,552	132,009	1,543
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	50,039	52,371	45,225	7,146	133,270	133,552	132,009	1,543
Excess (deficiency) of revenues over (under) expenditures	(260)	(2,591)	22,311	24,902	(65,034)	(65,267)	(62,309)	2,958
Other financing sources (uses):								
Transfers in	-	-	-	-	60,040	61,777	61,777	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	60,040	61,777	61,777	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(260)	(2,591)	22,311	24,902	(4,994)	(3,490)	(532)	2,958
Budgetary fund balances (deficit), July 1	260	48,884	48,884	-	4,994	56,735	56,735	-
Budgetary fund balances (deficit), June 30	$ -	$ 46,293	$71,195	$ 24,902	$ -	$ 53,245	$ 56,203	$ 2,958

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Community/Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	1,000	1,000	504	(496)	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	695	695	-	2,513	2,513	2,585	72
Interest and investment income	-	3,406	4,336	930	235	238	210	(28)
Rents and concessions	3,000	3,000	4,988	1,988	-	-	-	-
Intergovernmental:								
Federal	10,135	53,749	53,749	-	67,171	64,434	64,434	-
State	763	8,331	8,331	-	23,166	33,789	33,789	-
Other	-	447	447	-	30	10	10	-
Charges for services	5,156	5,156	6,252	1,096	210	4,718	4,764	46
Other revenues	1,613	30,515	34,842	4,327	438	408	408	-
Total revenues	21,667	106,299	114,144	7,845	93,763	106,110	106,200	90
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	10,135	11,812	11,812	-	-	2,860	2,860	-
Human welfare and neighborhood development	9,896	73,218	72,571	647	-	-	-	-
Community health	-	-	-	-	93,763	100,016	100,016	-
Culture and recreation	1,000	45	45	-	-	-	-	-
General administration and finance	3,201	2,347	2,347	-	-	-	-	-
Total expenditures	24,232	87,422	86,775	647	93,763	102,876	102,876	-
Excess (deficiency) of revenues over (under) expenditures	(2,565)	18,877	27,369	8,492	-	3,234	3,324	90
Other financing sources (uses):								
Transfers in	-	5,543	5,543	-	-	-	-	-
Transfers out	-	(9,019)	(9,019)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	(18)	(18)	-	-	-	-	-
Total other financing sources (uses)	-	(3,494)	(3,494)	-	-	-	-	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	(618)	(618)	-	-	-	-
Net change in fund balances	(2,565)	15,383	23,257	7,874	-	3,234	3,324	90
Budgetary fund balances (deficit), July 1	2,565	81,270	81,270	-	-	32,089	32,089	-
Budgetary fund balances (deficit), June 30	$ -	$ 96,653	$104,527	$ 7,874	$ -	$35,323	$35,413	$ 90

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	47,227	47,227	47,227	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	35	35	30	(5)
Interest and investment income	-	4	4	-	-	-	-	-
Rents and concessions	23,439	21,942	23,433	1,491	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	3,500	3,500	2,913	(587)
Other revenues	-	1,497	1,497	-	-	-	-	-
Total revenues	70,666	70,670	72,161	1,491	3,535	3,535	2,943	(592)
Expenditures:								
Public protection	-	-	-	-	4,574	385	371	14
Public works, transportation and commerce	-	944	944	-	-	175	175	-
Human welfare and neighborhood development	5,500	5,876	5,876	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	74,660	66,162	57,340	8,822	-	-	-	-
General administration and finance	-	41	41	-	-	-	-	-
Total expenditures	80,160	73,023	64,201	8,822	4,574	560	546	14
Excess (deficiency) of revenues over (under) expenditures	(9,494)	(2,353)	7,960	10,313	(1,039)	2,975	2,397	(578)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(6,831)	(6,831)	-	-	(4,189)	(4,189)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	(506)	(506)	(506)	-	-	-	-	-
Total other financing sources (uses)	(506)	(7,337)	(7,337)	-	-	(4,189)	(4,189)	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(10,000)	(9,690)	623	10,313	(1,039)	(1,214)	(1,792)	(578)
Budgetary fund balances (deficit), July 1	10,000	37,432	37,432	-	1,039	(2,449)	(2,449)	-
Budgetary fund balances (deficit), June 30	$ -	$ 27,742	$ 38,055	$ 10,313	$ -	$ (3,663)	$ (4,241)	$ (578)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Culture and Recreation Fund				Environmental Protection Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	312	312	259	(53)	-	-	-	-
Fines, forfeitures, and penalties	10	10	-	(10)	-	-	-	-
Interest and investment income	45	45	-	(45)	-	-	-	-
Rents and concessions	327	327	383	56	-	-	-	-
Intergovernmental:								
Federal	-	63	63	-	-	1,803	3,293	1,490
State	-	82	82	-	470	8,823	8,823	-
Other	-	40	40	-	419	583	583	-
Charges for services	6,982	7,278	5,377	(1,901)	-	9	9	-
Other revenues	-	222	277	55	4,132	2,039	640	(1,399)
Total revenues	7,676	8,379	6,481	(1,898)	5,021	13,257	13,348	91
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	892	7,522	7,522	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	5,021	13,261	13,106	155
Community health	-	-	-	-	-	-	-	-
Culture and recreation	7,547	9,033	8,594	439	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	8,439	16,555	16,116	439	5,021	13,261	13,106	155
Excess (deficiency) of revenues over (under) expenditures	(763)	(8,176)	(9,635)	(1,459)	-	(4)	242	246
Other financing sources (uses):								
Transfers in	700	3,637	3,637	-	-	-	-	-
Transfers out	-	(40)	(40)	-	-	(61)	(61)	-
Issuance of loans	-	5,890	5,890	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	(673)	(673)	-	673	-	-	-	-
Loan repayments and other financing sources (uses)	(257)	(317)	(211)	106	-	-	-	-
Total other financing sources (uses)	(230)	8,497	9,276	779	-	(61)	(61)	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(993)	321	(359)	(680)	-	(65)	181	246
Budgetary fund balances (deficit), July 1	993	2,043	2,043	-	-	977	977	-
Budgetary fund balances (deficit), June 30	$ -	$ 2,364	$ 1,684	$ (680)	$ -	$ 912	$ 1,158	$ 246

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Gasoline Tax Fund				General Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	2,472	2,472	2,219	(253)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	42	105	63	44	45	48	3
Rents and concessions	-	-	-	-	-	1,127	1,127	-
Intergovernmental:								
Federal	-	-	-	-	-	3,543	3,544	1
State	32,032	30,147	26,036	(4,111)	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	786	1,666	880	2,288	2,334	2,614	280
Other revenues	-	14	14	-	459	414	414	-
Total revenues	32,874	30,989	27,821	(3,168)	5,263	9,935	9,966	31
Expenditures:								
Public protection	-	-	-	-	280	260	260	-
Public works, transportation and commerce	33,639	27,922	27,619	303	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	951	951	-
General administration and finance	-	-	-	-	6,673	7,298	7,079	219
Total expenditures	33,639	27,922	27,619	303	6,953	8,509	8,290	219
Excess (deficiency) of revenues over (under) expenditures	(765)	3,067	202	(2,865)	(1,690)	1,426	1,676	250
Other financing sources (uses):								
Transfers in	765	765	765	-	154	85	85	-
Transfers out	-	(2,587)	(2,587)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(20)	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	765	(1,822)	(1,822)	-	134	85	85	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	-	1,245	(1,620)	(2,865)	(1,556)	1,511	1,761	250
Budgetary fund balances (deficit), July 1	-	15,009	15,009	-	1,556	12,538	12,538	-
Budgetary fund balances (deficit), June 30	$ -	$ 16,254	$ 13,389	$ (2,865)	$ -	$ 14,049	$ 14,299	$ 250

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	160	219	59	-	-	-	-
Interest and investment income	-	46	35	(11)	10	10	21	11
Rents and concessions	-	-	-	-	3,383	3,383	3,031	(352)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	55	55	-	7,407	7,407	6,392	(1,015)
Other revenues	864	2,525	2,091	(434)	-	-	-	-
Total revenues	864	2,786	2,400	(386)	10,800	10,800	9,444	(1,356)
Expenditures:								
Public protection	-	23	23	-	-	-	-	-
Public works, transportation and commerce	-	321	321	-	-	-	-	-
Human welfare and neighborhood development	446	544	544	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	418	1,815	1,815	-	12,204	12,132	10,697	1,435
General administration and finance	-	97	97	-	-	-	-	-
Total expenditures	864	2,800	2,800	-	12,204	12,132	10,697	1,435
Excess (deficiency) of revenues over (under) expenditures	-	(14)	(400)	(386)	(1,404)	(1,332)	(1,253)	79
Other financing sources (uses):								
Transfers in	-	-	-	-	2,265	2,265	2,265	-
Transfers out	-	(134)	(134)	-	(861)	(861)	(861)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(134)	(134)	-	1,404	1,404	1,404	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	-	(148)	(534)	(386)	-	72	151	79
Budgetary fund balances (deficit), July 1	-	9,443	9,443	-	-	1,769	1,769	-
Budgetary fund balances (deficit), June 30	$ -	$ 9,295	$ 8,909	$ (386)	$ -	$ 1,841	$ 1,920	$ 79

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Human Welfare Fund				Low and Moderate Income Housing Asset Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	210	210	249	39	-	-	-	-
Fines, forfeitures, and penalties	-	11	11	-	-	-	-	-
Interest and investment income	-	-	-	-	-	205	208	3
Rents and concessions	-	-	-	-	-	564	564	-
Intergovernmental:								
Federal	21,568	17,563	17,563	-	-	-	-	-
State	1,080	542	542	-	-	-	-	-
Other	-	55	54	(1)	-	504	504	-
Charges for services	165	165	150	(15)	-	-	-	-
Other revenues	30	36	43	7	-	17,441	16,344	(1,097)
Total revenues	23,053	18,582	18,612	30	-	18,714	17,620	(1,094)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	25,534	22,615	22,615	-	-	802	802	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	25,534	22,615	22,615	-	-	802	802	-
Excess (deficiency) of revenues over (under) expenditures	(2,481)	(4,033)	(4,003)	30	-	17,912	16,818	(1,094)
Other financing sources (uses):								
Transfers in	2,481	2,880	2,880	-	-	-	-	-
Transfers out	-	-	-	-	-	(101)	(101)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,481	2,880	2,880	-	-	(101)	(101)	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	(172,033)	(172,033)
Net change in fund balances	-	(1,153)	(1,123)	30	-	17,811	(155,316)	(173,127)
Budgetary fund balances (deficit), July 1	-	2,395	2,395	-	2,439	177,934	177,934	-
Budgetary fund balances (deficit), June 30	$ -	$ 1,242	$ 1,272	$ 30	$ 2,439	$195,745	$ 22,618	$(173,127)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 37,265	$ 37,265	$ 38,406	$ 1,141	$ 37,265	$ 37,265	$ 38,406	$ 1,141
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	452	452	160	(292)	223	223	117	(106)
Rents and concessions	-	-	-	-	24	24	24	-
Intergovernmental:								
Federal	-	-	-	-	-	80	80	-
State	152	151	166	15	165	218	220	2
Other	-	-	-	-	-	-	-	-
Charges for services	-	1	1	-	1,001	1,001	872	(129)
Other revenues	-	-	-	-	-	20	20	-
Total revenues	37,869	37,869	38,733	864	38,678	38,831	39,739	908
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	1,088	1,088	-	-	22	22	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	41,301	43,029	41,467	1,562	91,841	90,872	89,165	1,707
General administration and finance	-	-	-	-	-	12	12	-
Total expenditures	41,301	44,117	42,555	1,562	91,841	90,906	89,199	1,707
Excess (deficiency) of revenues over (under) expenditures	(3,432)	(6,248)	(3,822)	2,426	(53,163)	(52,075)	(49,460)	2,615
Other financing sources (uses):								
Transfers in	861	861	861	-	52,950	55,330	55,330	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	861	861	861	-	52,950	55,330	55,330	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(2,571)	(5,387)	(2,961)	2,426	(213)	3,255	5,870	2,615
Budgetary fund balances (deficit), July 1	2,571	22,563	22,563	-	213	28,338	28,338	-
Budgetary fund balances (deficit), June 30	$ -	$ 17,176	$ 19,602	$ 2,426	$ -	$ 31,593	$ 34,208	$ 2,615

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Public Protection Fund				Public Works, Transportation and Commerce Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	501	501	493	(8)	-	-	-	-
Fines, forfeitures, and penalties	1,688	1,688	16,304	14,616	-	133	133	-
Interest and investment income	52	74	26	(48)	-	-	-	-
Rents and concessions	-	-	-	-	-	10	10	-
Intergovernmental:								
Federal	10,280	68,586	68,586	-	-	-	-	-
State	9,574	12,355	12,355	-	83	213	130	(83)
Other	-	3	3	-	-	1,441	1,441	-
Charges for services	3,463	14,243	13,000	(1,243)	12,141	19,744	24,878	5,134
Other revenues	1,356	178	178	-	-	445	445	-
Total revenues	26,914	97,628	110,945	13,317	12,224	21,986	27,037	5,051
Expenditures:								
Public protection	22,355	89,230	89,230	-	-	-	-	-
Public works, transportation and commerce	-	562	562	-	1,055	16,891	16,891	-
Human welfare and neighborhood development	3,609	4,430	4,430	-	10,967	11,204	11,204	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	16	16	-
General administration and finance	-	30	30	-	-	122	122	-
Total expenditures	25,964	94,252	94,252	-	12,022	28,233	28,233	-
Excess (deficiency) of revenues over (under) expenditures	950	3,376	16,693	13,317	202	(6,247)	(1,196)	5,051
Other financing sources (uses):								
Transfers in	-	1,532	1,532	-	-	538	538	-
Transfers out	(1,841)	(2,120)	(1,990)	130	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(202)	(148)	(148)	-
Total other financing sources (uses)	(1,841)	(588)	(458)	130	(202)	390	390	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(891)	2,788	16,235	13,447	-	(5,857)	(806)	5,051
Budgetary fund balances (deficit), July 1	891	18,542	18,542	-	-	16,133	16,133	-
Budgetary fund balances (deficit), June 30	$ -	$ 21,330	$ 34,777	$ 13,447	$ -	$ 10,276	$ 15,327	$ 5,051

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	77,464	84,492	85,754	1,262
Hotel room tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	4,812	4,812	4,724	(88)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	1,012	1,012	21	(991)
Rents and concessions	1,289	25,932	25,764	(168)	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	7,389	7,871	5,379	(2,492)
State	-	-	-	-	656	668	760	92
Other	-	456	456	-	1,408	35,613	30,397	(5,216)
Charges for services	-	42	42	-	-	-	-	-
Other revenues	-	-	-	-	-	-	2,305	2,305
Total revenues	1,289	26,430	26,262	(168)	92,741	134,468	129,340	(5,128)
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	1,023	1,023	-	170,554	191,399	121,174	70,225
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	3,357	15,034	15,034	-	-	-	-	-
Total expenditures	3,357	16,057	16,057	-	170,554	191,399	121,174	70,225
Excess (deficiency) of revenues over (under) expenditures	(2,068)	10,373	10,205	(168)	(77,813)	(56,931)	8,166	65,097
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(14,967)	(14,967)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	116,955	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(14,967)	(14,967)	-	116,955	-	-	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	(2,068)	(4,594)	(4,762)	(168)	39,142	(56,931)	8,166	65,097
Budgetary fund balances (deficit), July 1	2,068	13,586	13,586	-	75,600	75,600	75,600	-
Budgetary fund balances (deficit), June 30	$ -	$ 8,992	$ 8,824	$ (168)	$114,742	$ 18,669	$ 83,766	$ 65,097

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Senior Citizens' Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Hotel room tax	-	-	-	-	9,159	9,159	9,159	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Rents and concessions	-	-	-	-	1,751	2,137	2,395	258
Intergovernmental:								
Federal	8,659	4,791	4,791	-	-	-	-	-
State	729	756	756	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	297	353	372	19
Other revenues	100	102	102	-	-	-	-	-
Total revenues	9,488	5,649	5,649	-	11,207	11,649	11,926	277
Expenditures:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	9,488	5,649	5,649	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	11,884	12,623	12,122	501
General administration and finance	-	-	-	-	-	-	-	-
Total expenditures	9,488	5,649	5,649	-	11,884	12,623	12,122	501
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(677)	(974)	(196)	778
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	-	-	-	-	-	-
Net change in fund balances	-	-	-	-	(677)	(974)	(196)	778
Budgetary fund balances (deficit), July 1	-	2	2	-	677	10,946	10,946	-
Budgetary fund balances (deficit), June 30	$ -	$ 2	$ 2	$ -	$ -	$ 9,972	$ 10,750	$ 778

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	TOTAL			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$119,246	$ 119,246	$ 122,899	$ 3,653
Business taxes	1,000	1,000	504	(496)
Sales and use tax	77,464	84,492	85,754	1,262
Hotel room tax	56,386	56,386	56,386	-
Licenses, permits, and franchises	15,068	15,068	14,628	(440)
Fines, forfeitures, and penalties	4,246	5,245	19,977	14,732
Interest and investment income	2,662	6,349	5,932	(417)
Rents and concessions	33,213	58,446	61,719	3,273
Intergovernmental:				
Federal	134,778	232,040	230,810	(1,230)
State	82,359	109,028	104,929	(4,099)
Other	1,857	39,152	33,935	(5,217)
Charges for services	86,176	109,559	130,151	20,592
Other revenues	9,152	56,620	60,383	3,763
Total revenues	623,607	892,631	928,007	35,376
Expenditures:				
Public protection	27,209	89,898	89,884	14
Public works, transportation and commerce	266,314	314,912	237,238	77,674
Human welfare and neighborhood development	203,731	271,151	268,806	2,345
Community health	93,763	100,016	100,016	-
Culture and recreation	240,855	236,678	222,212	14,466
General administration and finance	13,231	24,981	24,762	219
Total expenditures	845,103	1,037,636	942,918	94,718
Excess (deficiency) of revenues over (under) expenditures	(221,496)	(145,005)	(14,911)	130,094
Other financing sources (uses):				
Transfers in	120,216	135,213	135,213	-
Transfers out	(2,702)	(40,910)	(40,780)	130
Issuance of loans	-	5,890	5,890	-
Issuance of commercial paper	116,955	-	-	-
Budget reserves and designations	(693)	(673)	-	673
Loan repayments and other financing sources (uses)	(965)	(989)	(883)	106
Total other financing sources (uses)	232,811	98,531	99,440	909
Extraordinary loss from dissolution of the Redevelopment Agency	-	-	(172,651)	(172,651)
Net change in fund balances	11,315	(46,474)	(88,122)	(41,648)
Budgetary fund balances (deficit), July 1	105,866	661,779	661,779	-
Budgetary fund balances (deficit), June 30	$117,181	$ 615,305	$ 573,657	$ (41,648)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Special Revenue Funds
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 50,039	$ 51,568	$ 44,422	$ 7,146
Public Utilities Commission	-	749	749	-
Public Works	-	54	54	-
Total Building Inspection Fund	50,039	52,371	45,225	7,146
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	12,845	12,845	12,638	207
Children and Families Commission	30,562	26,092	26,092	-
Mayor's Office	89,863	94,615	93,279	1,336
Total Children and Families Fund	133,270	133,552	132,009	1,543
COMMUNITY/NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	10,135	10,472	10,472	-
Public Works	-	1,340	1,340	-
	10,135	11,812	11,812	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,991	67,344	67,344	-
Rent Arbitration Board	5,905	5,874	5,227	647
	9,896	73,218	72,571	647
Culture and Recreation				
Recreation and Park Commission	1,000	45	45	-
General Administration and Finance				
Administrative Services	1,766	1,350	1,350	-
City Planning	1,435	997	997	-
	3,201	2,347	2,347	-
Total Community/Neighborhood Development Fund	24,232	87,422	86,775	647
COMMUNITY HEALTH SERVICES FUND				
Public Works, Transportation and Commerce				
Public Works	-	2,860	2,860	-
Community Health				
Community Health Network	93,763	100,016	100,016	-
Total Community Health Services Fund	93,763	102,876	102,876	-
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Mayor's Office	-	102	102	-
Public Works	-	842	842	-
	-	944	944	-
Human Welfare and Neighborhood Development				
Mayor's Office	5,500	5,876	5,876	-
Culture and Recreation				
Arts Commission	-	19	19	-
Administrative Services	74,660	66,143	57,321	8,822
	74,660	66,162	57,340	8,822
General Administration and Finance				
City Attorney	-	41	41	-
Total Convention Facilities Fund	80,160	73,023	64,201	8,822

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	4,574	385	371	14
Public Works, Transportation and Commerce				
Public Works	-	175	175	-
Total Court's Fund	4,574	560	546	14
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	892	459	459	-
Public Utilities Commission	-	17	17	-
Public Works	-	7,046	7,046	-
	892	7,522	7,522	-
Culture and Recreation				
Arts Commission	708	2,356	2,356	-
Asian Art Museum	482	572	572	-
Fine Arts Museum	3,231	3,192	3,192	-
Recreation and Park Commission	3,126	2,913	2,474	439
	7,547	9,033	8,594	439
Total Culture and Recreation Fund	8,439	16,555	16,116	439
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	5,021	13,261	13,106	155
Total Environmental Protection Fund	5,021	13,261	13,106	155
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	1,268	1,268	-
Public Utilities Commission	-	1,842	1,842	-
Public Works	33,639	24,812	24,509	303
Total Gasoline Tax Fund	33,639	27,922	27,619	303
GENERAL SERVICES FUND				
Public Protection				
District Attorney	-	6	6	-
Mayor's Office	-	5	5	-
Trial Courts	280	249	249	-
	280	260	260	-
Culture and Recreation				
Fine Arts Museum	-	951	951	-
General Administration and Finance				
Administrative Services	328	223	223	-
Assessor/Recorder	3,370	1,370	1,370	-
Board of Supervisors	-	26	26	-
Telecommunications and Information Services	2,516	5,048	5,047	1
Human Resources	-	218	-	218
Treasurer/Tax Collector	459	413	413	-
	6,673	7,298	7,079	219
Total General Services Fund	6,953	8,509	8,290	219

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney	-	2	2	-
Fire Department	-	4	4	-
Police Department	-	17	17	-
	-	23	23	-
Public Works, Transportation and Commerce				
Public Works	-	321	321	-
Human Welfare and Neighborhood Development				
Mayor's Office	-	23	23	-
Social Services	446	519	519	-
Commission on Status of Women	-	2	2	-
	446	544	544	-
Culture and Recreation				
Arts Commission	-	86	86	-
Fine Arts Museum	-	1,104	1,104	-
Public Library	10	163	163	-
Recreation and Park Commission	408	249	249	-
War Memorial	-	213	213	-
	418	1,815	1,815	-
General Administration and Finance				
Administrative Services	-	96	96	-
Telecommunications and Information Services	-	1	1	-
	-	97	97	-
Total Gift and Other Expendable Trusts Fund	864	2,800	2,800	-
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	12,204	12,132	10,697	1,435
Total Golf Fund	12,204	12,132	10,697	1,435
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	210	194	194	-
Social Services	25,324	22,421	22,421	-
Total Human Welfare Fund	25,534	22,615	22,615	-
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	-	802	802	-
Total Low and Moderate Income Housing Asset Fund	-	802	802	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	35	35	-
Public Utilities Commission	-	79	79	-
Public Works	-	974	974	-
	-	1,088	1,088	-
Culture and Recreation				
Arts Commission	-	33	33	-
Recreation and Park Commission	41,301	42,996	41,434	1,562
	41,301	43,029	41,467	1,562
Total Open Space and Park Fund	41,301	44,117	42,555	1,562
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	22	22	-
Culture and Recreation				
Arts Commission	-	50	50	-
Public Library	91,841	90,822	89,115	1,707
	91,841	90,872	89,165	1,707
General Administration and Finance				
City Attorney	-	12	12	-
Total Public Library Fund	91,841	90,906	89,199	1,707
PUBLIC PROTECTION FUND				
Public Protection				
District Attorney	4,141	5,209	5,209	-
Emergency Communications Department	4,618	50,398	50,398	-
Fire Department	-	1,933	1,933	-
Mayor's Office	-	34	34	-
Police Commission	6,786	23,994	23,994	-
Public Defender	89	417	417	-
Sheriff	3,256	3,177	3,177	-
Trial Courts	3,465	4,068	4,068	-
	22,355	89,230	89,230	-
Public Works, Transportation and Commerce				
Public Works	-	562	562	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,609	4,375	4,375	-
Commission on Status of Women	-	55	55	-
	3,609	4,430	4,430	-
General Administration and Finance				
Administrative Services	-	30	30	-
Total Public Protection Fund	25,964	94,252	94,252	-

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Schedule of Expenditures by Department
Budget and Actual - Budget Basis
Special Revenue Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	1,055	16,891	16,891	-
Human Welfare and Neighborhood Development				
Mayor's Office	10,967	11,204	11,204	-
Culture and Recreation				
Arts Commission	-	16	16	-
General Administration and Finance				
Administrative Services	-	26	26	-
City Planning	-	96	96	-
	-	122	122	-
Total Public Works, Transportation and Commerce Fund	12,022	28,233	28,233	-
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	348	348	-
Public Works	-	675	675	-
	-	1,023	1,023	-
General Administration and Finance				
Administrative Services	3,357	15,002	15,002	-
Telecommunications and Information Services	-	32	32	-
	3,357	15,034	15,034	-
Total Real Property Fund	3,357	16,057	16,057	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	170,554	191,399	121,174	70,225
Total SF County Transportation Authority Fund	170,554	191,399	121,174	70,225
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	9,488	5,649	5,649	-
Total Senior Citizens' Program Fund	9,488	5,649	5,649	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	11,884	12,623	12,122	501
Total War Memorial Fund	11,884	12,623	12,122	501
Total Special Revenue Funds With Legally Adopted Budgets	$ 845,103	$ 1,037,636	$ 942,918	$ 94,718

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Debt Service Funds
June 30, 2013
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets				
Deposits and investments with City Treasury	$ 116,116	$ -	$ 10	$ 116,126
Deposits and investments outside City Treasury	-	31,489	-	31,489
Receivables:				
Property taxes and penalties	5,265	-	-	5,265
Charges for services	6	-	-	6
Interest and other	76	49	-	125
Total assets	$ 121,463	$ 31,538	$ 10	$ 153,011
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	$ -	$ -	$ 10	$ 10
Deferred tax, grant and subvention revenues	4,640	-	-	4,640
Deferred credits and other liabilities	14,635	-	-	14,635
Total liabilities	19,275	-	10	19,285
Fund balances:				
Restricted	102,188	31,538	-	133,726
Total fund balances	102,188	31,538	-	133,726
Total liabilities and fund balances	$ 121,463	$ 31,538	$ 10	$ 153,011

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Debt Service Funds
Year Ended June 30, 2013
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 176,857	$ -	$ -	$ 176,857
Fines, forfeitures and penalties	23,646	-	-	23,646
Interest and investment income	577	6	-	583
Rents and concessions	-	738	-	738
Intergovernmental:				
State	721	-	-	721
Other	3,849	69	-	3,918
Total revenues	205,650	813	-	206,463
Expenditures:				
Debt service:				
Principal retirement	138,562	15,396	584	154,542
Interest and fiscal charges	81,656	23,338	343	105,337
Bond issuance costs	2	-	-	2
Total expenditures	220,220	38,734	927	259,881
Deficiency of revenues under expenditures	(14,570)	(37,921)	(927)	(53,418)
Other financing sources (uses):				
Transfers in	66,211	39,784	927	106,922
Transfers out	(486)	-	-	(486)
Total other financing sources, net	65,725	39,784	927	106,436
Net change in fund balances	51,155	1,863	-	53,018
Fund balances at beginning of year	51,033	29,675	-	80,708
Fund balances at end of year	$ 102,188	$ 31,538	$ -	$ 133,726

CITY AND COUNTY OF SAN FRANCISCO
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Budget Basis
Debt Service Funds
Year ended June 30, 2013
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$170,851	$170,851	$176,857	$ 6,006
Fines, forfeitures, and penalties	-	23,646	23,646	-
Interest and investment income	-	-	1,224	1,224
Intergovernmental:				
State	750	750	721	(29)
Other revenues	-	4,018	3,849	(169)
Total revenues	171,601	199,265	206,297	7,032
Expenditures:				
Debt service:				
Principal retirement	176,601	138,562	138,562	-
Interest and fiscal charges	-	81,656	81,656	-
Bond issuance costs	-	2	2	-
Total expenditures	176,601	220,220	220,220	-
Excess (deficiency) of revenues over (under) expenditures	(5,000)	(20,955)	(13,923)	7,032
Other financing sources:				
Transfers in	5,000	66,211	66,211	-
Total other financing sources	5,000	66,211	66,211	-
Net change in fund balances	-	45,256	52,288	7,032
Budgetary fund balance, July 1	-	58,175	58,175	-
Budgetary fund balance, June 30	$ -	$103,431	$110,463	$ 7,032

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects Funds
June 30, 2013
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Assets				
Deposits and investments with City Treasury..........	$ 378,705	$ 17	$ 7,451	$ 4
Deposits and investments outside City Treasury.....	12,891	-	-	849
Receivables:				
Federal and state grants and subventions...........	-	-	-	-
Interest and other..	136	-	2	-
Due from other funds...	26,785	-	-	-
Due from component unit.......................................	-	-	-	36
Total assets...	$ 418,517	$ 17	$ 7,453	$ 889
Liabilities and Fund Balances				
Liabilities:				
Accounts payable...	$ 50,626	$ -	$ 67	$ 264
Accrued payroll..	722	-	2	5
Deferred tax, grant and subvention revenues.......	-	-	-	-
Due to other funds..	5	-	-	8,646
Deferred credits and other liabilities......................	-	-	-	-
Bonds, loans, capital leases and other payables..	49,725	-	-	-
Total liabilities......................................	101,078	-	69	8,915
Fund balances:				
Restricted..	317,439	17	7,384	-
Unassigned..	-	-	-	(8,026)
Total fund balances............................	317,439	17	7,384	(8,026)
Total liabilities and fund balances........	$ 418,517	$ 17	$ 7,453	$ 889

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects Funds (Continued)
June 30, 2013
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets				
Deposits and investments with City Treasury..........	$ 1,536	$ 125,950	$ 168,712	$ 682,375
Deposits and investments outside City Treasury.....	-	-	9,616	23,356
Receivables:				
Federal and state grants and subventions...........	-	2,376	2,927	5,303
Interest and other..	-	27	20	185
Due from other funds...	1,006	925	1	28,717
Due from component unit.......................................	-	-	-	36
Total assets...	$ 2,542	$ 129,278	$ 181,276	$ 739,972
Liabilities and Fund Balances				
Liabilities:				
Accounts payable...	$ 1,198	$ 7,815	$ 10,724	$ 70,694
Accrued payroll..	8	438	1,408	2,583
Deferred tax, grant and subvention revenues.......	-	1,107	29	1,136
Due to other funds..	-	12	69	8,732
Deferred credits and other liabilities......................	248	69	1,632	1,949
Bonds, loans, capital leases and other payables..	-	-	-	49,725
Total liabilities......................................	1,454	9,441	13,862	134,819
Fund balances:				
Restricted..	1,088	119,837	167,414	613,179
Unassigned..	-	-	-	(8,026)
Total fund balances............................	1,088	119,837	167,414	605,153
Total liabilities and fund balances........	$ 2,542	$ 129,278	$ 181,276	$ 739,972

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects Funds
Year Ended June 30, 2013
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income	$ 526	$ -	$ -	$ -
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Other	-	-	-	-
Other	-	-	-	-
Total revenues	526	-	-	-
Expenditures:				
Debt service:				
Interest and fiscal charges	664	-	-	326
Bond issuance costs	1,237	-	-	607
Capital outlay	282,787	28	928	2,674
Total expenditures	284,688	28	928	3,607
Deficiency of revenues under expenditures	(284,162)	(28)	(928)	(3,607)
Other financing sources (uses):				
Transfers in	2,329	-	-	3,276
Transfers out	(107,566)	-	-	(3,558)
Issuance of bonds and loans:				
Face value of bonds issued	320,385	-	-	35,575
Premium on issuance of bonds	44,007	-	-	3,536
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	259,155	-	-	38,829
Net change in fund balances	(25,007)	(28)	(928)	35,222
Fund balances at beginning of year	342,446	45	8,312	(43,248)
Fund balances at end of year	$ 317,439	$ 17	$ 7,384	$ (8,026)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects Funds (Continued)
Year Ended June 30, 2013
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Interest and investment income	$ 54	$ -	$ -	$ 580
Rents and concessions	-	-	312	312
Intergovernmental:				
Federal	-	-	5,404	5,404
State	-	1,730	3,324	5,054
Other	-	67	4,725	4,792
Other	-	12	2,490	2,502
Total revenues	54	1,809	16,255	18,644
Expenditures:				
Debt service:				
Interest and fiscal charges	-	-	155	1,145
Bond issuance costs	-	384	683	2,911
Capital outlay	8,527	45,278	70,772	410,994
Total expenditures	8,527	45,662	71,610	415,050
Deficiency of revenues under expenditures	(8,473)	(43,853)	(55,355)	(396,406)
Other financing sources (uses):				
Transfers in	-	457	3,983	10,045
Transfers out	-	(24,299)	(22,650)	(158,073)
Issuance of bonds and loans:				
Face value of bonds issued	-	71,970	129,560	557,490
Premium on issuance of bonds	-	6,044	10,882	64,469
Other financing sources-capital leases	6,195	1,788	-	7,983
Total other financing sources, net	6,195	55,960	121,775	481,914
Net change in fund balances	(2,278)	12,107	66,420	85,508
Fund balances at beginning of year	3,366	107,730	100,994	519,645
Fund balances at end of year	$ 1,088	$ 119,837	$ 167,414	$ 605,153

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CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city personnel. It also accounts for the related billings to various departments for specific services performed and operating support from the General Fund.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Net Position
Internal Service Funds
June 30, 2013
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets					
Current assets:					
Deposits and investments with City Treasury...............	$ 2,523	$ -	$ 1,482	$ 28,363	$ 32,368
Receivables:					
Interest and other...	-	109	5	649	763
Due from other funds..	-	198	-	-	198 (1)
Capital leases receivable..	-	22,545	-	-	22,545
Restricted assets:					-
Deposits and investments outside City Treasury......	-	55,337	-	-	55,337
Total current assets..	2,523	78,189	1,487	29,012	111,211
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury......	-	4,777	-	-	4,777
Capital leases receivable..	-	239,998	-	-	239,998
Capital assets:					
Facilities and equipment, net of depreciation............	276	-	109	5,535	5,920
Deferred charges and other assets.............................	-	4,535	-	-	4,535
Total noncurrent assets...	276	249,310	109	5,535	255,230
Total assets...	2,799	327,499	1,596	34,547	366,441
Liabilities					
Current liabilities:					
Accounts payable..	1,113	308	172	3,933	5,526
Accrued payroll..	655	-	89	1,647	2,391
Accrued vacation and sick leave pay...........................	375	-	-	1,033	1,408
Accrued workers' compensation..................................	-	-	-	290	290
Bonds, loans, capital leases, and other payables.........	-	20,780	30	334	21,144
Accrued interest payable..	-	1,650	-	-	1,650
Due to other funds...	-	1,963	-	198	2,161 (1)
Deferred credits and other liabilities............................	-	60,080	-	34	60,114
Total current liabilities...	2,143	84,781	291	7,469	94,684
Noncurrent liabilities:					
Accrued vacation and sick leave pay...........................	329	-	-	995	1,324
Accrued workers' compensation..................................	-	-	-	1,218	1,218
Other postemployment benefits obligation...................	4,178	-	-	13,669	17,847
Bonds, loans, capital leases, and other payables.........	-	242,718	-	-	242,718
Total noncurrent liabilities..	4,507	242,718	-	15,882	263,107
Total liabilities...	6,650	327,499	291	23,351	357,791
Net Position					
Net investment in capital assets………………………….	276	-	79	5,201	5,556
Unrestricted (deficit)...	(4,127)	-	1,226	5,995	3,094
Total net position (deficit).....................................	$ (3,851)	$ -	$ 1,305	$ 11,196	$ 8,650

Notes:
(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary Funds on page 34.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2013
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services..	$ 28,571	$ -	$ 6,313	$ 71,798	$ 106,682
Rent and concessions..	-	-	-	90	90
Total operating revenues..............................	28,571	-	6,313	71,888	106,772
Operating expenses:					
Personal services..	12,698	-	1,561	30,402	44,661
Contractual services..	2,332	-	3,502	29,020	34,854
Materials and supplies...	12,444	-	254	6,400	19,098
Depreciation and amortization.............................	113	130	161	1,273	1,677
General and administrative..................................	99	-	1	409	509
Services provided by other departments.............	1,237	-	509	4,657	6,403
Other..	-	-	6	981	987
Total operating expenses.............................	28,923	130	5,994	73,142	108,189
Operating income (loss)...............................	(352)	(130)	319	(1,254)	(1,417)
Nonoperating revenues (expenses):					
Interest and investment income...........................	-	5,936	-	-	5,936
Interest expense..	(44)	(5,806)	(13)	(120)	(5,983)
Other, net..	-	-	-	1	1
Total nonoperating revenues (expenses).....	(44)	130	(13)	(119)	(46)
Income (loss) before transfers.....................	(396)	-	306	(1,373)	(1,463)
Transfers in..	44	-	13	120	177
Change in net position...	(352)	-	319	(1,253)	(1,286)
Total net position (deficit) - beginning.....................	(3,499)	-	986	12,449	9,936
Total net position (deficit) - ending..........................	$ (3,851)	$ -	$ 1,305	$ 11,196	$ 8,650

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2013
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 28,660	$ 26,991	$ 6,340	$ 71,743	$ 133,734
Cash paid to employees for services	(12,181)	-	(1,557)	(28,222)	(41,960)
Cash paid to suppliers for goods and services	(16,827)	(16,632)	(4,215)	(42,246)	(79,920)
Net cash provided by (used in) operating activities	(348)	10,359	568	1,275	11,854
Cash flows from noncapital financing activities:					
Transfers in	44	-	13	120	177
Net cash provided by noncapital financing activities	44	-	13	120	177
Cash flows from capital and related financing activities:					
Bond sale proceeds	-	11,829	-	-	11,829
Acquisition of capital assets	(97)	-	-	(1,899)	(1,996)
Retirement of capital lease obligation	-	(22,515)	(132)	(323)	(22,970)
Bond issue costs paid	-	(143)	-	-	(143)
Interest paid on long-term debt	-	(5,915)	-	-	(5,915)
Net cash (used in) capital financing activities	(97)	(16,744)	(132)	(2,222)	(19,195)
Cash flows from investing activities:					
Purchases of investments with trustees	-	(4,727)	-	-	(4,727)
Proceeds from sale of investments with trustees	-	5,042	-	-	5,042
Interest income received	-	(31)	-	-	(31)
Other investing activities	(44)	(324)	(13)	(120)	(501)
Net cash (used in) investing activities	(44)	(40)	(13)	(120)	(217)
Increase (decrease) in cash and cash equivalents	(445)	(6,425)	436	(947)	(7,381)
Cash and cash equivalents - beginning of year	2,968	56,962	1,046	29,310	90,286
Cash and cash equivalents - end of year	$ 2,523	$ 50,537	$ 1,482	$ 28,363	$ 82,905
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (352)	$ (130)	$ 319	$ (1,254)	$ (1,417)
Adjustments for non-cash activities:					
Depreciation and amortization	113	130	161	1,273	1,677
Other	-	-	-	1	1
Changes in assets/liabilities:					
Receivables, net	89	22,515	27	(40)	22,591
Accounts payable	(715)	-	57	(969)	(1,627)
Accrued payroll	(22)	-	4	86	68
Accrued vacation and sick leave pay	(115)	-	-	(232)	(347)
Accrued workers' compensation	-	-	-	513	513
Other postemployment benefits obligation	654	-	-	1,813	2,467
Due to other funds	-	-	-	190	190
Deferred credits and other liabilities	-	(12,156)	-	(106)	(12,262)
Total adjustments	4	10,489	249	2,529	13,271
Net cash provided by (used in) operating activities	$ (348)	$ 10,359	$ 568	$ 1,275	$ 11,854
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 2,523	$ -	$ 1,482	$ 28,363	$ 32,368
Deposits and investments outside City Treasury:					
Restricted	-	60,114	-	-	60,114
Total deposits and investments	2,523	60,114	1,482	28,363	92,482
Less: Investments outside of City Treasury not meeting the definition of cash equivalents	-	(9,577)	-	-	(9,577)
Cash and cash equivalents at end of year on combining statement of cash flows	$ 2,523	$ 50,537	$ 1,482	$ 28,363	$ 82,905
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 2,104	$ -	$ -	$ 2,104

CITY AND COUNTY OF SAN FRANCISCO
FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units.

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2013
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Retiree Health Care	Total
Assets				
Deposits and investments with City Treasury............	$ 7,769	$ 135,135	$ 30,260	$ 173,164
Deposits and investments outside City Treasury:				
Cash and deposits..	60,874	-	-	60,874
Short term investments..	572,556	-	-	572,556
Alternative investments..	2,129,578	-	-	2,129,578
Debt securities..	4,290,577	-	-	4,290,577
Equity securities..	8,621,434	-	-	8,621,434
Real estate..	1,430,711	-	-	1,430,711
Foreign currency contracts, net.............................	(7,403)	-	-	(7,403)
Invested in securities lending collateral.....................	1,004,266	-	-	1,004,266
Receivables:				
Employer and employee contributions....................	39,593	38,217	904	78,714
Brokers, general partners and others.....................	315,076	-	-	315,076
Interest and other...	34,961	5,195	9	40,165
Total assets...	18,499,992	178,547	31,173	18,709,712
Liabilities				
Accounts payable...	17,337	16,994	-	34,331
Estimated claims payable..	-	25,593	-	25,593
Payable to brokers..	445,447	-	-	445,447
Deferred Retirement Option Program liabilities..........	20,502	-	-	20,502
Payable to borrowers of securities............................	1,005,161	-	-	1,005,161
Deferred credits and other liabilities..........................	-	58,596	-	58,596
Total liabilities..	1,488,447	101,183	-	1,589,630
Net Position				
Held in trust for pension benefits and other purposes	$ 17,011,545	$ 77,364	$ 31,173	$ 17,120,082

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2013
(In Thousands)

	Pension Trust Fund	Other Employee Benefit Trust Fund	Other Post-employment Benefit Trust Fund	
	Employees' Retirement System	Health Service System	Retiree Health Care	Total
Additions:				
Employees' contributions..	$ 258,726	$ 118,057	$ 8,822	$ 385,605
Employer contributions...	442,870	630,128	4,411	1,077,409
Total contributions...	701,596	748,185	13,233	1,463,014
Investment income/loss:				
Interest…..	182,160	749	25	182,934
Dividends…...	188,644	-	-	188,644
Net appreciation/(depreciation) in fair value of investments...	1,729,781	(997)	-	1,728,784
Securities lending income...	5,096	-	-	5,096
Total investment income…...	2,105,681	(248)	25	2,105,458
Less investment expenses:				
Securities lending borrower rebates and expenses….....	523	-	-	523
Other investment expenses…..	(41,654)	-	-	(41,654)
Total investment expenses…...................................	(41,131)	-	-	(41,131)
Total additions, net...	2,766,146	747,937	13,258	3,527,341
Deductions:				
Benefit payments………..	1,023,354	723,792	-	1,747,146
Refunds of contributions...	9,453	-	-	9,453
Administrative expenses...	15,518	-	75	15,593
Total deductions..	1,048,325	723,792	75	1,772,192
Change in net position...	1,717,821	24,145	13,183	1,755,149
Net position at beginning of year...	15,293,724	53,219	17,990	15,364,933
Net position at end of year...	$ 17,011,545	$ 77,364	$ 31,173	$ 17,120,082

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013
(In Thousands)

Assistance Program Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 28,808	$ 4,948	$ 7,955	$ 25,801
Deposits and investments outside City Treasury	-	15	-	15
Receivables:				
Interest and other	16	207	215	8
Total assets	$ 28,824	$ 5,170	$ 8,170	$ 25,824
Liabilities				
Accounts payable	$ 147	$ 2,887	$ 3,024	$ 10
Agency obligations	28,677	6,394	9,257	25,814
Total liabilities	$ 28,824	$ 9,281	$ 12,281	$ 25,824

Deposits Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 14,040	$ 34,372	$ 35,324	$ 13,088
Deposits and investments outside City Treasury	23	2	23	2
Receivables:				
Interest and other	54	111	86	79
Deferred charges and other assets	34,538	-	-	34,538
Total assets	$ 48,655	$ 34,485	$ 35,433	$ 47,707
Liabilities				
Accounts payable	$ 853	$ 12,824	$ 12,937	$ 740
Agency obligations	47,802	33,289	34,124	46,967
Total liabilities	$ 48,655	$ 46,113	$ 47,061	$ 47,707

Payroll Deduction Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 14,111	$ 24,587	$ -	$ 38,698
Receivables:				
Employer and employee contributions	58,441	1,296	-	59,737
Total assets	$ 72,552	$ 25,883	$ -	$ 98,435
Liabilities				
Accounts payable	$ 12,704	$ -	$ 3,415	$ 9,289
Agency obligations	59,848	29,298	-	89,146
Total liabilities	$ 72,552	$ 29,298	$ 3,415	$ 98,435

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2013
(In Thousands)

State Revenue Collection Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 826	$ 4,826	$ 3,888	$ 1,764
Deposits and investments outside City Treasury	2	3	2	3
Receivables:				
Interest and other	-	1	1	-
Total assets	$ 828	$ 4,830	$ 3,891	$ 1,767
Liabilities				
Accounts payable	$ 398	$ 3,576	$ 3,791	$ 183
Agency obligations	430	4,817	3,663	1,584
Total liabilities	$ 828	$ 8,393	$ 7,454	$ 1,767

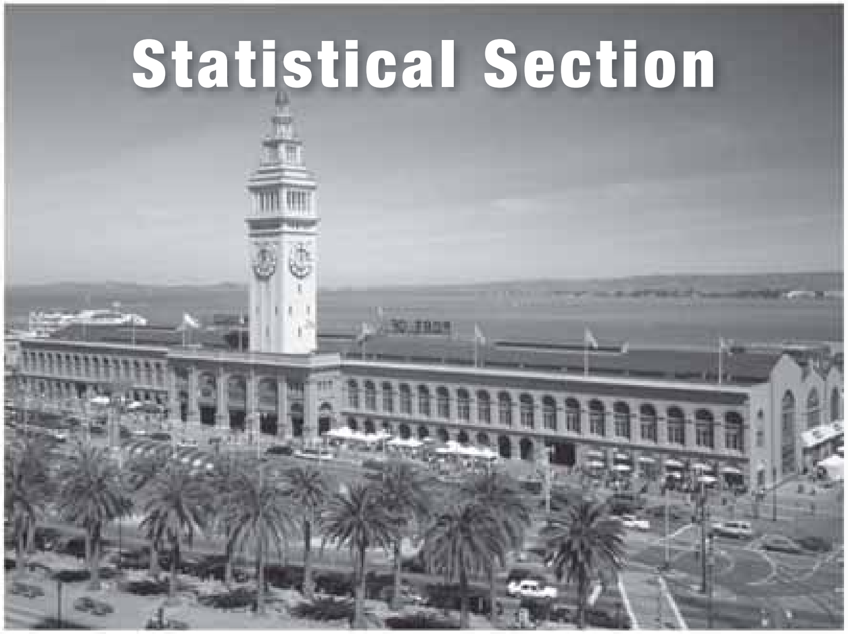
Tax Collection Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 60,281	$ 3,467,450	$ 3,473,470	$ 54,261
Deposits and investments outside City Treasury	179	125	179	125
Receivables:				
Interest and other	171,653	173,800	171,621	173,832
Total assets	$ 232,113	$ 3,641,375	$ 3,645,270	$ 228,218
Liabilities				
Accounts payable	$ 16,961	$ 106,839	$ 115,729	$ 8,071
Agency obligations	215,152	2,366,269	2,361,274	220,147
Total liabilities	$ 232,113	$ 2,473,108	$ 2,477,003	$ 228,218

Transit Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Deposits and investments with City Treasury	$ 8,065	$ 58,108	$ 61,379	$ 4,794
Receivables:				
Interest and other	2	34	35	1
Total assets	$ 8,067	$ 58,142	$ 61,414	$ 4,795
Liabilities				
Accounts payable	$ 1,167	$ 18,034	$ 17,180	$ 2,021
Agency obligations	6,900	41,496	45,622	2,774
Total liabilities	$ 8,067	$ 59,530	$ 62,802	$ 4,795

CITY AND COUNTY OF SAN FRANCISCO
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
For the Year Ended June 30, 2013
(In Thousands)

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Other Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 15,573	$ 252,636	$ 251,371	$ 16,838
Deposits and investments outside City Treasury	4	-	4	-
Receivables:				
Interest and other	370	436	402	404
Total assets	$ 15,947	$ 253,072	$ 251,777	$ 17,242
Liabilities				
Accounts payable	$ 2,359	$ 68,052	$ 66,929	$ 3,482
Agency obligations	13,588	244,563	244,391	13,760
Total liabilities	$ 15,947	$ 312,615	$ 311,320	$ 17,242
Total Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 141,704	$ 3,846,927	$ 3,833,387	$ 155,244
Deposits and investments outside City Treasury	208	145	208	145
Receivables:				
Employer and employee contributions	58,441	1,296	-	59,737
Interest and other	172,095	174,589	172,360	174,324
Deferred charges and other assets	34,538	-	-	34,538
Total assets	$ 406,986	$ 4,022,957	$ 4,005,955	$ 423,988
Liabilities				
Accounts payable	$ 34,589	$ 212,212	$ 223,005	$ 23,796
Agency obligations	372,397	2,726,126	2,698,331	400,192
Total liabilities	$ 406,986	$ 2,938,338	$ 2,921,336	$ 423,988

Statistical Section



The Ferry Building after 2003 renovation.

CITY AND COUNTY OF SAN FRANCISCO
Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY AND COUNTY OF SAN FRANCISCO
NET POSITION BY COMPONENT (2)
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Governmental activities										
Net investment in capital assets	$ 1,096,834	$ 1,159,696	$ 1,438,010	$ 1,454,614	$ 1,436,842	$ 1,725,203	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963
Restricted for:										
Cash and emergencies requirements by Charter (1)	55,139	-	-	-	-	-	-	-	-	-
Reserve for rainy day	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339
Debt service	9,996	46,575	53,076	28,310	23,130	30,724	34,308	36,805	48,202	98,754
Capital projects	48,313	25,101	10,589	19,128	-	-	63,323	82,315	91,997	154,502
Community development	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423
Transportation Authority activities	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924
Building inspection programs	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131
Children and families	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170
Culture, recreation, grants and other purposes	63,326	76,068	84,531	113,606	112,219	116,032	113,917	155,152	150,383	158,973
Unrestricted (deficit)	(325,147)	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)
Total governmental activities net position	$ 1,306,741	$ 1,501,082	$ 1,794,618	$ 1,871,011	$ 1,585,056	$ 1,305,203	$ 1,152,985	$ 1,310,279	$ 1,920,010	$ 1,820,159
Business-type activities										
Net investment in capital assets	$ 3,416,154	$ 3,391,450	$ 3,438,397	$ 3,795,006	$ 3,935,008	$ 4,204,644	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,691,579
Restricted for:										
Debt service	242,537	202,006	256,055	249,656	282,187	58,716	71,128	62,421	53,951	58,970
Capital projects	128,387	161,231	148,957	75,771	111,463	140,932	188,580	161,580	176,570	299,942
Other purposes	61,241	66,753	32,354	23,709	28,254	31,459	18,854	18,741	18,913	13,046
Unrestricted	464,658	446,039	536,670	567,122	491,437	324,395	259,533	268,328	242,842	610,565
Total business-type activities net position	$ 4,312,977	$ 4,267,479	$ 4,412,433	$ 4,711,264	$ 4,848,349	$ 4,760,146	$ 4,815,894	$ 4,992,474	$ 5,031,266	$ 5,674,102
Primary government										
Net investment in capital assets	$ 4,512,988	$ 4,551,146	$ 4,876,407	$ 5,249,620	$ 5,371,850	$ 5,630,550	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499
Restricted for:										
Cash and emergencies requirements by Charter	55,139	-	-	-	-	-	-	-	-	-
Reserve for rainy day	-	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339
Debt service	252,533	248,581	309,131	277,966	305,317	89,440	105,436	99,226	102,153	157,724
Capital projects	176,700	186,332	159,546	94,899	111,463	140,932	239,209	223,694	246,027	356,002
Community development	163,875	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423
Transportation Authority activities	135,466	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924
Building inspection programs	25,284	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131
Children and families	33,655	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170
Culture, recreation, grants and other purposes	124,567	142,821	116,885	137,315	140,473	147,491	132,771	173,893	169,296	172,019
Unrestricted (deficit)	139,511	245,572	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)
Total primary activities net position	$ 5,619,718	$ 5,768,561	$ 6,207,051	$ 6,582,275	$ 6,433,405	$ 6,065,349	$ 5,968,879	$ 6,302,753	$ 6,951,276	$ 7,494,261

Notes:
(1) The City's Charter was amended in November 2003 and replaced the reserve for cash and emergencies requirements by Charter with the reserve for rainy day.
(2) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

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CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009 (1)	2010	2011	2012	2013
Expenses										
Governmental activities:										
Public protection	$ 727,580	$ 738,688	$ 780,642	$ 861,689	$ 1,020,457	$ 1,109,311	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922
Public works, transportation and commerce	169,179	213,335	272,397	309,095	342,411	254,955	225,589	239,230	210,415	189,124
Human welfare and neighborhood development	651,250	619,753	858,396	751,034	848,195	908,449	933,039	885,194	942,523	946,562
Community health	517,066	503,259	478,844	516,321	567,410	608,733	599,741	613,883	673,905	751,491
Culture and recreation	232,187	256,336	244,423	290,547	347,433	319,994	310,063	318,083	307,269	338,042
General administration and finance	183,258	152,850	167,490	194,653	250,295	238,601	221,471	224,027	237,818	249,271
General City responsibilities	73,530	59,024	49,054	67,948	80,887	72,634	80,246	84,444	96,147	83,895
Unallocated Interest on long-term debt	86,131	89,690	94,923	94,060	97,694	93,387	102,635	110,142	110,145	107,790
Total governmental activities expenses	2,640,181	2,632,935	2,946,169	3,085,347	3,554,782	3,606,064	3,562,093	3,574,794	3,736,840	3,903,097
Business-type activities:										
Airport	618,301	628,445	633,102	624,832	651,581	683,335	662,347	690,875	746,610	756,961
Transportation	660,650	711,733	695,593	726,053	830,411	863,218	905,694	905,218	959,088	1,026,726
Port	61,185	54,897	55,329	61,937	67,495	71,778	73,573	68,661	72,307	81,422
Water	206,211	197,848	213,584	236,824	252,802	277,162	325,242	362,802	431,248	445,804
Power	121,629	116,683	119,146	95,020	109,436	96,228	119,109	119,282	130,709	129,790
Hospitals	562,188	598,160	646,149	714,349	812,399	820,236	842,488	885,294	954,566	992,687
Sewer	150,586	160,650	160,701	168,954	182,712	184,977	201,403	201,629	214,593	223,727
Market	949	1,055	1,035	1,061	1,052	1,144	1,119	1,152	1,138	1,231
Total business-type activities expenses	2,381,699	2,469,471	2,524,639	2,629,030	2,907,888	2,998,078	3,130,975	3,234,913	3,510,259	3,658,348
Total primary government expenses	$ 5,021,880	$ 5,102,406	$ 5,470,808	$ 5,714,377	$ 6,462,670	$ 6,604,142	$ 6,693,068	$ 6,809,707	$ 7,247,099	$ 7,561,445
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 40,349	$ 54,805	$ 51,874	$ 58,979	$ 66,343	$ 90,044	$ 58,980	$ 62,105	$ 61,412	$ 60,190
Public works, transportation and commerce	83,176	95,081	113,861	111,364	115,939	72,287	71,288	101,846	93,809	105,981
Human welfare and neighborhood development	23,931	21,375	29,181	56,367	108,956	33,988	25,813	56,628	68,794	69,997
Community health	38,933	44,850	52,183	50,266	52,455	60,708	65,756	64,419	58,864	60,856
Culture and recreation	53,369	64,614	64,720	65,407	70,576	74,477	81,855	76,528	78,828	93,612
General administration and finance	43,585	41,348	55,799	10,502	20,376	33,530	35,190	37,601	44,358	76,903
General City responsibilities	59,609	28,956	31,647	29,604	26,980	27,377	37,806	29,316	29,142	50,121
Operating Grants and Contributions	823,784	834,607	859,919	927,256	926,089	909,695	997,091	1,040,116	998,701	1,086,154
Capital Grants and Contributions	39,209	55,435	248,329	50,479	36,079	44,048	50,349	57,719	41,174	29,718
Total Governmental activities program revenues	1,205,945	1,241,071	1,507,513	1,360,224	1,423,793	1,346,154	1,424,128	1,526,278	1,475,082	1,633,532
Business-type activities:										
Charges for services:										
Airport	486,132	477,314	455,342	503,914	535,771	551,283	578,041	607,323	668,672	726,358
Transportation	186,390	187,913	210,692	222,115	257,341	257,083	311,311	334,140	350,464	494,805
Port	56,702	57,519	58,588	61,193	64,498	66,438	66,579	72,266	77,260	80,202
Water	168,260	184,835	201,833	216,531	234,216	265,781	265,218	288,395	342,101	721,470
Power	124,474	132,303	149,500	108,224	119,855	115,274	128,590	140,035	127,309	133,927
Hospitals	453,607	493,596	472,327	515,092	558,167	568,210	606,276	726,522	740,920	868,244
Sewer	137,806	148,888	164,703	193,411	202,549	208,654	209,843	229,216	244,155	252,554
Market	1,413	1,462	1,503	1,567	1,564	1,546	1,681	1,655	1,672	1,715
Operating Grants and Contributions	169,767	180,807	188,672	183,301	181,725	186,805	182,572	204,153	200,318	224,382
Capital Grants and Contributions	94,818	93,724	110,403	150,080	152,511	107,118	180,253	213,364	173,975	251,753
Total business-type activities program revenues	1,879,369	1,958,361	2,013,563	2,155,428	2,308,197	2,328,192	2,530,364	2,817,069	2,926,846	3,755,410
Total primary government program revenues	$ 3,085,314	$ 3,199,432	$ 3,521,076	$ 3,515,652	$ 3,731,990	$ 3,674,346	$ 3,954,492	$ 4,343,347	$ 4,401,928	$ 5,388,942

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009 (1)	2010	2011	2012	2013
Net (expenses)/revenue										
Governmental activities	$ (1,434,236)	$ (1,391,864)	$ (1,438,656)	$ (1,725,123)	$ (2,130,989)	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)
Business-type activities	(502,330)	(511,110)	(511,076)	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062
Total primary government net expenses	$ (1,936,566)	$ (1,902,974)	$ (1,949,732)	$ (2,198,725)	$ (2,730,680)	$ (2,929,796)	$ (2,738,576)	$ (2,466,360)	$ (2,845,171)	$ (2,172,503)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 723,786	$ 920,314	$ 1,016,220	$ 1,126,992	$ 1,189,511	$ 1,302,071	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068
Business taxes	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131
Sales and use tax	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025
Hotel room tax	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782
Utility users tax	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871
Other local taxes	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,746	359,808
Interest and investment income	11,856	29,490	71,129	86,233	57,929	35,434	27,877	17,645	31,453	7,862
Other	170,163	47,153	56,022	33,046	25,939	44,086	54,410	58,524	91,236	52,865
Transfers - internal activities of primary government	(251,937)	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)
Extraordinary gain (loss)	-	-	-	-	-	-	-	-	323,130	(201,670)
Total governmental activities	1,428,155	1,586,205	1,732,192	1,801,516	1,845,034	1,980,057	1,985,747	2,205,810	2,871,489	2,169,714
Business-type activities:										
Interest and investment income	17,620	33,268	53,161	85,692	67,217	49,691	44,471	42,299	82,533	1,009
Other	237,692	237,102	272,873	218,184	233,244	181,759	176,064	214,993	288,584	61,737
Special item	9,245	(46,358)	-	17,386	(41,026)	-	-	-	-	-
Transfers - internal activities of primary government	251,937	241,600	329,996	451,171	477,341	393,259	435,824	337,132	251,088	483,028
Total business-type activities	516,494	465,612	656,030	772,433	736,776	624,709	656,359	594,424	622,205	545,774
Total primary government	$ 1,944,649	$ 2,051,817	$ 2,388,222	$ 2,573,949	$ 2,581,810	$ 2,604,766	$ 2,642,106	$ 2,800,234	$ 3,493,694	$ 2,715,488
Change in Net Position										
Governmental activities	$ (6,081)	$ 194,341	$ 293,536	$ 76,393	$ (285,955)	$ (279,853)	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)
Business-type activities	14,164	(45,498)	144,954	298,831	137,085	(45,177)	55,748	176,580	38,792	642,836
Total primary government	$ 8,083	$ 148,843	$ 438,490	$ 375,224	$ (148,870)	$ (325,030)	$ (96,470)	$ 333,874	$ 648,523	$ 542,985

Notes:
(1) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year					
	2004 (1)	2005	2006	2007	2008	2009
General Fund						
Reserved for rainy day	$ 55,139	$ 48,139	$ 121,976	$ 133,622	$ 117,792	$ 98,297
Reserved for assets not available for appropriation	7,142	9,031	10,710	12,665	11,358	11,307
Reserved for encumbrances	42,501	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward	35,754	36,198	124,009	161,127	99,959	91,075
Reserved for subsequent years' budgets	6,242	22,351	27,451	32,062	36,341	6,891
Unreserved	63,657	134,199	138,971	141,037	77,117	28,203
Total general fund	$ 210,435	$ 307,680	$ 461,276	$ 541,461	$ 405,635	$ 301,675
All other governmental funds						
Reserved for assets not available for appropriation	$ 17,443	$ 17,683	$ 20,202	$ 19,413	$ 19,814	$ 19,781
Reserved for debt service	18,800	45,540	57,429	51,299	47,334	75,886
Reserved for encumbrances	142,784	97,920	423,120	288,948	193,461	167,169
Reserved for appropriation carryforward	287,690	549,571	294,340	292,234	314,051	501,006
Reserved for subsequent years' budgets	8,005	8,004	8,004	8,004	13,504	11,245
Unreserved reported in:						
Special revenue funds	19,043	30,809	35,243	47,445	(27,758)	(69,468)
Capital projects funds	10,048	7,193	13,662	(373)	2,126	(26,153)
Permanent fund	3,326	3,856	2,308	3,508	3,502	3,871
Total other governmental funds	$ 507,139	$ 760,576	$ 854,308	$ 710,478	$ 566,034	$ 683,337

	2010 (2)	2011	2012	2013
General Fund				
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854
Restricted	39,582	33,439	34,109	26,339
Committed	4,677	33,431	79,276	137,487
Assigned	132,645	240,635	305,413	353,191
Unassigned	-	-	17,329	-
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871
All other governmental funds				
Nonspendable	$ 192	$ 192	$ 1,104	$ 274
Restricted	861,188	831,269	1,189,102	1,191,189
Assigned	27,493	27,622	28,006	30,759
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690

Notes:
(1) The City's Charter was amended in November 2003 and replaced the requirements for a cash requirement reserve and an emergency reserve with the rainy day reserve.
(2) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

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CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2004	2005 [1]	2006	2007	2008	2009 [2]	2010	2011	2012	2013
Revenues:										
Property taxes	$ 721,437	$ 918,645	$ 1,008,151	$ 1,107,864	$ 1,179,688	$ 1,272,385	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764
Business taxes	264,832	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131
Sales and use tax	182,567	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025
Hotel room tax	142,437	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782
Utility users tax	70,938	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871
Other local taxes	113,513	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,889	359,808
Licenses, permits and franchises	23,788	25,942	27,662	27,428	30,943	32,153	33,625	35,977	39,770	40,901
Fines, forfeitures and penalties	25,183	12,509	14,449	8,871	13,217	9,694	22,255	11,770	30,090	49,841
Interest and investment income	11,630	28,268	70,046	83,846	54,256	33,547	27,038	17,041	31,371	7,489
Rent and concessions	58,979	49,450	52,426	52,493	70,160	77,014	78,527	78,995	89,183	98,770
Intergovernmental:										
Federal	344,155	348,764	350,985	381,688	328,315	362,582	448,890	484,704	420,974	420,775
State	630,953	522,937	565,989	582,666	561,095	575,774	552,641	581,119	588,532	656,141
Other	18,259	25,783	23,500	15,689	15,907	15,186	7,397	32,017	33,181	41,789
Charges for services	217,647	241,750	263,994	273,057	288,689	280,407	243,128	258,015	264,856	296,059
Other	57,144	57,487	61,565	44,084	81,321	30,318	51,023	97,194	83,634	81,014
Total revenues	2,883,462	3,062,383	3,357,584	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160
Expenditures										
Public protection	706,758	738,494	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884
Public works, transportation and commerce	165,555	195,896	274,669	280,907	236,569	248,161	243,454	226,920	250,879	223,218
Human welfare and neighborhood development	662,948	644,899	697,102	740,171	828,903	886,686	918,301	870,091	918,414	945,106
Community health	512,914	501,050	471,741	509,844	543,046	578,828	581,392	595,222	653,263	734,736
Culture and recreation	273,163	239,022	256,979	286,135	309,612	313,442	303,134	310,392	311,156	328,794
General administration and finance	153,709	135,118	161,195	167,505	215,054	190,680	187,221	191,641	203,157	211,138
General City responsibilities	74,623	62,799	53,763	57,532	71,205	73,147	86,498	85,463	96,150	81,775
Debt service:										
Principal retirement	78,831	80,306	86,970	98,169	106,580	126,501	154,051	148,231	167,465	154,542
Interest and fiscal charges	61,886	61,524	75,975	71,266	75,844	74,466	89,946	101,716	103,706	108,189
Bond issuance costs	1,350	4,842	1,933	3,683	1,090	4,746	2,145	2,161	5,386	2,913
Capital outlay	165,872	130,224	153,493	283,370	133,155	152,473	182,448	214,817	270,094	410,994
Total expenditures	2,857,609	2,794,174	3,021,218	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289
Excess (deficiency) of revenues over (under) expenditures	25,853	268,209	336,366	219,964	133,317	32,137	20,630	325,536	196,621	145,871

CITY AND COUNTY OF SAN FRANCISCO
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2004	2005 (1)	2006	2007	2008	2009 (2)	2010	2011	2012	2013
Other financing sources (uses):										
Transfers in……	204,660	271,553	224,523	217,298	244,770	352,693	302,790	304,682	335,600	447,734
Transfers out……	(456,852)	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)
Issuance of bonds and loans:										
Face value of bonds issued……	116,645	346,225	219,120	312,955	310,155	456,935	393,010	232,965	804,090	557,490
Face value of loans issued……	2,156	500	5,359	141	1,829	-	599	1,813	4,359	5,890
Premium on issuance of bonds……	1,411	11,989	10,233	3,521	13,071	12,875	16,647	16,799	89,336	64,469
Discount on issuance of bonds……	-	-	-	(1,856)	-	-	-	-	-	-
Payment to refunded bond escrow agent……	(65,802)	(38,913)	-	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-
Other financing sources - capital leases……	6,165	4,542	6,882	12,789	24,254	24,881	20,746	19,769	12,304	13,470
Total other financing sources (uses)……	(191,617)	82,473	(89,038)	(283,609)	(413,587)	(18,794)	(6,557)	(197,055)	15,580	158,260
Extraordinary gain (loss)……	-	-	-	-	-	-	-	-	197,314	(172,651)
Net change in fund balances……	$ (165,764)	$ 350,682	$ 247,328	$ (63,645)	$ (280,270)	$ 13,343	$ 14,073	$ 128,481	$ 409,515	$ 131,480
Debt service as a percentage of noncapital expenditures……	5.25%	5.31%	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%
Debt service as a percentage of total expenditures……	4.92%	5.08%	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%

Notes:
(1) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.
(2) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO
ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)
Last Ten Fiscal Years
(In Thousands)

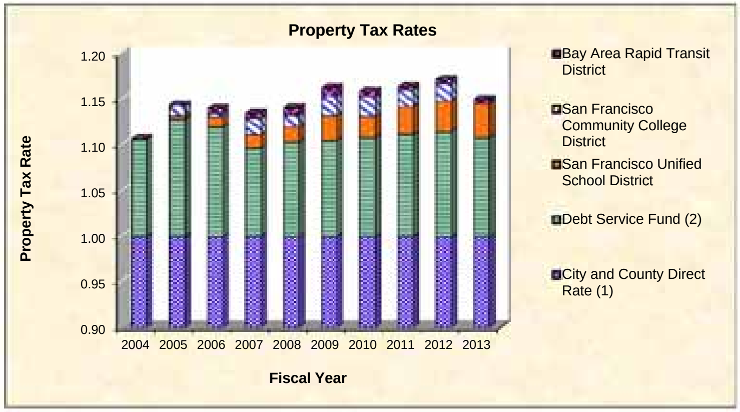
	Assessed Value			Exemptions (2)			Total Taxable	Total
Fiscal Year (4)	Real Property	Personal Property	Total	Non-reim-bursable	Reim-bursable	Redevelopment Tax Increments	Assessed Value	Direct Tax Rate
2004…….	$ 99,878,960	$ 3,848,851	$ 103,727,811	$ 3,706,357	$ 689,558	$ 3,892,143	$ 95,439,753	1.00%
2005…….	106,805,910	3,736,998	110,542,908	4,017,052	678,120	5,199,856	100,647,880	1.00%
2006…….	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007…….	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008…….	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009…….	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010…….	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011…….	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012…….	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013…….	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%

Source:
Controller, City and County of San Francisco

Notes:
(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.
(2) Exemptions are summarized as follows:
(a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
(b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
(c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.
(3) Based on certified assessed values.
(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value)

		Overlapping Rates				
Fiscal Year	City and County Direct Rate (1)	Debt Service Fund (2)	San Francisco Unified School District	San Francisco Community College District	Bay Area Rapid Transit District	Total
2004	1.00000000	0.10682335	0.00017665	-	-	1.1070
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article XIIIA of the California Constitution, commonly known as Proposition 13, that limits the taxing power of California public agencies. Legislation enacted to implement Article XIIIA (Statutes of 1978, Chapter 292, as amended) provides that notwithstanding any other law, local agencies may not levy property taxes except to pay debt service on indebtedness approved by voters prior to July 1, 1978 or any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978 by two-thirds of the voting public.

CITY AND COUNTY OF SAN FRANCISCO
PRINCIPAL PROPERTY ASSESSEES
Current Fiscal Year and Nine Fiscal Years Ago
(Dollar in Thousands)

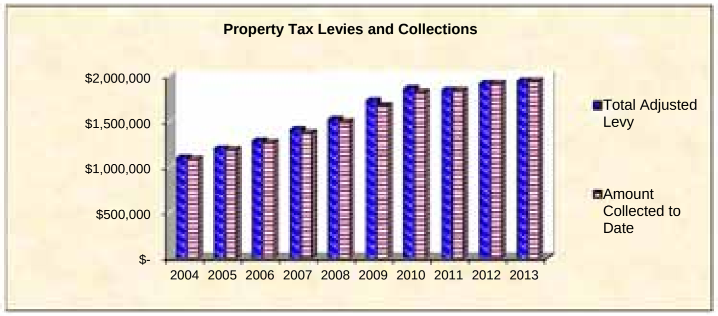
		Fiscal Year 2013			Fiscal Year 2004		
Assessee	Type of Business	Taxable Assessed Value (1)	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value (2)
HWA 555 Owners LLC	Office, Commercial	$ 922,558	1	0.56%	$ -		-
Paramount Group Real Estate Fund	Office, Commercial	755,777	2	0.46%	-		-
Emporium Mall LLC	Retail, Commercial	422,217	3	0.25%	-		-
HD333 LLC	Office, Commercial	394,666	4	0.24%	-		-
SHC Embarcadero LLC	Office, Commercial	389,419	5	0.24%	-		-
Post-Montgomery Associates	Office, Commercial	379,674	6	0.23%	375,146	7	0.38
SF Hilton Inc	Hotel	376,676	7	0.23%	-		-
SHR St. Francis LLC	Hotel	367,002	8	0.22%	-		-
PPF Off One Maritime Plaza LP	Office, Commercial	360,181	9	0.22%	-		-
One Embarcadero Center Venture	Office, Commercial	337,278	10	0.20%	-		-
Embarcadero Center Venture	Office, Commercial	-		-	1,385,665	1	1.40
Pacific Gas & Electric Company	Utilities	-		-	910,808	2	0.92
555 California Street Partners	Office, Commercial	-		-	907,510	3	0.92
Pacific Bell	Utilities, Communications	-		-	558,035	4	0.57
National Office Partners	Office, Garage	-		-	395,064	5	0.40
YBG Associates LLC	Hotel	-		-	378,627	6	0.38
BRE- St Francis LLC	Hotels	-		-	350,267	8	0.36
CB-1 Entertainment Partners	Hotels, Condos	-		-	349,652	9	0.35
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-		-	344,474	10	0.35
Total		$ 4,705,448		2.85%	$ 5,955,248		6.03%

Source: Assessor, City and County of San Francisco

Notes:
(1) Data for fiscal year 2012-2013 updated as of July 1, 2012.
(2) Assessed values for fiscal years 2012-2013 and 2003-2004 are from the tax rolls of calendar years 2012 and 2003, respectively.

CITY AND COUNTY OF SAN FRANCISCO
PROPERTY TAX LEVIES AND COLLECTIONS [(1)(2)]
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Total Adjusted Levy	Collected within the Fiscal Year of the Levy: Amount	Collected within the Fiscal Year of the Levy: Percentage of Original Levy	Collections in Subsequent Years [(3)]	Total Collections to Date: Amount	Total Collections to Date: Percentage of Adjusted Levy
2004	$ 1,100,951	$ 1,079,354	98.04%	$ 9,092	$ 1,088,446	98.86%
2005	1,208,044	1,179,959	97.68	18,010	1,197,969	99.17
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

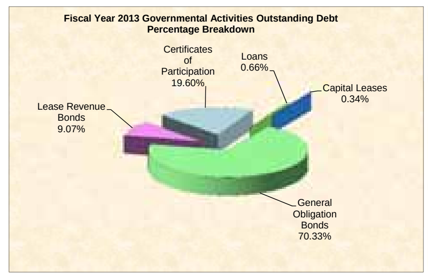
(3) Collections in subsequent years reflect assessment appeals reduction.

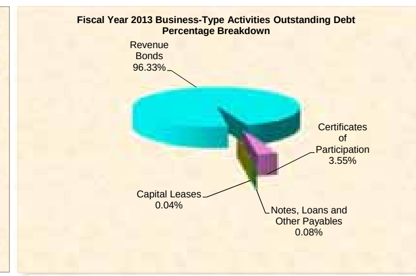
CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(In Thousands, except per capita amount)

Governmental Activities

Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Certificates of Participation	Loans	Capital Leases	Settlement Obligation and Others [(1)]	Subtotal
2004......	$ 843,499	$ 245,826	$ 287,483	$ 9,515	$ 194,815	$ 94,196	$ 1,675,334
2005......	1,097,050	230,738	280,561	7,961	198,703	188,602	2,003,615
2006......	1,252,217	231,497	273,522	12,377	190,279	182,899	2,142,791
2007......	1,172,363	250,095	416,258	11,640	185,736	177,062	2,213,154
2008......	1,120,688	283,469	408,020	12,495	174,149	170,577	2,169,398
2009......	1,193,927	293,326	564,110	11,329	164,383	163,905	2,390,980
2010......	1,429,899	285,085	591,049	10,607	152,273	162,114	2,631,027
2011......	1,401,080	281,274	582,221	10,072	141,377	-	2,416,024
2012......	1,606,170	274,467	547,251	13,878	22,878	-	2,464,644
2013......	2,042,553	263,498	569,380	19,184	9,741	-	2,904,356

	Business-Type Activities [(1)(2)]							Total Primary Government		
Fiscal Year	Revenue Bonds	General Obligation Bonds	State of California - Revolving Fund Loans	Certificates of Participation	Notes, Loans and Other Payables	Capital Leases	Subtotal	Total Primary Government	Percentage of Personal Income [(3)]	Per Capita [(3)]
2004.....	$ 5,105,883	$ 400	$ 150,196	$ -	$ 30,995	$ 4,891	$ 5,292,365	$ 6,967,699	15.55%	$ 9,011
2005.....	5,017,292	-	134,783	-	27,278	4,754	5,184,107	7,187,722	14.64	9,243
2006.....	5,450,963	-	118,868	-	22,962	5,522	5,598,315	7,741,106	14.36	9,847
2007.....	5,321,564	-	102,438	-	18,447	4,499	5,446,948	7,660,102	13.60	9,585
2008.....	5,239,031	-	89,101	-	13,749	3,843	5,345,724	7,515,122	12.91	9,301
2009.....	4,803,640	-	75,339	-	324,042	2,635	5,205,656	7,596,636	13.56	9,317
2010.....	7,009,485	-	61,140	194,112 [(2)]	73,322	1,416	7,339,475	9,970,502	17.60	12,382
2011.....	7,959,399	-	46,492	193,579	31,730	652	8,231,852	10,647,876	18.16	13,100
2012.....	9,124,807	-	36,898	348,641	7,163	3,155	9,520,664	11,985,308	19.96	14,512
2013.....	9,206,063	-	-	339,007	7,370	3,606	9,556,046	12,460,402	20.29	14,850





Notes:

(1) The amount for fiscal year 2004 to fiscal year 2010 includes obligation on 2003 Refunding Settlement Obligation Bonds S2003-R1, which matured on March 15, 2011. The amount for fiscal year 2011 to fiscal year 2012 were revised to exclude commercial paper issued by the San Francisco County Transportation Authority and the City for multiple capital projects.

(2) Includes $22,550 in Certificates of Participation which was presented in FY 2010 in Capital Leases.

(3) See Demographic and Economic Statistics, for personal income and population data.

CITY AND COUNTY OF SAN FRANCISCO
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years
(In Thousands, except per capita amount)

Fiscal Year	General Obligation Bonds (1)	Less: Amounts Restricted for Debt Service (1)	Total	Per Capita (2)(3)	Percentage of Taxable Assessed Value (4)
2004	$ 843,499	$ 1,533	$ 841,966	$ 1,089	0.84%
2005	1,097,050	33,774	1,063,276	1,367	1.00
2006	1,252,217	46,929	1,205,288	1,533	1.06
2007	1,172,363	35,249	1,137,114	1,423	0.91
2008	1,120,688	31,883	1,088,805	1,348	0.81
2009	1,193,927	40,907	1,153,020	1,414	0.77
2010	1,429,898	36,901	1,392,997	1,730	0.86
2011	1,401,080	39,330	1,361,750	1,675	0.85
2012	1,606,170	51,033	1,555,137	1,883	0.94
2013	2,042,553	102,188	1,940,365	2,312	1.16

Notes:
(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. The amounts of general obligation bonds include unamortized bond discount, bond premium, and bond refunding loss.
(2) Population data can be found in Demographic and Economic Statistics.
(3) FY2012 updated with newly available data.
(4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(In Thousands)

	Fiscal Year 2004	2005	2006	2007	2008
Debt limit	$ 3,000,644	$ 3,195,776	$ 3,419,607	$ 3,749,434	$ 4,050,223
Total net debt applicable to limit (1)	844,350	1,086,355	1,232,205	1,155,944	1,098,913
Legal debt margin	$ 2,156,294	$ 2,109,421	$ 2,187,402	$ 2,593,490	$ 2,951,310
Total net debt applicable to the limit as a percentage of debt limit	28.14%	33.99%	36.03%	30.83%	27.13%

	Fiscal Year 2009	2010	2011	2012	2013
Debt limit	$ 4,497,000	$ 4,853,760	$ 4,785,098	$ 4,962,746	$ 5,030,049
Total net debt applicable to limit (1)	1,165,141	1,386,640	1,355,992	1,506,330	1,889,683
Legal debt margin	$ 3,331,859	$ 3,467,120	$ 3,429,106	$ 3,456,416	$ 3,140,366
Total net debt applicable to the limit as a percentage of debt limit	25.91%	28.57%	28.34%	30.35%	37.57%

Legal Debt Margin Calculation for Fiscal Year 2013

Total assessed value	$ 175,129,006
Less: non-reimbursable exemptions (2)	7,460,708
Assessed value (2)	$ 167,668,298
Debt limit (three percent of valuation subject to taxation (3))	$ 5,030,049
Debt applicable to limit - general obligation bonds	1,889,683
Legal debt margin	$ 3,140,366

Notes:
(1) Per outstanding bonds, without adjustment for unamortized bond discount, bond premium and bond refunding loss.
(2) Source: Assessor, City and County of San Francisco
(3) City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO
DIRECT AND OVERLAPPING DEBT
June 30, 2013

District	Total General Debt Outstanding	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt
Bay Area Rapid Transit District……………………………………	$ 410,690,000	33.00%	$ 135,527,700
San Francisco Unified School District…………………………...	647,360,000	100.00	647,360,000
San Francisco Community College District………………….....	343,730,000	100.00	343,730,000
Subtotal, overlapping debt……………………………………………………………………………………….			1,126,617,700
City and County of San Francisco direct debt [1]…………………………………………………………………..			1,889,683,268
Total net direct and overlapping debt………………………………………………………………………………..			$ 3,016,300,968
Population - 2013 [2]..			839,109
Estimated direct and overlapping debt per capita…………………………………………………………………			$ 3,594.66

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the districts' ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts' bounderies and dividing it the City's total taxable assessed value.

(2) Sources: US Census Bureau.

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE
Last Ten Fiscal Years
(In Thousands)

San Francisco International Airport [1]

Fiscal Year	Operating Revenues [2]	Less: Operating Expenses [3]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 493,682	$ 235,765	$ 257,917	$ 70,630	$ 221,208	$ 291,838	0.88
2005	496,485	253,931	242,554	78,555	207,430	285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.

(2) Operating revenues consist of Airport operating revenues and interest and investment income.

(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department [4]

Fiscal Year	Gross Revenues [5]	Less: Operating Expenses [6]	Adjustments[8]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 174,528	$ 187,378	$ 122,180	$ 109,330	$ 13,345	$ 24,537	$ 37,882	2.89
2005	189,928	176,453	83,078	96,553	14,055	23,939	37,994	2.54
2006	213,499	186,934	110,638	137,203	14,790	20,585	35,375	3.88
2007	241,078	202,498	112,101	150,681	16,160	48,955	65,115	2.31
2008	246,885	223,052	134,215	158,048	19,170	45,023	64,193	2.46
2009	272,869	248,315	125,203	149,757	25,520	44,065	69,585	2.15
2010	275,041	277,970	141,615	138,686	26,605	42,990	69,595	1.99
2011	305,678	261,927	126,126	169,877	27,795	58,759 [7]	86,554	1.96
2012	375,551	304,562	115,667	186,656	44,050	78,239 [7]	122,289	1.53
2013	721,189	303,739	157,518	574,968	45,965	93,569 [7]	139,534	4.12

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.

(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.

(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.

(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 and FY2013 also includes "springing" amendments.

(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [9][10]	Less: Operating Expenses[11][12]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 25,604	$ 10,430	$ 15,174	$ 4,943	$ 2,854	$ 7,797	1.95
2005	25,623	14,071	11,552	5,193	2,573	7,766	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	474,106	133,019	3,075	1,856	4,931	26.98

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority, the Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.

(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107"), and State Transit Assistance.

(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.

(12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

CITY AND COUNTY OF SAN FRANCISCO
PLEDGED-REVENUE COVERAGE (Continued)
Last Ten Fiscal Years
(In Thousands)

San Francisco Wastewater Enterprise [13]

Fiscal Year	Gross Revenues [14]	Less: Operating Expenses [15]	Adjustments [16]	Net Available Revenue [17]	Debt Service Principal	Debt Service Interest [17]	Debt Service Total [17]	Coverage [17]
2004	$ 138,842	$ 129,916	$ 57,461	$ 66,387	$ -	$ 20,233	$ 20,233	3.28
2005	151,981	139,290	36,700	49,391	-	17,219	17,219	2.87
2006	170,517	140,954	35,788	65,351	-	17,219	17,219	3.80
2007	199,160	151,600	49,600	97,160	33,445	16,718	50,163	1.94
2008	206,648	165,245	66,109	107,512	34,500	15,698	50,198	2.14
2009	210,646	169,300	77,800	119,146	35,665	14,646	50,311	2.37
2010	211,899	185,512	86,880	113,267	37,130	13,183	50,313	2.25
2011	231,143	179,084	56,239	108,298	26,320	18,563 [18]	44,883	2.41
2012	247,130	195,857	107,125	158,398	22,010	20,180 [18]	42,190	3.75
2013	253,078	208,260	109,323	154,141	23,095	15,655 [18]	38,750	3.98

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(14) Gross revenue consists of charges for services, rental income and other income.
(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.
(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.
(17) Restated to match the published Annual Disclosure Reports for FY 2004, 2005, 2007, 2008, 2009.
(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 & FY2013 also includes a "springing" amendment.

Port of San Francisco [19]

Fiscal Year	Total Operating Revenues [20]	Less: Operating Expenses [21]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ 57,782	$ 49,707	$ 8,075	$ 3,595	$ 1,719	$ 5,314	1.52
2005	59,217	43,786	15,431	3,920	1,012	4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	68,722	57,574	11,148	4,185	222	4,407	2.53
2010	68,892	58,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	485	2,358	2,843	7.73
2012	79,819	55,470	24,349	670	2,175	2,845	8.56
2013	81,536	63,615	17,921	695	2,151	2,846	6.30

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(20) Total revenues consist of operating revenues and interest and investment income.
(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

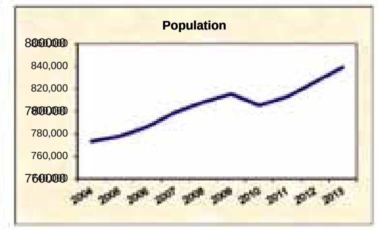
Hetch Hetchy Water and Power [22] [23]

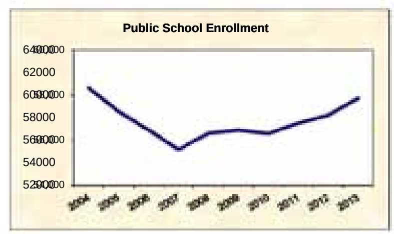
Fiscal Year	Gross Revenues [24]	Less: Operating Expenses [25]	Adjustments [26]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2004	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
2005	-	-	-	-	-	-	-	
2006	-	-	-	-	-	-	-	
2007	-	-	-	-	-	-	-	
2008	-	-	-	-	-	-	-	
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71

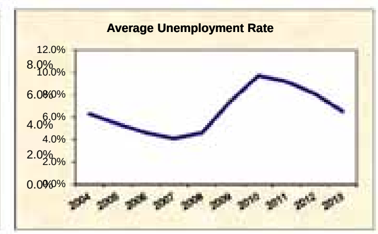
(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.
(23) There were no Hetch Hetchy bonds from 2003 to 2008.
(24) Gross revenues consists of charges for power services, rental income and other income.
(25) Operating expenses only include power operating expense.
(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

CITY AND COUNTY OF SAN FRANCISCO
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population [1]	Personal Income (In Thousands) [2]	Per Capita Personal Income [3]	Median Age [4]	Public School Enrollment [5]	Average Unemployment Rate [6]
2004	773,284	$44,820,235	$57,961	39.2	58,323	6.3%
2005	777,660	49,085,123	63,119	39.4	57,276	5.4%
2006	786,149	53,902,906	68,566	39.4	56,459	4.6%
2007	799,185	56,306,703	70,455	40.0	55,590	4.1%
2008	808,001	58,199,006	72,028	40.4	56,315	4.6%
2009	815,358	56,037,063	68,727	38.5	56,454	7.4%
2010	805,235	56,665,228	70,371	38.5	56,299	9.7%
2011	812,826	58,619,926	72,119	37.3	56,758	9.2%
2012	825,863 [7]	60,059,972 [8]	72,724 [9]	37.3 [10]	57,105	8.1%
2013	839,109 [7]	61,420,297 [8]	73,197 [9]	37.4 [10]	57,860	6.5%







Sources:
(1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data
(2) US Bureau of Economic Analysis
(3) US Bureau of Economic Analysis
(4) US Census Bureau, American Community Survey
(5) California Department of Education
(6) California Employment Development Department

Note:
(7) 2012 is updated from last year's CAFR with newly available data. 2013 population was estimated by multiplying the estimated 2012 population by the 2011 - 2012 population growth rate.
(8) Personal income was estimated by assuming that its percentage of state personal income in 2012 and 2013. remained at the 2011 level of 3.51 percent. Fiscal year 2012 is updated from last year's CAFR with newly available data.
(9) Per capita personal income for 2012 and 2013 was estimated by dividing the estimated personal income for 2012 and 2013 by the reported and estimated population in 2012 and 2013, respectively. Fiscal year 2012 is updated from last year's CAFR with newly available data.
(10) Median age in 2013 was estimated by averaging the median age in 2011 and 2012. 2012 is updated from last year's CAFR with newly available data.

CITY AND COUNTY OF SAN FRANCISCO
Principal Employers - Current Year and Nine Years Ago

Employer	Year 2012 (1) Employees	Rank	Percentage of Total City Employment	Year 2003 Employees	Rank	Percentage of Total City Employment
City and County of San Francisco	25,458	1	5.33%	28,718	1	6.64%
University of California, San Francisco	22,664	2	4.74%	8,630	2	2.00%
California Pacific Medical Center	8,559	3	1.79%	3,800	10	0.88%
Wells Fargo & Co.	8,300	4	1.74%	7,279	3	1.68%
San Francisco Unified School District	8,189	5	1.71%	6,600	5	1.53%
Gap, Inc.	6,000	6	1.26%	-	-	-
PG&E Corporation	4,415	7	0.92%	4,700	8	1.09%
State of California	4,184	8	0.88%	7,048	4	1.63%
Salesforce.com Inc.	4,000	9	0.84%	-	-	-
Kaiser Permanente	3,581	10	0.75%	-	-	-
United States Postal Service	-	-	-	5,295	6	1.22%
AT&T	-	-	-	5,200	7	1.20%
Pacific Bell/SBC Communications	-	-	-	4,600	9	1.06%
Total	95,350		19.96%	81,870		18.93%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2012 is presented.

CITY AND COUNTY OF SAN FRANCISCO
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)
Last Ten Fiscal Years

Function	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public Protection										
Fire Department	1,835	1,752	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463
Police	2,669	2,616	2,664	2,765	2,870	2,949	2,757	2,681	2,665	2,655
Sheriff	937	929	944	939	951	1,016	1,048	953	1,010	1,013
Other	954	930	958	978	1,019	996	981	969	956	1,021
Total Public Protection	6,395	6,227	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152
Public Works, Transportation and Commerce										
Municipal Transportation Agency	4,518	4,386	4,232	4,374	4,358	4,528	4,358	4,160	4,141	4,388
Airport Commission	1,214	1,203	1,248	1,220	1,228	1,248	1,233	1,294	1,377	1,443
Department of Public Works	1,053	1,059	1,035	1,040	1,060	1,030	822	791	783	808
Public Utilities Commission	1,589	1,513	1,573	1,596	1,609	1,580	1,549	1,584	1,616	1,620
Other	507	505	532	538	543	565	490	508	536	583
Total Public Works, Transportation and Commerce	8,881	8,666	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842
Community Health										
Public Health	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800
Total Community Health	6,093	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800
Human Welfare and Neighborhood Development										
Human Services	1,735	1,697	1,663	1,745	1,812	1,810	1,662	1,685	1,691	1,750
Other	317	312	306	313	312	309	296	284	269	244
Total Human Welfare and Neighborhood Development	2,052	2,009	1,969	2,058	2,124	2,119	1,958	1,969	1,960	1,994
Culture and Recreation										
Recreation and Park Commission	1,001	954	916	922	942	919	898	851	834	841
Public Library	617	616	606	631	641	649	649	645	628	640
War Memorial	95	96	95	96	96	97	63	63	63	63
Other	156	149	200	199	204	203	199	201	199	210
Total Culture and Recreation	1,869	1,815	1,817	1,848	1,883	1,868	1,809	1,760	1,724	1,754
General Administration and Finance										
Administrative Services	405	383	378	438	505	539	647	616	637	723
City Attorney	319	308	321	324	327	318	306	300	299	303
Telecommunications and Information Services	313	276	261	270	307	265	252	210	196	199
Controller	141	170	179	184	188	198	180	194	201	198
Human Resources	188	172	151	156	155	144	138	119	123	124
Treasurer/Tax Collector	192	197	199	208	208	212	220	211	208	202
Mayor	56	51	48	51	57	55	49	42	37	49
Other	466	454	491	520	571	547	554	540	567	561
Total General Administration and Finance	2,080	2,011	2,028	2,151	2,318	2,278	2,346	2,232	2,268	2,359
General City Responsibility	4	4	3	-	-	-	-	-	-	-
Subtotal annually funded positions	27,374	26,660	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901
Capital project funded positions	1,567	1,597	1,588	1,628	1,750	1,519	1,928	1,885	1,892	1,486
Total annually funded positions	28,941	28,257	28,253	28,788	29,635	29,321	28,649	27,994	28,073	28,387

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO
OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
Function	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	8:09	7:59	8:01	8:04	7:36	7:06	7:10	7:19	7:18	7:30
Police										
Average time from dispatch to arrival on scene for highest priority calls (1)	2:58	3:07	3:09	3:15	4:08	3:49	3:33	4:07	4:15	4:59
Number of homicides per 100,000 population (2)	10.8	9.8	12.8	9.6	11.8	8.2	5.3	6.3	7.4	6.2
Percentage of San Franciscans who report feeling safe or very safe crossing the street (3)	45%	51%	N/A	48%	N/A	56%	N/A	N/A	N/A	N/A
Public Works, Transportation, and Commerce										
General Services Agency - Public Works										
Percentage of San Franciscans who rate cleanliness of neighborhood streets as good or very good	52%	49%	N/A	49%	N/A	50%	N/A	52%	N/A	N/A
Number of blocks of City streets repaved	154	186	267	243	334	310	312	427	346	521
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) (3)	3.20	3.13	N/A	2.84	N/A	2.98	N/A	3.55	3.02	3.38
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points (4)	68.8%	71.0%	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%
Percentage of scheduled service hours delivered (5)	97.2%	95.3%	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%
Airport										
Percent change in air passenger volume	5.3%	5.5%	1.5%	2.8%	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	63%	67%	67%	69%	70%	72%	77%	78%	80%	N/A
Culture and Recreation										
Recreation and Park										
Percentage of San Franciscans who rate the quality of the City's park grounds (landscaping) as good or very good (3)	67%	60%	N/A	57%	N/A	65%	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected	N/A	N/A	83%	86%	88%	89%	91%	90%	91%	91%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	81%	76%	N/A	75%	N/A	79%	N/A	79%	N/A	85%
Circulation of materials at San Francisco libraries	6,755,843	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums (6)	763,242	696,271	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259

Source: Controller, City and County of San Francisco

Notes:

(1) Measure changed from median time to average time in FY 2008. Values for FY 2004 through FY 2007 reflect median time, FY 2008 through FY 2013 reflects average time.
(2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.
(3) Value for FY 2005 has been restated to be consistent with City Survey data.
(4) Values for FY 2003 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(5) Values for FY 2003 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(6) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

	Fiscal Year									
Function	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,170	2,180	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164
Fire protection (2)										
Number of stations	45	45	48	42	42	42	42	46	46	46
Number of firefighters	1,690	1,675	1,333	1,012	978	809	768	778	718	817
Public works										
Mile of street (3)	1,050	1,050	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315
Number of streetlights (4)	41,031	41,431	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655
Water (4)										
Number of services	169,689	169,975	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744
Average daily consumption (million gallons)	257.2	239.7	236.3	247.1	247.5	236.6	219.9	213.6	212.0	215.1
Mile of water mains	1,450	1,453	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488
Sewers (4)										
Mile of collecting sewers	993	993	993	993	993	993	993	993	959	986
Mile of transport/storage sewers	15	15	15	15	17	17	17	17	17	24
Recreation and cultures										
Number of parks (5)	209	210	220	209	222	222	220	220	220	221
Number of libraries (6)	27	27	27	28	28	28	28	28	28	28
Number of library volumes (million) (6)	2.1	2.4	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5
Public school education (7)										
Attendance centers	118	119	117	112	112	112	115	115	115	115
Number of classrooms	3,439	3,434	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877
Number of teachers, full-time equivalent	3,138	3,171	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129
Number of students	57,805	57,144	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970

Sources:
(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following summary discussion of selected features of the Trust Agreement, the Lease Agreements and the Facilities Leases, all dated as of April 1, 2014, are made subject to all of the provisions of such documents and to the discussions of such documents contained elsewhere in this Official Statement. This summary does not purport to be a complete statement of said provisions and prospective purchasers of the Certificates are referred to the complete texts of said documents, copies of which are available upon request from the Office of Public Finance, 1 Dr. Carlton B. Goodlett Place, Room 336, San Francisco, California 94102-4682.

DEFINITIONS

"Additional Rental" means the amounts specified as such in a Lease Agreement.

"Administrative Code" means the Administrative Code of the City, as amended from time to time.

"Authorized Denominations" means $5,000 or any integral multiple thereof.

"Base Rental" means the amounts specified as such in each Lease Agreement, as such amounts may be adjusted from time to time in accordance with the terms of each Lease Agreement, but does not include Additional Rental.

"Base Rental Fund" means the fund of that name established pursuant to the Trust Agreement.

"Business Day" means a day which is not a Saturday or Sunday or a day on which banking institutions are authorized or required by law to be closed in the State for commercial banking purposes or a day on which trading on the New York Stock Exchange is suspended for more than four hours or a day on which the New York Stock Exchange is closed for a state or national holiday.

"Certificate Payment Date" means, with respect to any Certificate, the April 1 date designated therein, which is the date by which the principal component of the Base Rental evidenced and represented thereby shall become due and payable.

"Certificate Year" shall have the meaning assigned to such term in the Tax Certificate.

"Certificates" means, collectively, the Series R1 Certificates and the Series R2 Certificates.

"Charter" means the Charter of the City as the same may be amended from time to time.

"City" means the City and County of San Francisco, and its successors and assigns.

"City Representative" means the Mayor, the Controller, the Director of Public Finance or any other official of the City designated and authorized by the Controller of the City to act on behalf of the City under or with respect to the Trust Agreement, the Lease Agreements, the Facilities Leases and all other agreements related thereto.

"Closing Date" means the date of original execution and delivery of the Certificates.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, or, where pertinent, its statutory predecessor, the Internal Revenue Code of 1954, as amended (the "1954 Code"). References to the Code and Sections of the Code include relevant applicable regulations and proposed regulations thereunder and under the 1954 Code, as amended from time to time, and any successor provision to those Sections, regulations or proposed regulations and, in addition, all revenue rulings, announcements, notices, procedures and judicial determinations under the foregoing applicable to the Certificates.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the City, dated the Closing Date, as originally executed and as it may be amended from time to time.

"Costs of Issuance" means all the costs of executing and delivering the Certificates, including, but not limited to, all printing and document preparation expenses in connection with the Trust Agreement, the Facilities Leases, the Lease Agreements, the Certificates and the preliminary and final official statements pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; legal fees and expenses of counsel with respect to the refinancing of the Project; any computer and other expenses incurred in connection with the Certificates; the initial fees and expenses of the Trustee and any paying agent (including without limitation, origination fees and first annual fees payable in advance); and other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the refinancing for the Project, to the extent such fees and expenses are approved by a City Representative.

"Costs of Issuance Fund" means the fund of that name established pursuant to the Trust Agreement.

"Defeasance Securities" means (i) Government Obligations and (ii) pre-refunded fixed interest rate municipal obligations meeting the following conditions: (a) the municipal obligations are not subject to redemption prior to maturity, or the trustee has been given irrevocable instruction concerning their calling and redemption and the issuer has covenanted not to redeem such obligations other than as set forth in such instructions; (b) the municipal obligations are secured by cash and/or Government Obligations; (c) the principal of and interest on the Government Obligations (plus any cash) in the escrow fund for such municipal obligations are sufficient to meet the liabilities of the municipal obligations; (d) the Government Obligations serving as security for the municipal obligations are held by an escrow agent or trustee; (e) the Government Obligations are not available to satisfy any other claims, including those of or against the trustee or escrow agent; and (f) the municipal obligations are rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of original deposit to the escrow fund for the defeasance of Certificates, by the Rating Agencies not lower than the rating then maintained by the respective Rating Agency on such Government Obligations.

"Depository" means DTC and its successors and assigns, or if (a) the then Depository resigns from its functions as securities depository of the Certificates, or (b) the City discontinues use of the Depository pursuant to the Trust Agreement, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Certificates and which is selected by the City.

"Director of Property" means the City's Director of Property or any successor officer of the City who performs substantially the same duties as the Director of Property performs as of the date of the Trust Agreement.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Electronic Notice" means notice given by The Bond Buyer Wire or Bloomberg Business News, or any other news service selected by the City.

"Event of Default" means any one or more of the events described in the Trust Agreement, as described in "TRUST AGREEMENT—Events of Default" herein.

"Facilities Lease" means each Facilities Lease, dated as of April 1, 2014, by and between the Trustee, as lessee, and the City, as lessor, with respect to a Leased Property, including any amendments or supplements thereto.

"Financing Documents" mean the Trust Agreement, the Facilities Leases, the Lease Agreements, the Continuing Disclosure Certificate and the Tax Certificate including any amendments or supplements to any of the foregoing documents.

"Fiscal Year" means the fiscal year of the City being July 1 to and including the following June 30 or any subsequent fiscal year adopted by the City.

"Fitch" means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term "Fitch" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Government Obligations" means (i) direct and general obligations of the United States of America, or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including without limitation, the interest component of Resolution Funding Corporation (REFCORP) bonds that have been stripped by request to the Federal Reserve Bank of New York in book-entry form, (ii) any security issued by an agency or instrumentality of the United States of America which is selected by the City Representative and which is rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of initial deposit to the escrow fund for the defeasance of Certificates and upon any substitution or subsequent deposit to such escrow fund, by the Rating Agencies not lower than the rating then maintained by the respective Rating Agency on the United States Obligations described in (i) of this definition; and (iii) any evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof (a "Government Certificate"), wherein (a) a bank or trust company acts as custodian and holds the underlying Government Obligations; (b) the owner of the Government Certificate is a real party in interest with the right to proceed directly and individually against the obligor of the underlying Government Obligations; and (c) the underlying Government Obligations are held in trust in a special account, segregated from the custodian's general assets, and are not available to satisfy any claim of the custodian or any person claiming through the custodian, or any person to whom the custodian may be obligated.

"Hazardous Substances" means any and all substances, wastes, pollutants and contaminants now or at any time after the date of the Lease Agreements included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or enacted or amended subsequent to the date of the Lease Agreements.

"Independent Counsel" means an attorney or firm of attorneys selected by the City.

"Interest Payment Date" means, with respect to any Certificate, April 1 and October 1 in each year, commencing October 1, 2014 continuing until the Certificate Payment Date or earlier prepayment date of such Certificates which are the dates by which the interest component of the Base Rental evidenced and represented thereby shall become due and payable.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained under the Trust Agreement.

"Juvenile Hall Facilities Lease" means the Facilities Lease pursuant to which the San Francisco Juvenile Hall is leased to the Trustee, as lessee by the City, as lessor.

"Juvenile Hall Lease Agreement" means the Lease Agreement pursuant to which the San Francisco Juvenile Hall is leased to the City, as lessee by the Trustee, as lessor.

"Lease Agreement" means, with respect to a Leased Property, that certain Lease Agreement, dated as of the date hereof, by and between the Trustee, as lessor, and the City, as lessee, with respect to such Leased Property, including any amendments or supplements thereto.

"Lease Agreement Event of Default" means the occurrence and continuation of any event of default specified in a Lease Agreement, as described in "LEASE AGREEMENT—Events of Default" herein.

"Lease Agreement Term" means, with respect to a Lease Agreement, the term of such Lease Agreement as provided therein.

"Lease Agreement Year" means, with respect to each Lease Agreement, the period from the Closing Date through March 31, 2015 and thereafter the period from each April 1 to and including the following March 31, during the applicable Lease Agreement Term.

"Leased Property" means, (i) with respect to the San Francisco Lease Agreement, the San Francisco Courthouse and (ii) with respect to the Juvenile Hall Lease Agreement, the San Francisco Juvenile Hall.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"Net Proceeds" means any net proceeds of insurance or condemnation proceeds paid with respect to the affected portion of a Leased Property remaining after payment therefrom of any expenses (including attorneys' fees) incurred in the collection thereof.

"Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to the Trust Agreement.

"Opinion of Bond Counsel" means a written opinion of a firm of attorneys designated by the City, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

"Opinion of Counsel" means a written opinion of an attorney or a firm of attorneys (who may be counsel for the City or the Trustee) retained by the City or the Trustee. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon information that is in the possession of the City or the Trustee, as applicable, upon a certificate or opinion of, or representation by, an officer or officers of the City or the Trustee, unless such counsel knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which his or her opinion may be based, is erroneous.

"Outstanding" when used as of any particular time with respect to any Certificate, means any Certificates theretofore executed and delivered by the Trustee under the Trust Agreement except:

(1) any Certificate paid in accordance with its terms;

(2) any Certificate theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(3) any Certificate for the payment or prepayment of which funds or Federal Securities in the necessary amount shall have theretofore been deposited with the Trustee (whether prior to the Certificate Payment Date or prepayment date of such Certificate), provided that, if such Certificate is to be prepaid prior to its Certificate Payment Date, notice of such prepayment shall have been given as provided in the Trust Agreement or provision satisfactory to the Trustee shall have been made for the giving of such notice;

(4) any Certificate purchased by the City; and

(5) any Certificate in lieu of or in exchange for which another Certificate or other Certificates shall have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means the registered owner, as indicated in the Certificate Register, of any Certificate.

"Permitted Encumbrances," with respect to a Lease Agreement means, as of any particular time: (i) liens for general ad valorem taxes and assessments, if any, not then delinquent; (ii) the related Facilities Lease; (iii) such Lease Agreement; (iv) any right or claim of any mechanic, laborer, materialman, supplier, or vendor not filed or perfected in the manner prescribed by law; (v) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions that exist of record as of the date of initial execution of such Lease Agreement or a supplement thereto; and (vi) easements, rights of way, mineral rights, drilling rights, and other rights, reservations, covenants, conditions, or restrictions established following the date of recordation of such Lease Agreement and to which the City and the Trustee consent in writing. In giving such consent, the Trustee may conclusively rely on a Certificate of the City to the effect that such encumbrance will not materially impair the beneficial use of the related Leased Property by the City.

"Permitted Investments" means, if and to the extent permitted by law and by any policy guidelines promulgated by the City:

(a) Government Obligations or Government Certificates;

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Farmers Home Administration (FmHA) – Certificates of beneficial ownership;

(ii) Federal Housing Administration Debentures (FHA);

(iii) General Services Administration – Participation certificates;

(iv) Government National Mortgage Association (GNMA or "Ginnie Mae") – guaranteed mortgage backed bonds and GNMA guaranteed pass-through obligations (participation certificates);

(v) U.S. Maritime Administration – Guaranteed Title XI financing;

(vi) U.S. Department of Housing and Urban Development (HUD) –Project notes and local authority bonds; and

(vii) Any other agency or instrumentality of the United States of America, the obligations of which are guaranteed by the full faith and credit of the United States of America;

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit United States of America government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

(i) Federal Home Loan Bank System – Senior debt obligations (consolidated debt obligations);

(ii) Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac") – Participation certificates (mortgage-backed securities) and senior debt obligations;

(iii) Fannie Mae – mortgage-backed securities and senior debt obligations (excluding stripped mortgage securities which are valued greater than par on the portion of the unpaid principal);

(iv) Student Loan Marketing Association (SLMA or "Sallie Mae") – Senior debt obligations;

(v) Resolution Funding Corp. (REFCORP) – the principal component only;

(vi) Federal Farm Credit System – Consolidated systemwide bonds and notes; and

(vii) Any other agency or instrumentality of the United States of America, the obligations of which are guaranteed by the non-full faith and credit of the United States of America;

(d) Money market mutual funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and rated, at the time of purchase, in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's and S&P, including, without limitation any mutual fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to the Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(e) Certificates of deposit issued by a state or national bank or a state or federal savings and loan; provided that such certificates of deposit shall be either (i) continuously and fully insured by the FDIC; or (ii) have a maturity of not greater than 365 days and have one of the two highest short-term, letter and numerical ratings (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of purchase, of Moody's and S&P;

(f) Savings accounts, deposit accounts, time deposits, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, trust funds, trust accounts, or money market deposits (including those of the Trustee or any of its affiliates) that are fully insured by FDIC;

(g) Investment agreements, including guaranteed investment contracts, provided either (i) the long-term unsecured debt or claims ability of the issuer or guarantor thereof is rated, at the time of purchase, in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's and S&P, or (ii) such agreement is fully collateralized by Government Obligations or Government Certificates;

(h) Commercial paper of "prime" quality rated, at the time of purchase, in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's and S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States;

(i) Bonds or notes issued by any state or municipality which are rated, at the time of purchase, by Moody's and S&P in one of the two highest long-term rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) assigned by such agencies;

(j) Federal funds or banker's acceptances (including those of the Trustee or any of its affiliates) which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated, at the time of purchase, in one of the two highest rating categories (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements (including those of the Trustee or any of its affiliates) with maturities of either (a) 30 days or less, or (b) less than one year, provided that the collateral is marked-to-market daily, entered into with financial institutions such as banks or trust companies organized under state or federal law, insurance companies, or government bond dealers reporting to, or trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and a member of SPIC, or with a dealer or parent holding company that is rated (without regard to any numerical modifier, plus or minus sign or other modifier), at the time of purchase, A or better by Moody's and S&P. The repurchase agreement must be in respect of Government Obligations or Government Certificates or obligations described in paragraph (b) herein, which, exclusive of accrued interest, shall be maintained at least 100% of par. In addition, repurchase agreements shall meet the following criteria: (i) the third party (who shall not be the provider of the collateral) has possession of the repurchase securities and the Government Obligations or Government Certificates; (ii) failure to maintain the requisite collateral levels shall require liquidation; and (iii) the third party having possession of the securities has a perfected, first priority security interest in the securities;

(l) Defeasance Securities described in clause (ii) of the definition thereof; and

(m) Any other debt or fixed income security specified by the City (except securities of the City and any agency, department, commission or instrumentality thereof) and rated, at the time of purchase, in one of the two highest rating category (without regard to any numerical modifier, plus or minus sign or other modifier) by Moody's and S&P, including "pre-funded" municipal obligations;

(n) The Local Agency Investment Fund administered by the State of California; and

(o) Any investment, with confirmation from the Rating Agencies that the ratings on the Certificates will not be lowered as a result of such investment.

(p) In connection with the purchase of any Permitted Investment, the City may enter into agreements, including forward purchase agreements, with the seller thereof.

"Person" means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

"Prepayment Notice" means the notice given by the Trustee in the manner set forth in the Trust Agreement, at the expense of the City, when prepayment of Certificates of any Series is authorized or required by the Trust Agreement.

"Prepayment Price" means the principal amount represented by the Certificates, plus any applicable premium.

"Principal Office of the Trustee" means the corporate trust office of the Trustee located in San Francisco, California, or such other office that the Trustee may designate in writing to the City from time to time as the corporate trust office for purposes of the Trust Agreement; provided, however, that for purposes of the registration, transfer, exchange, payment or surrender of Certificates, the term "Principal Office of the Trustee" means the corporate designated trust operations office of the Trustee.

"Project" means the capital improvements and related improvements and equipment to be refinanced with the Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Rating Agencies" means S&P, Fitch and/or Moody's, whichever then has a current rating on the Certificates.

"Rebate Fund" means the fund of that name established pursuant to the Trust Agreement.

"Record Date" means the close of business on the 15th day of the calendar month next preceding each Interest Payment Date, whether or not a Business Day.

"Rental Payments" means all Base Rental and Additional Rental payable under a Lease Agreement.

"Risk Manager" means the Risk Manager of the City or any successor officer of the City performing substantially the same duties as the Risk Manager performs as of the date of the Lease Agreement.

"S&P" means Standard & Poor's Rating Services, A Division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency for any reason, the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the City.

"San Francisco Courthouse" means the six-story courthouse located in the City's Civic Center at the corners of Polk and McAllister Streets, including the real property on which it is located.

"San Francisco Courthouse Facilities Lease" means the Facilities Lease pursuant to which the San Francisco Courthouse is leased to the Trustee, as lessee by the City, as lessor.

"San Francisco Courthouse Lease Agreement" means the Lease Agreement pursuant to which the San Francisco Courthouse is leased to the City, as Lessee, by the Trustee, as Lessor.

"San Francisco Juvenile Hall" means the juvenile detention facility and related improvements occupying approximately half of the 14-acre San Francisco City and County Youth Guidance Center located at 375 Woodside Avenue in the City, including the real property on which it is located.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Series," when used with reference to the Certificates, means all of the Certificates designated as being of the same series, executed and delivered in a simultaneous transaction, regardless of variations in principal payment date, interest rate, prepayment and other provisions, and any Certificates thereafter executed and delivered upon transfer or exchange of or in lieu of or in substitution for (but not to refund) such Certificates pursuant to the Trust Agreement.

"Series R1 Base Rental Account" means the account of that name established pursuant to the Trust Agreement.

"Series R1 Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (San Francisco Courthouse Project) authorized by and at any time Outstanding under the Trust Agreement.

"Series R1 Costs of Issuance Account" means the account of that name established pursuant to the Trust Agreement.

"Series R2 Base Rental Account" means the account of that name established pursuant to the Trust Agreement.

"Series R2 Certificates" means the City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (Juvenile Hall Project) authorized by and at any time Outstanding under the Trust Agreement.

"Series R2 Costs of Issuance Account" means the account of that name established pursuant to the Trust Agreement.

"State" means the State of California.

"Substitute Leased Property" means any and all real property and the improvements thereon and all additions and extensions or improvements thereto, whether or not related to a Leased Property, that are described as Substitute Leased Property by an amendment to the related Lease Agreement, as described in "LEASE AGREEMENTS—Substitution of Leased Property" herein.

"Substitution" means the release of a Leased Property or any portion thereof from the leasehold of the related Lease Agreement and the lease of Substitute Leased Property under such Lease Agreement, as described in "LEASE AGREEMENTS—Substitution of Leased Property" herein.

"Tax Certificate" means the Tax Certificate dated the Closing Date and executed by the City.

"Tax-Exempt" means, with respect to interest on, or with respect to, any obligations of a state or local government, including the Certificates, that such interest is excluded from the gross income of the Owners thereof (other than any Owner who is a "substantial user" of facilities financed with such obligations or a "related person" within the meaning of Section 147(a) of the Code) for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

"Treasurer" means the Treasurer of the City and County of San Francisco.

"Trust Agreement" means that certain Trust Agreement, dated as of April 1, 2014, by and between the City and the Trustee, including any amendments or supplements thereto.

"Trustee" means U.S. Bank National Association, a national banking association organized and existing under the laws of United States of America, acting in its capacity as lessor under the Lease Agreements and/or as trustee under the Trust Agreement, or any successor appointed as provided therein.

"Written Certification," "Written Direction" or "Written Request" means an instrument in writing signed on behalf of the City by a City Representative.

TRUST AGREEMENT

Moneys Held in Trust

The money and investments held by the Trustee under the Trust Agreement are irrevocably held in trust for the purposes specified in the Trust Agreement, and such money and investments, and any income or interest earned thereon, shall be expended only as provided in the Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (a) the City, (b) the Trustee, or (c) any Owner or beneficial owner of any Certificate.

Funds and Accounts

General. The Trust Agreement establishes the following funds and accounts to be held by the Trustee: the Costs of Issuance Fund (and the Series R1 Costs of Issuance Account and the Series R2 Costs of Issuance Account within the Costs of Issuance Fund); the Base Rental Fund (and the Series R1 Base Rental Account and the Series R2 Base Rental Account within the Base Rental Fund); and the Rebate Fund.

Establishment and Application of Costs of Issuance Fund. There is established under the Trust Agreement in trust a special fund designated as the "Costs of Issuance Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. With respect to the Series R1 Certificates, the Trustee shall establish and maintain the Series R1 Costs of Issuance Account within the Costs of Issuance Fund. With respect to the Series R2 Certificates, the Trustee shall establish and maintain the Series R2 Costs of Issuance Account within the Costs of Issuance Fund. There shall be deposited in the accounts within the Costs of Issuance Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to the Trust Agreement. The Trustee shall disburse money from the Costs of Issuance Fund on such dates and in such amounts as are necessary to pay Costs of Issuance, in each case, promptly after receipt of, and in accordance with, a Written Request of a City Representative. Any amounts remaining in the Costs of Issuance Fund on the earlier of the date on which a City Representative has notified the Trustee in writing that all Costs of Issuance have been paid or the date which is 12 months from the Closing Date shall be transferred by the Trustee to the Base

Rental Fund, provided that such transfer has been approved in writing by a City Representative and the Costs of Issuance Fund shall then be closed.

Establishment and Application of Base Rental Fund.

Base Rental Fund. There is established under the Trust Agreement in trust a special fund designated as the "Base Rental Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. With respect to the Series R1 Certificates, the Trustee shall establish and maintain the Series R1 Base Rental Account within the Base Rental Fund. With respect to the Series R2 Certificates, the Trustee shall establish and maintain the Series R2 Base Rental Account within the Base Rental Fund. The Base Rental Fund shall be maintained by the Trustee until all required Base Rental is paid in full pursuant to the terms of the Lease Agreement, or until such earlier date as there are no Certificates Outstanding. The Trustee shall deposit in the Base Rental Fund (a) all Base Rental payments, (b) all amounts, if any, required to be deposited in the Base Rental Fund pursuant to each Lease Agreement, (c) all investment earnings required to be deposited therein pursuant to the provisions of the Trust Agreement, and (d) all amounts required to be deposited pursuant to the provisions of the Trust Agreement described in "Prepayment" below.

Payments of Base Rental received by the Trustee under a Lease Agreement shall be net of amounts on deposit in the Base Rental Fund that are available for the payment of interest and principal with respect to the Certificates of such Series. These amounts shall be deposited into the Base Rental Fund, as appropriate, based upon the related Lease Agreement, as adjusted pursuant to the terms thereof.

Moneys held in an account within the Base Rental Fund, other than as provided in the provisions of the Trust Agreement described in "Prepayment" below, shall be applied by the Trustee to the payment of (a) interest represented by the Certificates of the related Series due and payable on each Interest Payment Date and (b) principal represented by the Certificates of the related Series due and payable on each Certificate Payment Date. In the event insufficient amounts are available in the Base Rental Fund or otherwise to pay interest and principal represented by the Certificates of the related Series when due, available amounts shall be allocated proportionately among the Certificates of the related Series based on the amount of interest and principal then due with respect to each Certificate of the related Series.

Prepayment. Any net proceeds of insurance or awards in respect of a taking under the power of eminent domain not required to be used for repair or replacement of a Leased Property and, under the terms of the Trust Agreement, required to be deposited into an account within the Base Rental Fund, any amounts required to be transferred to the Base Rental Fund pursuant to the Trust Agreement, as described in "—Repair or Replacement" and "—Title Insurance" herein, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee into an account within the Base Rental Fund. The Trustee shall, on the scheduled prepayment date withdraw from the appropriate account within the Base Rental Fund and pay to the Owners entitled thereto an amount equal to the Prepayment Price of the Certificates of the related Series to be prepaid on such date, plus accrued interest to the prepayment date.

Delinquent and Surplus Base Rental Payments. All delinquent Base Rental payments received pursuant to a Lease Agreement and any proceeds of rental interruption insurance received by the Trustee shall be deposited into the related account within the Base Rental Fund. All proceeds of rental interruption insurance and delinquent Base Rental payments so received shall be applied first to the payment of overdue installments of interest and, then to the payment of overdue installments of principal. Any amounts remaining in an account within the Base Rental Fund on each Interest Payment Date which are not required for the payment of principal of or interest with respect to the related Series of Certificates on such Interest Payment Date shall be retained in the related account within the Base Rental Fund unless the City otherwise directs, in writing, that such amount be remitted to the City (except that any remaining money representing delinquent Base Rental payments and any proceeds of rental interruption insurance shall remain on deposit in the related account within the Base Rental Fund until expended).

Establishment and Application of Rebate Fund. There is established under the Trust Agreement in trust a special fund designated the "Rebate Fund," which shall be held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. Amounts received by the Trustee as Additional Rental with respect to any rebate requirement as set forth in written instructions of a City Representative in accordance with the provisions of the Tax Certificate shall be deposited in the Rebate Fund. Amounts on deposit in the Rebate Fund shall only be applied to payments made to the United States of America in accordance with written instructions of a City Representative or returned to the City as directed in writing by a City Representative.

Surplus

After (a)(i) payment or prepayment or provision for payment or prepayment of all amounts represented by the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of the Certificates pursuant to the provisions of the Trust Agreement described in paragraph (a)(ii) or (iii) of the Section herein entitled "—Defeasance," and (b) the transfer of any additional amounts required to be deposited into the Rebate Fund pursuant to a Written Request from a City Representative in accordance with the Tax Certificate, any amounts remaining in any of the funds, accounts or subaccounts established under the Trust Agreement (except for the Rebate Fund) and not required for such purposes shall, after payment of any amounts due to the Trustee pursuant to a Written Certificate of a City Representative, be remitted to the City and used for any lawful purpose thereof; provided, however, that in the event of defeasance, amounts shall not be remitted to the City until the City has delivered or caused to be delivered an Opinion of Bond Counsel to the effect that remission of such amounts to the City shall not affect the exclusion from gross income for federal income tax purposes of interest represented by the Certificates. Investment Earnings on amounts on deposit in all funds, accounts or subaccounts established under the Trust Agreement shall be applied as provided in the provisions of the Trust Agreement described in "—Investments—Application of Investment Earnings" below.

Additional Rental

In the event the Trustee receives Additional Rental pursuant to any Lease Agreement, the Trustee shall establish a separate fund for such Additional Rental and deposit any such amounts therein and such Additional Rental shall be applied by the Trustee solely to the payment of any costs in respect of which such Additional Rental was received, and shall not be commingled in any way with any other funds received by the Trustee pursuant to the Lease Agreements or the Trust Agreement. Notwithstanding the foregoing, to the extent such Additional Rental was paid for deposit into the Rebate Fund, such amounts shall be deposited into the Rebate Fund.

Repair or Replacement

Application of Insurance Proceeds. If a Leased Property or any portion thereof shall be damaged or destroyed, the City shall make an election to use proceeds of insurance either to prepay the related Series of Certificates or to repair or replace such Leased Property or affected portion thereof in accordance with the provisions of the related Lease Agreement. Notwithstanding the provisions of such Lease Agreement, a City Representative shall, within 180 days of the occurrence of the event of damage or destruction (unless such time period is extended at the option of the City), notify the Trustee in writing of its election. The proceeds of any insurance (other than any rental interruption insurance), including the proceeds of any self-insurance, received on account of any damage or destruction of a Leased Property or a portion thereof shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, shall be applied to the prepayment of the related Series of Certificates in accordance with the prepayment provisions of the Trust Agreement or applied to the cost of repair or replacement of such Leased Property or the affected portion thereof, in either case upon receipt of a Written Request of a City Representative. The Trustee may conclusively rely on any such Written Request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any insurance, including the proceeds of any self-insurance, remaining after such Leased Property or any portion thereof which was damaged or destroyed is restored to and made available to the City in substantially the same condition and fair rental value as that which existed prior to the damage or destruction or the prepayment, or provision for the prepayment, of the related Series of Certificates as required in the prepayment provisions of the Trust Agreement, shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of such Leased Property after such damage or destruction, and after any repairs or replacements made as a result of such damage or destruction, is at least equal to the maximum amount of Base Rental payments becoming due under such Lease Agreement in the then current applicable Lease Agreement Year or any subsequent applicable Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the related account within the Base Rental Fund and used to prepay Certificates of the related Series pursuant to the prepayment provisions of the Trust Agreement unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Eminent Domain. If a Leased Property or any portion thereof shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain) then the eminent domain provisions of the related Lease Agreement shall apply. Notwithstanding the provisions of a Lease Agreement, a City Representative, within 90 days of the conclusion of the eminent domain proceeding, shall notify the Trustee in writing of whether the related Leased Property will be replaced or the related Series of Certificates prepaid. The proceeds of any condemnation award shall as soon as possible be deposited with the Trustee and be held by the Trustee in a special fund and made available for and, to the extent necessary, shall be applied to prepay the related Series of Certificates in accordance with the prepayment provisions of the Trust Agreement or applied to the cost of replacement of such Leased Property, in either case upon receipt of a Written Request of a City Representative. The Trustee may conclusively rely on any such Written Request. Pending such application, such proceeds may be invested by the Trustee as directed by a City Representative in Permitted Investments that mature not later than such times that such moneys are expected to be needed.

The proceeds of any condemnation award remaining after a Leased Property has been replaced by property available to the City in substantially the same condition and fair rental value as that which existed prior to the eminent domain proceedings or the prepayment, or provision for the prepayment, of the related Series of Certificates as required in the Trust Agreement, shall, if there is first delivered to the Trustee a written certificate of the Director of Property to the effect that the annual fair rental value of such Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under such Lease Agreement in the then current applicable Lease Agreement Year or any subsequent applicable Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, it shall so notify the Trustee in writing, and then any excess amounts shall be transferred by the Trustee to the related account within the Base Rental Fund and used to prepay Certificates of the related Series pursuant to the prepayment provisions of the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Title Insurance

Proceeds of any policy of title insurance received by the Trustee in respect of a Leased Property or any portion thereof for the benefit of the Owners shall be applied and disbursed by the Trustee as follows:

(a) If the City determines that the title defect giving rise to such proceeds has not materially affected the City's right to the use and possession of such Leased Property and will not result in an abatement of Base Rental payable by the City under the related Lease Agreement, upon Written Direction of the City such proceeds shall, if there is first delivered to the Trustee a written certificate of a City Representative to the effect that the annual fair rental value of such Leased Property, notwithstanding the title defect for which the payment was made, is at least equal to the maximum amount of Base Rental becoming due under such Lease Agreement in the then current applicable Lease Agreement Year or any subsequent applicable Lease Agreement Year, be paid to the City to be used for any lawful purpose. If the City cannot deliver the certificate described in the preceding sentence, then such amounts shall be transferred to the related account within the Base Rental Fund and used to prepay Certificates of the related Series pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

(b) If any portion of such Leased Property has been affected by such title defect, and if the City certifies in writing that such title defect will result in an abatement of Base Rental payable by the City under the related Lease Agreement, then upon Written Direction of the City either (i) the Trustee on behalf of the City shall use the insurance proceeds to remove the title defect, or (ii) the Trustee shall, if not notified in writing by a City Representative within 90 days of the receipt by the Trustee of the insurance proceeds that the City will use the proceeds to remove the title defect, deposit such proceeds in the related account within the Base Rental Fund, and such proceeds shall be applied to the prepayment of Certificates of the related Series in the manner provided in the prepayment provisions of the Trust Agreement.

(c) Any excess proceeds with respect to title insurance remaining after application pursuant to the terms of the Trust Agreement shall be paid to the City to be used for any lawful purpose.

Investments

Investments Authorized. Money held by the Trustee in any fund or account under the Trust Agreement shall be invested by the Trustee in Permitted Investments, pending application as provided in the Trust Agreement solely at the Written Direction of a City Representative, shall be registered in the name of the Trustee, if registrable, for the benefit of the Owners, and shall be held by the Trustee. A City Representative shall, where applicable, direct the Trustee prior to 12:00 p.m. Pacific time on the Business Day prior to the date any Permitted Investment matures or is redeemed as to the reinvestment of the proceeds thereof. Money held in any fund, account, or subaccount under the Trust Agreement (other than the Rebate Fund) may be commingled for purposes of investment only; provided, however, that each fund, account, or subaccount held by the Trustee under the Trust Agreement shall be accounted for separately. If a City Representative shall fail to provide the Trustee with Written Direction with respect to any moneys subject to investment, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clause (a) of the definition thereof that mature on the day prior to the next Interest Payment Date or in Permitted Investments described in clause (d) of the definition thereof, whichever yield is greater on the date of such investment.

The Trustee acknowledges under the Trust Agreement that any investments and reinvestments shall be made after giving full consideration to the time at which funds are required to be available under the Trust Agreement and to the highest yield practicably obtainable giving due regard to the safety of such funds and the date upon which such funds will be required for the uses and purposes required by the Trust Agreement. The Trustee may act as agent in the making or disposing of any investment.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement, all Permitted Investments shall be valued on or before each April 2 at the greater of cost or market value.

Application of Investment Earnings. The Trustee shall deposit, as and when received, all Investment Earnings on amounts on deposit in all funds, accounts and subaccounts maintained by it under the Trust Agreement with respect to the Certificates as follows (a) all Investment Earnings on amounts on deposit in accounts within the Base Rental Fund shall be retained therein; (b) all Investment Earnings on amounts on deposit in the Rebate Fund shall be retained therein; and (c) all Investment Earnings on amounts on deposit accounts within the Costs of Issuance Fund shall be retained therein; in each case until such moneys are expended or such funds are closed as provided in the Trust Agreement.

Amendments to Trust Agreement

The Trust Agreement may be amended in writing by agreement between the parties, but no such amendment shall become effective as to the Owners unless and until approved in writing by the Owners of a majority in aggregate principal amount of Certificates then Outstanding.

Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners upon the written agreement of a City Representative and the Trustee, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, (b) in regard to questions arising under the Trust Agreement which the City and the Trustee may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners of the Certificates then Outstanding, (c) to preserve and maintain the exclusion from gross income for federal income tax purposes of interest with respect to the Certificates, (d) to qualify the Trust Agreement under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal law from time to time in effect, or (e) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the Owners of the Certificates then Outstanding; provided that the City and the Trustee may rely, in entering into any such amendment or modification of the Trust Agreement, upon the Opinion of Counsel (which opinion may rely upon the opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

No amendment shall impair the right of any Owner to receive principal and interest with respect to his or her Certificate without the consent of the affected Owner. Further, no such amendment or supplement shall (a) extend the payment date of any Certificate or reduce the rate of interest with respect thereto or extend the time of payment of such interest or reduce the amount of principal represented thereby without the prior written consent of the Owner of the Certificate so affected, (b) reduce the percentage of Owners whose consent is required for the execution of any amendment to the Trust Agreement or any supplement thereto, (c) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (d) amend the amendment provisions of the Trust Agreement without the prior written consent of the Owners of all Certificates then Outstanding.

Amendments to a Facilities Lease or a Lease Agreement

A Facilities Lease or a Lease Agreement may be amended in writing by agreement between the parties thereto, but no such amendment shall become effective as to the Owners of the related Series of Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount of the related Series of Certificates then Outstanding.

Notwithstanding the foregoing, each Facilities Lease, each Lease Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners, upon the written agreement between the respective parties thereto, but only (a) for the purpose of curing any ambiguity or omission relating thereto, or of curing, correcting or supplementing any defective provision contained in such Facilities Lease or such Lease Agreement, (b) in regard to questions arising under such Facilities Lease or such Lease Agreement, which the City and the Trustee deem necessary or desirable and not inconsistent with the terms thereof and which shall not materially adversely affect the interests of the Owners of the related Series of Certificates then Outstanding, (c) to modify or amend the description of the related Leased Property to release from such Facilities Lease or such Lease Agreement any portion thereof or to add or substitute other property and/or improvements for such Leased Property or any portion thereof or (d) for any other reason, provided such modification or amendment does not materially adversely affect the interests of the affected Owners; provided that the City and the Trustee may request and rely, in entering into any such amendment or modification thereof or giving its consent thereto, upon the opinion of Independent Counsel (which opinion may rely upon the certificates or opinions of other experts, consultants or advisors) stating that the requirements of this sentence have been met with respect to such amendment or modification.

Notwithstanding anything in the Trust Agreement to the contrary, no amendment to a Facilities Lease or a Lease Agreement for the purpose of adding, substituting or releasing property and/or improvements as set forth in subparagraph (c) of the immediately preceding paragraph shall be effective unless and until the City shall have satisfied the requirements set forth in the related Lease Agreement.

Certain Covenants

City to Perform Facilities Leases and Lease Agreements. The City covenants and agrees with the Owners to perform all obligations and duties imposed on it under the Facilities Leases and the Lease Agreements.

Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions of the Trust Agreement, and the City will not suffer or permit any default by it to occur thereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms thereof required to be complied with, kept, observed and performed by it.

Accounting Records and Statements. The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions relating to the receipt, deposit and disbursement of the Base

Rental, and such accounting records shall be available for inspection by the City or any Owner or by their agents or representatives duly authorized in writing with prior notice, at reasonable hours and under reasonable conditions.

Tax Matters. The City covenants that it will use, and will restrict the use and investment of the proceeds of the Certificates in such manner and to such extent as may be necessary so that: (a) the Certificates will not (i) constitute private activity bonds arbitrage bonds or hedge bonds under Section 141, 148 or 149 of the Code, or (ii) be treated other than as obligations to which Section 103 of the Code applies, and (b) the interest thereon will not be treated as a preference item for purposes of the federal alternative minimum tax.

The City further covenants (a) that it will take or cause to be taken such actions that may be required of it for the interest represented by the Certificates to be and remain excluded from gross income for federal income tax purposes, (b) that will not take or authorize to be taken any actions that would adversely affect that exclusion, and (c) that it, or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Certificates to governmental purposes, (ii) restrict the yield on investment property, (iii) make timely and adequate payments to the federal government as required under the Tax Certificate, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of those proceeds and, as applicable, of property financed with such proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code.

Continuing Disclosure. The City has covenanted under the Lease Agreements that it will comply with the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of the Trust Agreement, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Trustee, to the extent indemnified from and against any cost, liability or expense, may (and, at the request of any Participating Underwriter (as defined in the Continuing Disclosure Certificate) or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall) or any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, to cause the City to comply with the provisions of the Continuing Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City, and that the sole remedy under the Continuing Disclosure Certificate in the event of any failure of the City to comply with the Continuing Disclosure Certificate shall be an action to compel performance.

Events of Default

Any one or more of the following events are an "Event of Default" under the Trust Agreement:

(a) The City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to a Lease Agreement by any Interest Payment Date; or

(b) the City breaches any other provision of any Lease Agreement or fails to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Trust Agreement, other than such failure as may constitute an Event of Default under paragraph (a) above, for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, has been given to the City by the Trustee or to the City and the Trustee by the Owners of not less than a majority in aggregate principal amount of the Certificates then Outstanding, provided, that failure to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default under the Trust Agreement; provided, further, however, if the failure stated in the notice cannot be corrected within such 60-day period, then such period will be extended so long as corrective action is instituted by the City within such period and diligently pursued until the default is corrected, but only if such extension shall not be longer than 180 days.

Remedies on Default

Upon the occurrence and continuance of any Event of Default described in paragraph (a) of the Section above entitled "Events of Default," the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount of the Certificates then Outstanding and upon being indemnified to its satisfaction, shall proceed) to exercise the remedies described in the Section herein entitled "LEASE AGREEMENTS—Default—Remedies on Default," to the extent an Event of Default has occurred under a Lease Agreement. Nothing in the Trust Agreement shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Defeasance

(a) If all Certificates shall be paid and discharged ("defeased") as provided in the provisions of the Trust Agreement described in this Section, "Defeasance," then all obligations of the Trustee and the City under the Trust Agreement with respect to all Certificates shall cease and terminate, except only (i) the obligation of the Trustee to pay or cause to be paid to the Owners thereof all sums due with respect to the Certificates and to register, transfer and exchange Certificates pursuant to the Trust Agreement, (ii) the obligation of the City to pay the amounts owing to the Trustee under the Trust Agreement and (iii) the obligation of the City to comply with the tax covenants set forth in the Trust Agreement. Any funds held by the Trustee at the time of such termination which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City.

Any Certificate or portion thereof in an Authorized Denomination shall be deemed no longer Outstanding under the Trust Agreement if paid or discharged in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal and interest with respect to such Certificates which have become due and payable;

(ii) by depositing with the Trustee, in trust, cash which, together with the amounts then on deposit in the Base Rental Fund and dedicated to this purpose, is fully sufficient to pay when due all principal, premium, if any, and interest due with respect to such Certificate to the final applicable Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities the principal and interest on which (without reinvestment) will provide the Trustee with money which at all times will be, as shown in the written report of a certified public accountant or other financial consultant, sufficient to pay the principal, premium, if any, and interest with respect to such Certificate to the final applicable Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment;

provided that if any of the Certificates are to be pre-paid, notice of that prepayment shall have been duly given or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of that notice.

(b) Upon such defeasance pursuant to the provisions of the Trust Indenture described in paragraph (a) above, the funds and investments required to pay or prepay the applicable Certificates shall be irrevocably set aside for such purpose and moneys held for defeasance shall be invested only as described in this Section, "Defeasance"; provided that other Defeasance Securities may be substituted for Defeasance Securities deposited with the Trustee if the Trustee and the City receive a written report from a certified public accountant or other financial consultant that the principal and interest becoming due on the Defeasance Securities (without reinvestment) to be held by the Trustee after such transaction and any other moneys available therefor will provide the Trustee with moneys which at all times will be sufficient to pay the principal, premium, if any, and interest with respect to the applicable Certificates to the final applicable Certificate Payment Date or earlier prepayment date thereof.

If any Certificates are defeased pursuant to the Trust Agreement and will not mature or be prepaid within 45 days of such defeasance, then the Trustee shall within 15 days after those Certificates are defeased, cause a written notice to be given to each Owner thereof at the close of business on the date on which such Certificates are defeased at its address as it appears on the Certificate Register on the date on which such Certificates are defeased. The notice shall: (a) state the numbers of the Certificates defeased, or shall state that all Certificates are defeased; (b) set forth a description of the Defeasance Securities held as described above; (c) state whether any Certificates will be prepaid prior to their scheduled maturity and (d) if any Certificates will be so prepaid, specify the date or dates on which such Certificates are to be prepaid pursuant to a notice of prepayment given or irrevocable provision made for that notice pursuant to the Trust Agreement. Such notice shall be in addition to any notice required under the Continuing Disclosure Certificate.

Any moneys held by the Trustee in accordance with the provisions of the Trust Agreement described in this Section, "Defeasance," may be invested by the Trustee only in Defeasance Securities having maturity dates, or redemption dates, which, at the option of the holder of those obligations, shall be not later than the date or dates at which moneys will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, the investments held as described in this Section, "Defeasance," is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for the purposes described in this Section, "Defeasance," that income, interest or increment shall be transferred at the time of that determination to the City.

(c) Any funds held by the Trustee at the time of the defeasance of all Certificates, which are not required for payment to Owners, or for payment to be made to the Trustee by the City, shall be paid to the City.

FACILITIES LEASES

Lease of Leased Property

Under the San Francisco Courthouse Facilities Lease, the City leases the San Francisco Courthouse to the Trustee, subject (a) to the terms of the San Francisco Courthouse Facilities Lease and any and all covenants, reservations, exceptions and other matters that are of record and (b) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the site of the San Francisco Courthouse as the Trustee may require in order to fulfill its obligations under the San Francisco Courthouse Facilities Lease and under the San Francisco Courthouse Lease Agreement.

Under the Juvenile Hall Facilities Lease, the City leases the San Francisco Juvenile Hall to the Trustee, subject (a) to the terms of the Juvenile Hall Lease Agreement and any and all covenants, reservations, exceptions and other matters that are of record and (b) to Permitted Encumbrances. The City also grants to the Trustee such rights of ingress and egress to the site of the San Francisco Juvenile Hall as the Trustee may require in order to fulfill its obligations under the Juvenile Hall Facilities Lease and under the Juvenile Hall Lease Agreement.

Ownership

In each Facilities Lease, the City represents that it is the sole owner of and holds fee title to the related Leased Property, subject to Permitted Encumbrances.

Assignment and Lease Agreement

As long as a Lease Agreement is in effect and there has been no event of default thereunder, the Trustee shall not assign, mortgage, hypothecate or otherwise encumber the related Facilities Lease or any rights thereunder or the leasehold created thereby pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the related Leased Property, in all cases, without the written consent of the City. The City expressly approves and consents to each Lease Agreement.

Right of Entry

The City reserves the right for any of its duly authorized representatives to enter upon any Leased Property at any reasonable time.

Expiration

The Trustee agrees, upon the expiration of a Facilities Lease, to quit and surrender the related Leased Property together with all improvements thereon. Upon termination of a Facilities Lease, title to the related Leased Property shall vest in the City free and clear of any interest of the Trustee or any assignee of the Trustee.

Quiet Enjoyment

At all times during the term of a Facilities Lease, the Trustee shall peaceably and quietly have, hold and enjoy all of the related Leased Property.

Taxes

The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon any Leased Property and all buildings and improvements thereon.

Eminent Domain

If the whole or any part of a Leased Property shall be taken under the power of eminent domain, the interest of the Trustee shall be recognized and determined to be the aggregate amount of unpaid Base Rental payments under the related Lease Agreement through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, in accordance with the terms of such Lease Agreement and the Trust Agreement.

Default

In the event that the Trustee shall be in default in the performance of any obligation on its part to be performed under the terms of a Facilities Lease, the City may exercise any and all remedies granted by law, except that no merger of such Facilities Lease and of the related Lease Agreement shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate such Facilities Lease by reason of any default on the part of the Trustee so long as any Certificate of the related Series is Outstanding. So long as the Trustee or any successor in interest to the Trustee or any assignee of the Trustee permitted under a Facilities Lease, as described in "—Assignment and Lease Agreement" above, shall duly perform the terms and conditions of such Facilities Lease, the Trustee, successor or such assignee shall be deemed to be and shall become the tenant of the City thereunder and shall be entitled to all of the rights and privileges granted under any such assignment.

Partial Invalidity

If any one or more of the terms, provisions, promises, covenants or conditions of a Facilities Lease shall to any extent be adjudged invalid, unenforceable, void or voidable for any reason whatsoever by a court of competent jurisdiction, each and all of the remaining terms, provisions, promises, covenants and conditions of such Facilities Lease shall not be affected thereby, and shall be valid and enforceable to the fullest extent permitted by law.

LEASE AGREEMENTS

Lease Agreements

Under the San Francisco Courthouse Lease Agreement, the Trustee leases the San Francisco Courthouse to the City, and the City leases the San Francisco Courthouse from the Trustee and agrees to pay the Base Rental and the Additional Rental as provided in the San Francisco Courthouse Lease Agreement for the right to use and occupy the San Francisco Courthouse, all on the terms and conditions set forth in the San Francisco Courthouse Lease Agreement.

Under the Juvenile Hall Lease Agreement, the Trustee leases the San Francisco Juvenile Hall to the City, and the City leases the San Francisco Juvenile Hall from the Trustee, and the City agrees to pay the Base Rental and the Additional Rental as provided in the Juvenile Hall Lease Agreement for the right to use and occupy the San Francisco Juvenile Hall, all on the terms and conditions set forth in the Juvenile Hall Lease Agreement.

Rent

Rental Payments. Under the San Francisco Courthouse Lease Agreement, the City agrees, subject to the terms thereof, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental, for the use and occupancy of the San Francisco Courthouse in the amounts, at the times and in the manner set forth therein, such amounts constituting the aggregate rent payable under each such Lease Agreement.

Under the Juvenile Hall Lease Agreement, the City hereby agrees, subject to the terms thereof, to pay to the Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental, for the use and occupancy of the San Francisco Juvenile Hall in the amounts, at the times and in the manner set forth therein, such amounts constituting the aggregate rent payable under the Juvenile Hall Lease Agreement.

Base Rental. The City agrees to pay, from any and all legally available funds, aggregate Base Rental in the amounts set forth in the San Francisco Lease Agreement, which constitutes the principal and interest represented by the Series R1 Certificates. The City also agrees to pay, from any and all legally available funds, aggregate Base Rental in the amounts set forth in the Juvenile Hall Lease Agreement, which constitutes the principal and interest represented by the Series R2 Certificates. The Base Rental consists of semi-annual rental payments with principal and interest components, the interest components being paid semiannually as interest on the principal components computed on the basis of a 360-day year composed of twelve 30-day months. The Base Rental payable by the City pursuant to a Lease Agreement shall be paid in arrears and shall be due and payable for the use and occupancy of the related Leased Property on the dates and in the manner set forth by such Lease Agreement.

The City shall deposit the Base Rental with the Trustee for application by the Trustee in accordance with the terms of the Trust Agreement. In the event any such date of deposit is not a Business Day, such deposit shall be made on the next succeeding Business Day. In no event shall the amount of Base Rental payable exceed the aggregate amount of principal and interest required to be paid or prepaid on the corresponding Interest Payment Date as represented by the Outstanding Certificates of a Series, according to their tenor.

Notwithstanding any other provision of the San Francisco Lease Agreement, the City shall receive a credit for any Base Rental payment if and to the extent (a) moneys are on deposit in the Series R1 Base Rental Account within the Base Rental Fund held under the Trust Agreement and are available for the payment of Base Rental evidenced by the Series R1 Certificates or (b) investment earnings on Permitted Investments will be deposited in or credited to the Series R1 Base Rental Account within the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

Notwithstanding any other provision of the Juvenile Hall Lease Agreement, the City shall receive a credit for any Base Rental payment if and to the extent (a) moneys are on deposit in the Series R2 Base Rental Account within the Base Rental Fund held under the Trust Agreement and are available for the payment of Base Rental evidenced by the Series R2 Certificates or (b) investment earnings on Permitted Investments will be deposited in or credited to the Series R2 Base Rental Account within the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

Additional Rental. In addition to the Base Rental set forth in each Lease Agreement, the City agrees to pay as Additional Rental all of the following:

(a) All taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon each Leased Property or upon any interest of the Trustee or the Owners therein or in the Lease Agreements;

(b) Insurance premiums, if any, on all insurance required under the provisions of the Lease Agreements;

(c) All fees, costs and expenses (not otherwise paid or provided for out of the proceeds of the sale of the Certificates) of the Trustee and any paying agent in connection with the Trust Agreement;

(d) Amounts required to be deposited in the Rebate Fund in accordance with the Tax Certificate;

(e) Any other fees, costs or expenses incurred by the Trustee in connection with the execution, performance or enforcement of the Lease Agreements or any assignment of a Lease Agreement or of the Trust Agreement or any of the transactions contemplated thereby or related to any Leased Property; and

(f) Amounts required to maintain and repair any Leased Property, as described in "—Replacement, Maintenance and Repairs" below.

Amounts constituting Additional Rental payable under each Lease Agreement shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the City stating the amount of Additional Rental then due and payable and the purpose thereof.

Delinquent Rent. Except as otherwise provided in a Lease Agreement, any installment of Base Rental or Additional Rental accruing under such Lease Agreement that shall not be paid when due shall bear interest at the actual rate or rates of interest represented by the related Series of Certificates coming due with respect to such payment.

Budget

The City covenants to take such action as may be necessary to include all Rental Payments due under the Lease Agreements as a separate line item in its annual budget and to make the necessary annual appropriations for all such Rental Payments, subject to the rental abatement provisions of the Lease Agreements. The requirement to include the Rental Payments in the annual budget and to make the necessary appropriations therefor are deemed to be, and shall be construed to be, ministerial duties imposed by law and by the Charter. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments under the Lease Agreements does not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the City to make Base Rental or Additional Rental payments constitutes an indebtedness of the City, the State or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Payment; Credit

Amounts necessary to pay Base Rental pursuant to a Lease Agreement shall be deposited by the City on the dates set forth in such Lease Agreement in lawful money of the United States of America, at the Principal Office of the Trustee, or at such other place or places as may be established in accordance with the Trust Agreement. Except as provided in the provisions of the Lease Agreements regarding rental abatement, any amount necessary to pay any Base Rental or portion thereof that is not so deposited shall remain due and payable until received by the Trustee. Notwithstanding any dispute between the City and the Trustee under a Lease Agreement, the City shall make all Rental Payments when due and shall not withhold any Rental Payments pending the final resolution of such dispute or for any reason whatsoever. The City's obligation to make Rental Payments in the amount and on the terms and conditions specified under the Lease Agreements shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, subject only to the provisions of the Lease Agreements described in the Sections herein entitled "—Rent—Base Rental" and "—Rental Abatement." Amounts required to be deposited with the Trustee pursuant to the provisions of the Lease Agreements described in this paragraph shall be reduced, as described in the last two paragraphs of "Rent—Base Rental" above.

Rental Abatement

Except to the extent of (a) available amounts held by the Trustee in the related account within the Base Rental Fund, (b) amounts, if any, received in respect of rental interruption insurance and (c) amounts, if any, otherwise legally available to the City for payments in respect of the related Lease Agreement or to the Trustee with respect to payments in respect to the related Series of Certificates, Rental Payments due under a Lease Agreement shall be subject to abatement during any period in which, by reason of material damage, destruction or condemnation of the related Leased Property or any portion thereof, or due to defects in title to such Leased Property or any portion thereof, there is substantial interference with the right to the use and occupancy by the City of such Leased Property or any portion thereof.

In the case of abatement relating to a Leased Property, the amount of annual rental abatement shall be such that the resulting Rental Payments in any applicable Lease Agreement Year during which such interference continues, excluding any amounts described in subparagraphs (a), (b) or (c) of the immediately preceding paragraph, do not exceed the annual fair rental value of the portions of such Leased Property with respect to which there has not been substantial interference, as evidenced by a certificate of a City Representative. Such abatement shall continue for the period commencing with the date of such damage, destruction, condemnation or discovery of such title defect and ending with the restoration of such Leased Property or portion thereof to tenantable condition or correction of the title defect. In the event of any such damage, destruction, condemnation or title defect, the related Lease Agreement shall continue in full force and effect, except as set forth in the provisions of such Lease Agreement described in "—Application of Insurance Proceeds" and "—Eminent Domain" below. Notwithstanding the foregoing, the City in its sole discretion may in lieu of abatement elect, but is not obligated, to substitute property for the damaged, condemned or destroyed Leased Property, or portion thereof, pursuant to the related Lease Agreement, as further described in "—Substitution of Leased Property" below.

Pursuant to the Lease Agreements, Base Rental is calculated on an annual basis, and rental abatement shall also be calculated on an annual basis taking into account the entire twelve-month period commencing April 1, within which the damage or destruction occurs. If at any time it shall be necessary to calculate rental abatement, for purposes of calculation for any twelve month period commencing April 1 and ending March 31, the total amount of Base Rental payable within such twelve month period shall be divided by 360 days and consist of twelve 30-day months. The maximum amount of daily rental abatement for such twelve month period shall not exceed the result of such calculation. The maximum amount of daily abatement for any period of less than twelve months shall be calculated in a manner consistent with the preceding two sentences.

Triple Net Lease

Each Lease Agreement is intended to be a triple net lease. The City agrees that the Rental Payments provided for in the Lease Agreements shall be an absolute net return to the Trustee free and clear of any expenses, charges or set-offs whatsoever.

Replacement, Maintenance and Repairs

Pursuant to each Lease Agreement, the City will, at its own expense and as determined and specified by the Director of Property, during any Lease Agreement Term maintain the related Leased Property, or cause the same to be maintained, in good order, condition and repair. The City shall replace any portion of a Leased Property that is destroyed, damaged or taken by eminent domain, to such an extent that there is substantial interference with the right to the use and occupancy of such Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof, as described in "—Rental Abatement" above; provided however, that the City shall not be required to repair or replace any such portion of such Leased Property pursuant to the related Lease Agreement if there shall be applied to the prepayment of Outstanding Certificates of the related Series insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding of such Series and to pay all other amounts due under the related Lease Agreement and under the Trust Agreement, or (ii) any portion of such Series of Certificates, such that the resulting Rental Payments payable pursuant to the related Lease Agreement in any applicable Lease Agreement Year following such partial prepayment are sufficient to pay in the then current and any future applicable Lease Agreement Year the principal and interest with respect to all Certificates of such Series to remain Outstanding and all other amounts due under such Lease Agreement and under the Trust Agreement, to the extent it is due and payable in such Lease Agreement Year; provided however that the City's obligation to repair or replace any portion of such Leased Property shall be subject to the availability of proceeds of insurance or condemnation for such purpose.

The City shall provide or cause to be provided all security service, custodial service, janitorial service and other services necessary for the proper upkeep and maintenance of each Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments provided for in each Lease Agreement, the City is entitled to use and occupy each Leased Property and the Trustee shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of each such Leased Property during the respective Lease Agreement Terms. The Trustee shall not be required at any time to make any improvements, alterations, changes, additions, repairs or replacements of any nature whatsoever in or to any Leased Property. The City hereby expressly waives the right to make repairs or to perform maintenance of any Leased Property at the expense of the Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

Taxes, Other Governmental Charges and Utility Charges

The City contemplates that each Leased Property will be used for a governmental purpose of the City and, therefore, that each Leased Property will be exempt from all taxes presently assessed and levied with respect to each Leased Property. Nevertheless, the City agrees to pay during the respective Lease Agreement Terms, as the same respectively become due, all taxes (except for income or franchise taxes of the Trustee), utility charges and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to each Leased Property; provided, however, that with respect to any governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are accrued during such time as the related Lease Agreement is in effect; and provided further, that the City may contest in good faith the validity or application of any tax, utility charge or governmental charge in any reasonable manner that, in the Opinion of Counsel does not adversely affect the right, title and interest of the Trustee in and to any portion of the related Leased Property or its rights or interests under the related Lease Agreement or subject any portion of such Leased Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under such Lease Agreement and shall be payable directly to the entity assessing such taxes or charges.

Insurance

Pursuant to the Lease Agreements, the City will maintain, or cause to be maintained, throughout the respective Lease Agreement Terms:

(a) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, each Leased Property. Said policy or policies shall provide coverage in the following minimum amount: $5,000,000 combined single limit for bodily and personal injury and property damage per occurrence. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage maintained or caused by the City to be maintained.

(b) All risk property insurance on all structures constituting any part of a Leased Property in an amount equal to the Outstanding principal amount of Certificates of the related Series. Said insurance shall, as nearly as practicable, cover loss or damage by fire, lightning, explosion, windstorm, hail, riot, civil commotion, vandalism, malicious mischief, aircraft, vehicle damage, smoke, and such other hazards as are normally covered by such insurance, but excluding earthquakes and floods. Such insurance shall contain a replacement cost endorsement.

(c) Rental interruption insurance in an amount not less than the aggregate Base Rental payable by the City pursuant to each Lease Agreement for a period of 24 months (such amount may be adjusted to reflect the actual scheduled Base Rental Payments due under such Lease Agreement for the next succeeding 24 months), to insure against loss of rental income from the related Leased Property caused by perils covered by the insurance required by the provisions of each Lease Agreement described in paragraph (b) above.

(d) Boiler and machinery insurance, comprehensive form, insuring against accidents to pressure vessels and mechanical and electrical equipment, with a property damage limit not less than $5,000,000 per accident.

(e) All policies of insurance required under paragraphs (b) through (d), above, shall name the City and the Trustee as the insured parties, name the Trustee as a loss payee, and provide that all proceeds thereunder shall be payable to the Trustee pursuant to a lender's loss payable endorsement substantially in accordance with the form approved by the Risk Manager and the California Bankers Association, and all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance required under paragraphs (a) through (d) above may provide for a deductible amount that is commercially reasonable as determined by the Risk Manager.

All policies of insurance required by a Lease Agreement shall be in a form or forms certified by the Risk Manager to be in compliance with the requirements of such Lease Agreement. The City shall pay when due the premiums for all insurance policies required by the Lease Agreements. All insurance under each Lease Agreement shall be primary to any other insurance available to the City, and shall apply separately to each insured against whom claim is made or suit is brought and shall provide that the Trustee shall be given 30 days' notice of cancellation (10 days if for nonpayment of premium) or unintended non-renewal. All insurance required to be maintained pursuant to each Lease Agreement may be maintained either separately or as a part of any insurance carried by the City or required by the City to be carried, but if maintained as part of other insurance carried by the City, shall specifically identify the applicable Leased Property as being covered by such insurance, the amount of coverage applicable to such Leased Property and the amount of the deductible applicable to such Leased Property. All insurance must be provided by a commercial insurer rated "A, VIII" or higher by A.M. Best Company. The City shall certify in writing to the Trustee by no later than October 1 of each year, commencing October 1, 2014, that there is in effect the insurance or self insurance permitted by each Lease Agreement, as described in the subsequent paragraph.

Notwithstanding anything in any Lease Agreement to the contrary, the City shall have the right to adopt alternative risk management programs to insure against any of the risks required to be insured against under the Lease Agreements, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; provided that (a) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager and (b) any reserves set aside for such program shall be certified at least annually on each October 1 as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any Authorized Representative of the City may, if in the best interests of the City, approve such other types of insurance, including any increases in the insurance coverage required by a Lease Agreement, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the related Series of Certificates.

The City shall deliver to the Trustee, (a) on the Closing Date, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Series R1 Certificates, showing a leasehold interest in the San Francisco Courthouse in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Series R1 Certificates and subject to such liens, charges and encumbrances as set forth in such commitment (b) on the Closing Date, evidence of the commitment of a title insurance company to issue a CLTA or ALTA policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount of the Series R2 Certificates, showing a leasehold interest in the San Francisco Juvenile Hall in the name of the Trustee, and naming the insured parties as the City and the Trustee, for the benefit of the Owners of the Series R2 Certificates and subject to such liens, charges and encumbrances as set forth in such commitment and (c) promptly after the Closing Date, the insurance policies described in subparagraph (a) and (b) of this paragraph.

Liens

The City shall keep each Leased Property free and clear of all liens, charges, security interests and encumbrances other than (a) those existing on or prior to the Closing Date or on or prior to the date any Substitute Leased Property is substituted for a Leased Property or any portion thereof, as described in "—Substitution of Leased Property" below, and (b) Permitted Encumbrances.

Application of Insurance Proceeds

General. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of a Leased Property by fire or other casualty or event shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement, as described in the Section herein entitled "TRUST AGREEMENT—Application of Insurance Proceeds." If there is an abatement of Rental Payments pursuant to a Lease Agreement as a result of such casualty or event, and the City elects pursuant to the Trust Agreement to apply such insurance proceeds and such other sums as are deposited pursuant to the Trust Agreement to the prepayment of the related Series of Certificates rather than to the replacement or repair of the destroyed or damaged portion of such Leased Property, as described in the Section herein entitled "TRUST AGREEMENT—Application of Insurance Proceeds," then the related Lease Agreement shall terminate with respect to the destroyed or damaged portion of such Leased Property as of the later of the date of such election by the Trustee or the date the amount required by the Trust Agreement is received by the Trustee and in either case, after payment of any Additional Rental owed under the related Lease Agreement. If the City elects, pursuant to the provisions of the Trust Agreement, described in the Section entitled "TRUST AGREEMENT—Application of Insurance Proceeds" herein, to apply such proceeds to the repair or replacement of the portion of a Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to the related Lease Agreement, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of such Leased Property.

Title Insurance. Proceeds of title insurance received with respect to each Leased Property shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement.

Eminent Domain

Total Condemnation. If a Leased Property, or so much thereof as to render the remainder of such Leased Property unusable for the City's purposes under the related Lease Agreement, shall be taken under the power of eminent domain, then such Lease Agreement shall terminate as of the later of the day possession shall be so taken and the date of entry of the interlocutory judgment and in either case, after payment of any Additional Rental owed under such Lease Agreement. Notwithstanding the foregoing, the City may, at its option, but is not obligated to apply the proceeds relating to the condemnation to the replacement of the condemned Leased Property (provided such replacement property has sufficient fair rental value to satisfy the requirements of the related Lease Agreement, as described above in the Section entitled "—Rental Abatement"), and in the event there has been an abatement of Rental Payments pursuant to the related Lease Agreement, then Rental Payments shall again begin to accrue with respect thereto upon replacement of such Leased Property.

Partial Condemnation. If less than a substantial portion of a Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the related Lease Agreement shall continue in full force and effect as to the remaining portions of such Leased Property, subject only to such rental abatement as is required by the related Lease Agreement. The City and the Trustee waive the benefit of any law to the contrary. Any award made in eminent domain proceedings for the taking shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement, as described in the Section herein entitled "TRUST AGREEMENT—Repair or Replacement." If the City elects, pursuant to the provisions of the Trust Agreement described in the Section herein entitled "TRUST AGREEMENT—Application of Insurance Proceeds," to apply such proceeds to the repair or replacement of the condemned portion of a Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the related Lease Agreement, then Rental Payments shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of such Leased Property.

Additions and Improvements; Removal

The City has the right under a Lease Agreement, during the related Lease Agreement Term to make any additions or improvements to the related Leased Property, to attach fixtures, structures or signs, and to affix any personal property to such Leased Property, so long as the fair rental value of such Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on a Leased Property shall remain in the City to the extent that such items may be removed from such Leased Property without damage. Title to any personal property, improvements or fixtures placed on any portion of any Leased Property by any sublessee or licensee of the City shall be controlled by the sublease or license agreement between such sublessee or licensee and the City, which sublease or license agreement shall not be inconsistent with the applicable Lease Agreement.

Right of Entry

Representatives of the Trustee shall, subject to reasonable security precautions, have the right (but not the duty) to enter upon any Leased Property during reasonable business hours (and in emergencies at all times) (a) to inspect the same, (b) for any purpose connected with the rights or obligations of the Trustee under the applicable Lease Agreement, or (iii) for all other lawful purposes.

Quiet Enjoyment

Under each Lease Agreement, the Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements in the Lease Agreements, will at all times during the respective Lease Agreement Terms, peaceably and quietly have, hold, and enjoy each Leased Property.

Default by City

Events of Default. Any one or more of the following events shall be a Lease Agreement Event of Default under a Lease Agreement:

(a) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to such Lease Agreement by any Interest Payment Date;

(b) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to such Lease Agreement;

(c) the City shall breach any other terms, covenants or conditions contained in such Lease Agreement, in the related Facilities Lease or in the Trust Agreement, and shall fail to remedy any such breach with reasonable dispatch within a period of 60 days after written notice thereof from the Trustee, or its assignee to the City, or, if such breach cannot be remedied within such 60-day period, shall fail to institute corrective action within such 60-day period and diligently pursue the same to completion, provided that such period shall be no longer than 180 days from the date of such written notice from the Trustee;

(d) the City's interest in such Lease Agreement or any part thereof be assigned or transferred, either voluntarily or by operation of law or otherwise, without the written consent of the Trustee;

(e) the City or any assignee shall file any petition or institute any proceeding under any act or acts, state or federal, dealing with or relating to the subject or subjects of bankruptcy or insolvency, or under any amendment of such acts or acts, either as a bankrupt or as an insolvent, or as a debtor, or in any similar capacity, wherein or whereby the City asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of the City's debts or obligations, or offers to the City's creditors to effect a composition or extension of time to pay the City's debts or asks, seeks or prays for reorganization or to effect a plan of reorganization, or for a readjustment of the City's debts, or for any other similar relief, or if any such petition or any such proceedings of the same or similar kind or character be filed or be instituted or taken against the City, or if a receiver of the business or of the property or assets of the City shall be appointed by any court, except a receiver appointed at the instance or request of the Lessor, or if the City shall make a general or any assignment for the benefit of the City's creditors; or

(f) the City shall abandon or vacate any portion or portions of the related Leased Property.

Failure to comply with the Continuing Disclosure Certificate shall not constitute a Lease Agreement Event of Default under any Lease Agreement.

Remedies on Default. Upon the happening of any Lease Agreement Event of Default, the Trustee may exercise any and all remedies available to it pursuant to law (other than those specifically waived in the related Lease Agreement) or granted to it pursuant to the related Lease Agreement upon the occurrence of any Lease Agreement Event of Default.

In addition to all other rights and remedies the Trustee may, subject to its rights and protections under the Trust Agreement, have at law, the Trustee shall have the option to do any of the following:

(a) Without terminating the related Lease Agreement, (i) to collect each installment of Rental Payments as it becomes due and enforce any other terms or provisions hereof to be kept or performed by the City, or (ii) to exercise a right of entry or re-entry, and to re-let the related Leased Property. In the event the Trustee does not elect to terminate such Lease Agreement in the manner provided for in paragraph (b) below, the City shall remain liable under such Lease Agreement and agrees to keep or perform all covenants and conditions therein contained to be kept or performed by the City; provided, however, that for so long as the related Leased Property is not re-let, the Trustee shall not prevent the City from using, occupying, and enjoying such Leased Property, subject only to entry or re-entry by the Trustee to perform maintenance, make repairs or alterations, or engage in such other activities as may be desirable in furtherance of an attempt to preserve or re-let such Leased Property. If a Leased Property is not re-let, the City shall pay the full amount of the rent to the end of the term of the related Lease Agreement as it becomes due, or, in the event that such Leased Property is re-let, shall pay any resulting deficiency in rent as such rent becomes due; and further shall pay said rent or rent deficiency punctually at the same time and in the same manner as provided above for the payment of rent under such Lease Agreement, notwithstanding the fact that the Trustee may have received in previous years or may receive thereafter in subsequent years rental in excess of the rental specified in such Lease Agreement, and notwithstanding any entry or re-entry by the Trustee or suit in unlawful detainer, or otherwise, brought by the Trustee for the purpose of effecting such re-entry or obtaining possession of such Leased Property. Should the Trustee elect to re-enter as provided in the related Lease Agreement, the City irrevocably appoints the Trustee as the agent and attorney-in-fact of the City to re-let the related Leased Property, or any part thereof, from time to time, either in the Trustee's name or otherwise, upon such terms and conditions and for such use and period (not to exceed one year, unless approved in writing by the City) as the Trustee may deem advisable and to remove all persons in possession thereof and all personal property whatsoever situated upon the related Leased Property and to place such personal property in storage. No acts of the Trustee in effecting such re-letting shall constitute a surrender or termination of the related Lease Agreement irrespective of the use or the term (subject to the preceding sentence) for which such re-letting is made or the terms and conditions of such re-letting, or otherwise.

Notwithstanding anything to the contrary contained in a Lease Agreement, the Trustee shall not re-enter or re-let a Leased Property upon an event of default unless the Trustee or its sublessee agrees to perform the City's obligations under any then existing sublease, license, management contract, or other agreement substantially relating to such Leased Property, unless the other party to such sublease, license, management contract, or other agreement is in default thereunder.

(b) In addition to the other remedies set forth in each Lease Agreement, upon the occurrence of a Lease Agreement Event of Default, the Trustee and its assignee shall be entitled to proceed to protect and enforce the rights vested in the Trustee and its assignee by the related Lease Agreement or by law except as specifically waived therein. The provisions of the Lease Agreements and the duties of the City and of its elected officials, officers, or employees shall be enforceable by the Trustee or its assignee by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Trustee and its assignee shall have the right to bring the following actions:

(i) Accounting. By action or suit in equity to require the City and its Board of Supervisors, officers, and employees and its assigns to account as the trustee of an express trust.

(ii) Injunction. By action or suit in equity to enjoin any acts or things that may be unlawful or in violation of the rights of the Trustee or its assignee.

(iii) Mandamus. By mandamus or other suit, action, or proceeding at law or in equity to enforce the Trustee's or its assignee's rights against the City (and its Board of Supervisors, officers, and employees) and to compel the City to perform and carry out its duties and obligations under the law and the Charter and its covenants and agreements with the City as provided in each Lease Agreement.

(c) Each and all of the remedies given to the Trustee under a Lease Agreement or by any law now or enacted after the date of such Lease Agreement or the Charter are cumulative and the single or partial exercise of any right, power, or privilege under such Lease Agreement shall not impair the right of the Trustee to other or further exercise thereof or the exercise of any or all other rights, powers, or privileges. If any statute or rule of law validly shall limit the remedies given to the Trustee under a Lease Agreement, the Trustee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law except those specifically waived in such Lease Agreement.

(d) Notwithstanding any other provision of a Lease Agreement or the Trust Agreement, in no event shall the Trustee have the right to accelerate the payment of any Base Rental under such Lease Agreement and, without limiting the generality of the foregoing, the Trustee has specifically waived its rights under Section 1951.2 of the California Civil Code to accelerate payment of any Base Rental in the event of default by the City.

Substitution of Leased Property

(a) Whenever the City determines that the annual fair rental value of a Leased Property, taking into account the proposed Substitute Leased Property, is at least equal to the maximum annual Base Rental payments and Additional Rental payments yet unpaid under the related Lease Agreement and that such Substitute Leased Property is complete and available for beneficial use and occupancy by the City, the City may amend such Lease Agreement to substitute such Substitute Leased Property for all or a portion of such Leased Property under such Lease Agreement (such replaced portion being the "Replaced Leased Property") upon compliance with all of the conditions set forth in paragraph (b) below, and after a Substitution, the Replaced Leased Property originally leased under such Lease Agreement shall be released from the leasehold under such Lease Agreement, as appropriate. The Trustee and the City shall also make any amendments needed to be made to a Lease Agreement, and shall enter into or amend or supplement any necessary site, ground or facilities leases, including, without limitation, the related Facilities Lease, in connection with such Substitution. Such amendments may be made without the consent of Owners. The City shall cause such Lease Agreement, as so amended, to be recorded in the Official Records of the City.

(b) No Substitution shall take place under a Lease Agreement until the City delivers to the Trustee the following:

(i) A Certificate of the City stating that: (A) the annual fair rental value of the related Leased Property, taking into account the related Substitute Leased Property, as of the date of Substitution is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under such Lease Agreement at the time of Substitution; (B) the City will, at the time of the Substitution, have beneficial use and occupancy of such Substitute Leased Property, and (C) the useful life of such Substitute Leased Property is equal to or greater than that of the Replaced Leased Property;

(ii) An Opinion of Counsel to the effect that the amendment to such Lease Agreement has been duly authorized, executed, and delivered and such Lease Agreement as so amended represents a valid and binding obligation of the City and the Trustee and an Opinion of Bond Counsel to the effect that the Substitution will not adversely affect the exclusion of interest represented by the related Series of Certificates from gross income for federal income tax purposes or the exemption of interest on such Series of Certificates from State personal income tax; and

(iii) A CLTA or ALTA policy of title insurance in substantially the same form as delivered in connection with the initial execution and delivery of the related Series of Certificates in at least the amount of the aggregate principal amount of outstanding Certificates of such Series at the time of the Substitution insuring the City's leasehold interest in the related Substitute Leased Property under such Lease Agreement, together with an endorsement thereto making such policy payable to the Trustee for the benefit of the Owners.

Release of Leased Property

The City shall have the option at any time and from time to time during the term of a Lease Agreement to release from such Lease Agreement any portion of the related Leased Property, as applicable; provided that the City shall satisfy all of the following requirements:

(a) No Lease Agreement Event of Default has occurred and is continuing, as certified in the Certificate of the City;

(b) The City shall file with the Trustee a Certificate of the City stating that (i) the annual fair rental value of such Leased Property after such release is no less than the maximum annual Base Rental and Additional Rental remaining unpaid under the related Lease Agreement at the time of such release and (ii) the useful life of such Leased Property after such release is equal to or greater than such Leased Property before such release;

(c) The City shall file with the Trustee an amended Exhibit A to the related Lease Agreement that deletes the legal description of such released Leased Property;

(d) The City shall cause to be recorded in the Office of the Recorder of the City a copy of such Lease Agreement containing such amended Exhibit A.

Addition of Leased Property

The City may, at any time it deems it necessary or advisable, amend a Lease Agreement, and enter into or amend or supplement the related Facilities Lease, to add additional property to the property originally leased under such Lease Agreement and such Facilities Lease. No such addition shall take place under a Lease Agreement until the following conditions have been satisfied:

(a) The City shall deliver to the Trustee the opinions required under such Lease Agreement in connection with a Substitution, as described above in "—Substitution of Leased Property," provided that in such instance such opinions shall relate to the addition of Leased Property and not the Substitute or released Leased Property;

(b) The City shall deliver to the Trustee the title insurance policy described in paragraph (b)(3) of the Section above entitled "—Substitution of Leased Property," provided that in such instance such policy shall relate to the addition of Leased Property and not the substitution of Leased Property;

(c) The City shall file with the Trustee an amended Exhibit A to the related Lease Agreement that adds the legal description of such additional Leased Property; and

(d) The City shall cause to be recorded in the Official Records of the City a copy of such Lease Agreement containing such amended Exhibit A.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2014-R1
(SAN FRANCISCO COURTHOUSE PROJECT)

CITY AND COUNTY OF SAN FRANCISCO
REFUNDING CERTIFICATES OF PARTICIPATION
SERIES 2014-R2
(JUVENILE HALL PROJECT)

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City and County of San Francisco (the "City") in connection with the delivery of the certificates of participation captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement (the "Trust Agreement"), dated as of April 1, 2014, between the City and U.S. Bank National Association, as trustee (the "Trust Agreement"). Pursuant to Section 8.10 of the Trust Agreement and Section 4.8 of two separate Lease Agreements, each dated as of April 1, 2014, by and between the Trustee and the City, the City covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriters (defined below) in complying with Securities and Exchange Commission (the "S.E.C.") Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms will have the following meanings:

"Annual Report" will mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" will mean any person which: (a) has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Certificates (including persons holding Certificates through nominees, depositories or other intermediaries) including, but not limited to, the power to vote or consent with respect to any Certificates or to dispose of ownership of any Certificates; or (b) is treated as the owner of any Certificates for federal income tax purposes.

"Dissemination Agent" will mean the City, acting in its capacity as Dissemination Agent under this Disclosure Certificate, or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"Holder" will mean either the registered owners of the Certificates, or, if the Certificates are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

"Listed Events" will mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" will mean the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB currently located at *http://emma.msrb.org.*

"Participating Underwriter" will mean any of the original underwriters or purchasers of the Certificates required to comply with the Rule in connection with offering of the Certificates.

"Rule" will mean Rule 15c2-12(b)(5) adopted by the S.E.C. under the Securities Exchange Act of 1934, as the same may be amended from time to time.

SECTION 3. Provision of Annual Reports.

(a) The City will, or will cause the Dissemination Agent to, not later than 270 days after the end of the City's fiscal year (which is June 30), commencing with the report for the 2013-14 Fiscal Year (which is due not later than March 27, 2015), provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. If the Dissemination Agent is not the City, the City will provide the Annual Report to the Dissemination Agent not later than 15 days prior to said date. The Annual Report must be submitted in electronic format and accompanied by such identifying information as prescribed by the MSRB, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided, that if the audited financial statements of the City are not available by the date required above for the filing of the Annual Report, the City will submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's fiscal year changes, it will give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) If the City is unable to provide to the MSRB an Annual Report by the date required in subsection (a), the City will send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent will (if the Dissemination Agent is other than the City), file a report with the City certifying the date that the Annual Report was provided to the MSRB pursuant to this Disclosure Certificate.

SECTION 4. Content of Annual Reports. The City's Annual Report will contain or incorporate by reference the following information, as required by the Rule:

(a) the audited general purpose financial statements of the City prepared in accordance with generally accepted accounting principles applicable to governmental entities;

(b) a summary of budgeted general fund revenues and appropriations;

(c) a summary of the assessed valuation of taxable property in the City;

(d) a summary of the ad valorem property tax levy and delinquency rate;

(e) a summary of aggregate annual scheduled lease payments or rental obligations with respect to outstanding certificates of participation and lease revenue bonds payable from the general fund of the City.

(f) a summary of outstanding and authorized but unissued general fund lease obligations, certificates of participation, and other long-term obligations payable from the general fund of the City.

Any or all of the items listed above may be set forth in a document or set of documents, or may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which are available to the public on the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The City will clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) To the extent applicable and pursuant to the provisions of this Section 5, the City will give, or cause to be given, notice of the occurrence of any of the following events with respect to the Certificates:

(1) Principal and interest payment delinquencies;
(2) Nonpayment related defaults, if material;
(3) Unscheduled draws on any debt service reserves reflecting financial difficulties;
(4) Unscheduled draws on credit enhancements reflecting financial difficulties;
(5) Substitution of credit or liquidity providers or their failure to perform;
(6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates;
(7) Modifications to the rights of Certificate holders, if material;
(8) Certificate calls, if material, and tender offers;
(9) Defeasances;
(10) Release, substitution, or sale of property securing repayment of the Certificates, if material;
(11) Rating changes;
(12) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(13) Consummation of a merger, consolidation or acquisition involving an obligated person of the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
(14) Appointment of a successor or additional trustee or the change of name of a trustee.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City will, in a timely manner not in excess of ten business days after the occurrence of the Listed Event, file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

SECTION 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Certificate will terminate upon the legal defeasance, prepayment or payment in full of all of the Certificates. If such termination occurs prior to the final Certificate Payment Date of the Certificates, the City will give notice of such termination in the same manner as for a Listed Event under Section 5(b).

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent will have only such duties as are specifically set forth in this Disclosure Certificate.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend or waive this Disclosure Certificate or any provision of this Disclosure Certificate, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 3(b), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Certificates or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of the City Attorney or nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original delivery of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the owners of a majority in aggregate principal amount of the Certificates or (ii) does not, in the opinion of the City Attorney or nationally recognized bond counsel, materially impair the interests of the Holders.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the City will describe such amendment in the next Annual Report, and will include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change will be given in the same manner as for a Listed Event under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Certificate will be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City will have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Remedies. In the event of a failure of the City to comply with any provision of this Disclosure Certificate, any Participating Underwriter, Holder or Beneficial Owner of the Certificates may take such actions as may be necessary and appropriate to cause the City to comply with its obligations under this Disclosure Certificate; provided that any such action may be instituted only in a federal or state court located in the City and County of San Francisco, State of California, and that the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate will be an action to compel performance.

SECTION 11. Beneficiaries. This Disclosure Certificate will inure solely to the benefit of the City, the Dissemination Agent, the Participating Underwriters and Holders and Beneficial Owners from time to time of the Certificates, and will create no rights in any other person or entity.

SECTION 12. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which will be an original and all of which will constitute but one and the same instrument.

Date: ________, 2014.

CITY AND COUNTY OF SAN FRANCISCO

____
Benjamin Rosenfield
Controller

Approved as to form:

DENNIS J. HERRERA
CITY ATTORNEY

By: ______________________________
Deputy City Attorney

CONTINUING DISCLOSURE CERTIFICATE – EXHIBIT A

FORM OF NOTICE TO THE
MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of City:	CITY AND COUNTY OF SAN FRANCISCO
Name of Issue:	CITY AND COUNTY OF SAN FRANCISCO CERTIFICATES OF PARTICIPATION, SERIES 2014-R1 AND SERIES 2014-R2
Date of Delivery:	________, 2014

NOTICE IS HEREBY GIVEN that the City has not provided an Annual Report with respect to the above-named Certificates as required by Section 3 of the Continuing Disclosure Certificate of the City and County of San Francisco, dated the Date of Delivery. The City anticipates that the Annual Report will be filed by _____________.

Dated: _______________

CITY AND COUNTY OF SAN FRANCISCO

By: _________[to be signed only if filed]_______
Title: ____________________________________

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APPENDIX E

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The information in numbered paragraphs 1-11 of this Appendix E, concerning The Depository Trust Company, New York, New York ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Certificates, (b) certificates representing ownership interest in or other confirmation of ownership interest in the Certificates, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Certificates, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.

Information Furnished by DTC Regarding its Book-Entry Only System

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the certificates (as used in this Section, the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated "AA+" by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit the notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices will be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the paying agent or bond trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the paying agent or bond trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the paying agent or bond trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or the paying agent or bond trustee. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

[Closing Date]

City and County of San Francisco
San Francisco, California

$________	$________
City and County of San Francisco	City and County of San Francisco
Refunding Certificates of Participation	Refunding Certificates of Participation
Series 2014-R1	Series 2014-R2
(San Francisco Courthouse Project)	(Juvenile Hall Project)

Ladies and Gentlemen:

We have acted as co-special counsel to the City and County of San Francisco (the "City"), a municipal corporation organized and existing under its charter and the Constitution and laws of the State of California, and in such capacity have examined a record of proceedings related to the execution and delivery of the $__________ City and County of San Francisco Refunding Certificates of Participation, Series 2014-R1 (the "Series 2014-R1 Certificates"), and the $___________ City and County of San Francisco Refunding Certificates of Participation, Series 2014-R2 (the "Series 2014-R2 Certificates," and together with the Series 2014-R1 Certificates, the "Certificates"). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of April 1, 2014 (the "Trust Agreement"), by and between the City and U.S. Bank National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Trust Agreement.

In our capacity as co-special counsel, we have reviewed the Trust Agreement, the Lease Agreements, each dated as of April 1, 2014 (the "Lease Agreements"), by and between the Trustee and the City, the Facilities Leases, each dated as of April 1, 2014 (the "Facilities Leases"), by and between the City and the Trustee, and the Tax Certificate, executed and delivered by the City in connection with the execution and delivery of the Certificates (the "Tax Certificate"), certificates of the City and such other documents, certificates, opinions and matters we have considered necessary or appropriate under the circumstances to render the opinions set forth herein.

We have assumed the genuineness of all documents and signatures proposed to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents we reviewed. We have also assumed the accuracy of all representations and compliance with all covenants and agreements contained in the Trust Agreement, the Lease Agreements, the Facilities Leases and the Tax Certificate including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions or omissions will not cause the interest with respect to the Certificates to be included in gross income for federal income tax purposes.

Based on the foregoing and subject to the limitations and qualifications herein specified, as of the date hereof, under existing law, we are of the opinion that:

1. The Trust Agreement, the Lease Agreements and the Facilities Leases have been duly executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding obligations of the City.

2. The obligation of the City to pay the Base Rental payments during the respective terms of the Lease Agreements constitutes a valid and binding obligation of the City payable from funds of the City lawfully

available therefor. Neither the faith and credit nor the taxing power of the City or the State of California is pledged to the payment of the Certificates.

3. Assuming due authorization, execution and delivery of the Trust Agreement and the Certificates by the Trustee, the Certificates are entitled to the benefits of the Trust Agreement.

4. Assuming continuing compliance by the City with certain covenants in the Trust Agreement, the Lease Agreements, the Facilities Leases, the Tax Certificate and other documents pertaining to the Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of the proceeds of the Certificates and the timely payment of certain investment earnings to the United States, interest with respect to the Certificates is not includable in gross income for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest with respect to the Certificates to be included in federal gross income retroactive to the date of execution and delivery of the Certificates.

5. Interest with respect to the Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

6. Interest with respect to the Certificates is exempt from personal income taxes imposed by the State of California.

The Code contains other provisions that could result in tax consequences as a result of the ownership of, or receipt of interest with respect to, the Certificates, as to which we express no opinion. Further, certain requirements and procedures contained or referred to in the Trust Agreement, the Lease Agreements, the Facilities Leases or other documents pertaining to the Certificates may be changed, and certain actions may be taken or not taken, under the circumstances and subject to the terms and conditions set forth in such documents, with the approval of counsel nationally recognized in the area of state and local obligations. No opinion is expressed herein as to the effect on the exclusion from gross income of interest with respect to the Certificates for federal income tax purposes of any change to the aforementioned requirements and procedures or of any action taken or not taken after the date of this opinion without our approval. Other than as described herein, we have not addressed and we are not opining on the tax consequences to any person of the investment in, or the accrual of or receipt of interest with respect to, the Certificates.

We have not examined title to any Leased Property and express no opinion with respect thereto, nor do we express any opinion as to the priority of any liens or security interest created by any document or the State of California or quality of title to any of the real or personal property described in or subject to any lien of the Trust Agreement, the Lease Agreements, the Facilities Leases and the Tax Certificate or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property.

With respect to the opinions expressed herein, the rights of the owners of the Certificates and the enforceability thereof are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other laws affecting the enforcement of creditors' rights, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law) and to the exercise of judicial discretion in appropriate cases.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Respectfully submitted,

APPENDIX G

CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE TREASURER INVESTMENT POLICY

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CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE TREASURER & TAX COLLECTOR

INVESTMENT POLICY

Effective October 2013

1.0 Policy

It is the policy of the Office of the Treasurer & Tax Collector of the City and County of San Francisco (Treasurer's Office) to invest public funds in a manner which will preserve capital, meet the daily cash flow demands of the City, and provide a market rate of return while conforming to all state and local statutes governing the investment of public funds.

2.0 Scope

This investment policy applies to all funds over which the Treasurer's Office has been granted fiduciary responsibility and direct control for their management.

3.0 Prudence

The standard of prudence to be used by the Treasurer's Office shall be the Prudent Investor Standard as set forth by California Government Code, Section 53600.3 and 27000.3. The Section reads as follows: The Prudent Investor Standard states that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the Treasurer's Office, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the Treasurer's Office.

This standard of prudence shall be applied in the context of managing those investments that fall under the Treasurer's direct control. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

4.0 Objective

The primary objectives, in priority order, of the Treasurer's Office's investment activities shall be:

4.1 Safety: Safety of principal is the foremost objective of the investment program. Investments of the Treasurer's Office shall be undertaken in a manner that seeks to ensure the preservation of capital. To attain this objective, the Treasurer's Office will diversify its investments.

4.2 Liquidity: The Treasurer's Office investment portfolio will remain sufficiently liquid to enable the Treasurer's Office to meet cash flow needs which might be reasonably anticipated.

4.3 Return on Investments: The portfolio shall be designed with the objective of generating a market rate of return without undue compromise of the first two objectives.

5.0 Delegation of Authority

The Treasurer of the City and County of San Francisco (Treasurer) is authorized by Charter Section 6.106 to invest funds available under California Government Code Title 5, Division 2, Part 1, Chapter 4, Article 1. The Treasurer shall submit any modification to this Investment Policy to the Treasury Oversight Committee members within five (5) working days of the adoption of the change.

6.0 Authorized Broker/Dealer Firms

The City seeks to employ a fair and unbiased broker-dealer selection process, which culminates in an array of medium to large-sized firms that provide the best investment opportunities and service to the City.

The Treasurer's Office will evaluate and classify broker-dealers based on the qualifications of the firm and firm's assigned individual. Approved broker-dealers will be evaluated and may be classified into one of the following categories:

FULL ACCESS – Broker-dealers will have significant opportunity to present investment ideas to the investment team.

LIMITED ACCESS – Broker-dealers will have limited opportunity to present investment ideas to the investment team.

All others may apply for Provisional status appointment. Provisional appointments will be made for:

(1) Applicants who have changed firms;
(2) Applicants (firm and individual) who were not approved by the Treasurer's Office in the past year; and
(3) Broker-dealers who have been classified as Limited Access, but are seeking Full Access status.

Broker-dealers, who are granted Provisional status, will be treated as Full Access firms for a limited time period of up to six months. During the Provisional status period, the investment team will evaluate the applicant and provide a determination of status (Full Access, Limited Access or Not Approved). Broker-dealers may reapply for Provisional status every two years. A limited number of broker-dealers will be granted Provisional status concurrently.

All broker-dealers are encouraged to apply for consideration. All applicants will be evaluated and classified based on the qualifications of the firm and the firm's assigned individual. A score will be assigned to each applicant and will serve as the sole determinant for Full Access, Limited Access, or Not-Approved status.

All approved broker-dealers will be re-assessed annually. During the reassessment period, broker-dealers will be sent the City's most recent Investment Policy and are expected to respond with a policy acknowledgement letter, updated profile information and a completed questionnaire.

All securities shall be purchased and sold in a competitive environment.

The Treasurer's Office will not do business with a firm which has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to the Treasurer, any member of the Board of Supervisors, or any candidate for those offices.

7.0 Authorized & Suitable Investments

Investments will be made pursuant to the California Government Code (including Section 53601 et seq.) and this investment policy to ensure sufficient liquidity to meet all anticipated disbursements.

Unless otherwise noted, the maximum maturity from the trade settlement date can be no longer than five years.

Types of investment vehicles not authorized by this investment policy are prohibited.

In an effort to limit credit exposure, the Treasurer's Office will maintain Eligible Issuer, Eligible Counterparty and Eligible Money Market lists for security types where appropriate. These lists are intended to guide investment decisions. Investments, at time of purchase, are limited solely to issuers, counterparties and money market funds listed; however, investment staff may choose to implement further restrictions at any time.

The Treasurer's Office shall establish a Credit Committee comprised of the Treasurer, Chief Assistant Treasurer, Chief Investment Officer and additional investment personnel at the Treasurer's discretion. The Committee shall review and approve all eligible issuers and counterparties prior to inclusion on the aforementioned Eligible Issuer and Eligible Counterparty lists. The Committee shall also be charged with determining the collateral securing the City's repurchase agreements.

In the event of a downgrade of the issuer's credit rating below the stated requirements herein, the Credit Committee shall convene and determine the appropriate action.

In addition, the Treasurer's Office shall conduct an independent credit review, or shall cause an independent credit review to be conducted, of the collateralized CD issuers to determine the creditworthiness of the financial institution. The credit review shall include an evaluation of the issuer's financial strength, experience, and capitalization, including, but not limited to leverage and capital ratios relative to benchmark and regulatory standards (See Section 7.4).

The following policy shall govern unless a variance is specifically authorized by the Treasurer and ratified by the Treasury Oversight Committee pursuant to Section 5.0.

7.1 U.S. Treasuries

United States Treasury notes, bonds, bills or certificates of indebtedness, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
100% of the portfolio value	100%	100%	5 years

7.2 Federal Agencies

Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed as to principal and interest by federal agencies or United States government-sponsored enterprises.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
85% of the portfolio value	100%	100%	5 years

7.3 State and Local Government Agency Obligations

The Treasurer's Office may purchase bonds, notes, warrants, or other evidences of indebtedness of any local or State agency within the 50 United States, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency or State, or by a department, board, agency, or authority of the local agency or State.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
20% of the portfolio value	5%	No Limit	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO (Nationally Recognized Statistical Rating Organization). This limitation applies to all local and State agencies within the 50 United States with the exception of the State of California.

7.4 Public Time Deposits (Term Certificates Of Deposit)

The Treasurer's Office may invest in non-negotiable time deposits (CDs) that are FDIC insured or fully collateralized in approved financial institutions.

The Treasurer's Office will invest in FDIC-insured CDs only with those firms having at least one branch office within the boundaries of the City and County of San Francisco.

Collateralized CDs are required to be fully collateralized with 110% of the type of collateral authorized in California Government Code, Section 53651 (a) through (i). The Treasurer's Office, at its discretion, may waive the collateralization requirements for any portion that is covered by federal deposit insurance. The Treasurer's Office shall have a signed agreement with any depository accepting City funds per Government Code Section 53649.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
No Limit	None	N/A	13 months

Issuer Minimum Credit Rating (applies to collateralized CDs only): Maintenance of the minimum standards for "well-capitalized" status as established by the Federal Reserve Board. The current standards are as follows:

- Tier 1 risk-based capital ratio of 8% or greater
- Combined Tier 1 and Tier 2 capital ratio of 10% or greater
- Leverage ratio of 5% or greater

Failure to maintain minimum standards may result in early termination, subject to the discretion of the Treasurer's Office.

7.5 Negotiable Certificates Of Deposit / Yankee Certificates Of Deposit

Negotiable certificates of deposit issued by a nationally or state-chartered bank, a savings association or a federal association (as defined by Section 5102 of the Financial Code), a state or federal credit union, or by a state-licensed branch of a foreign bank. Yankee certificates of deposit are negotiable instruments that are issued by a branch of a foreign bank.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
30% of the portfolio value	No Limit	N/A	5 years

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.6 Bankers Acceptances

Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers' acceptances.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
40% of the portfolio value	No Limit	No Limit	180 days

Issuer Minimum Credit Rating: None

7.7 Commercial Paper

Obligations issued by a corporation or bank to finance short-term credit needs, such as accounts receivable and inventory, which may be unsecured or secured by pledged assets.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
25% of the portfolio value	10%	None	270 days

Issuer Minimum Credit Rating: Issuers must possess a short-term credit rating of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.8 Medium Term Notes

Medium-term notes, defined as all corporate and depository institution debt securities with a maximum remaining maturity of five years or less, issued by corporations organized and operating within the United States or by depository institutions licensed by the U.S. or any state, and operating within the U.S.

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
15% of the portfolio value	10%	5%	24 months

Issuer Minimum Credit Rating: Issuers must possess either a short-term or long-term credit rating (dependent upon maturity length) of the second highest ranking or better (irrespective of +/-) from at least one NRSRO.

7.9 Repurchase Agreements

The Treasurer's Office shall selectively utilize this investment vehicle with terms not to exceed one year, secured solely by government securities and said collateral will be delivered to a third party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

7.10 Reverse Repurchase and Securities Lending Agreements

This procedure shall be limited to occasions when the cost effectiveness dictates execution, specifically to satisfy cash flow needs or when the collateral will secure a special rate. A reverse repurchase agreement shall not exceed 45 days; the amount of the agreement shall not exceed $75MM; and the offsetting purchase shall have a maturity not to exceed the term of the repo.

7.11 Money Market Funds
Shares of beneficial interest issued by diversified management companies that are money market funds registered with the Securities and Exchange Commission under the Investment Company Act of 1940 (15 U.S.C. Sec. 80a-1, et seq.).

Allocation Maximum	Issuer Limit Maximum	Percentage of Fund's Net Assets Maximum	Maturity/Term Maximum
No Limit	N/A	5%	N/A

Issuer Minimum Credit Rating: Fund rating must be rated in at least the second highest rating category from two NRSRO or independent investment research firms (e.g. Morningstar or Lipper).

7.12 Local Agency Investment Fund (LAIF)

Investments in LAIF, a California state investment fund available to California municipalities, are authorized.

8.0 Interest and Expense Allocations

The costs of managing the investment portfolio, including but not limited to: investment management; accounting for the investment activity; custody of the assets, managing and accounting for the banking; receiving and remitting deposits; oversight controls; and indirect and overhead expenses are charged to the investment earnings based upon actual labor hours worked in respective areas. Costs of these respective areas are accumulated and charged to the Pooled Investment Fund on a quarterly basis, with the exception of San Francisco International Airport costs which are charged directly through a work order.

The San Francisco Controller allocates the net interest earnings of the Pooled Investment Fund. The earnings are allocated monthly based on average balances.

9.0 Safekeeping and Custody

All security transactions, including collateral for repurchase agreements, entered into by the Treasurer's Office shall be conducted on a delivery-versus-payment (DVP) basis pursuant to approved custodial safekeeping agreements. Securities will be held by a third party custodian designated by the Treasurer and evidenced by safekeeping receipts.

10.0 Deposit and Withdrawal of Funds

California Government Code Section 53684 et seq. provides criteria for outside local agencies, where the Treasurer does not serve as the agency's treasurer, to invest in the County's Pooled Investment Fund, subject to the consent of the Treasurer. Currently, no government agency outside the geographical boundaries of the City and County of San Francisco shall have money invested in City pooled funds.

The Treasurer will honor all requests to withdraw funds for normal cash flow purposes that are approved by the San Francisco Controller. Any requests to withdraw funds for purposes other than cash flow, such as for external investing, shall be subject to the consent of the Treasurer. In accordance with California Government Code Sections 27136 et seq. and 27133(h) et seq., such requests for withdrawals must first be made in writing to the Treasurer. These requests are subject to the Treasurer's consideration for the stability and predictability of the Pooled Investment Fund, or the adverse effect on the interests of the other depositors in the Pooled Investment Fund. Any withdrawal for such purposes shall be at the value shown on the Controller's books as of the date of withdrawal.

11.0 Limits on Receipt of Honoraria, Gifts and Gratuities

In accordance with California Government Code Section 27133(d) et seq., this Investment Policy hereby establishes limits for the Treasurer, individuals responsible for management of the portfolios, and members of the Treasury Oversight Committee on the receipt of honoraria, gifts and gratuities from advisors, brokers, dealers, bankers or others persons with whom the Treasurer conducts business. Any individual who receives an aggregate total of gifts, honoraria and gratuities in excess of those limits must report the gifts, dates and firms to the Treasurer and complete the appropriate State disclosure.

These limits may be in addition to the limits set by a committee member's own agency, by state law, or by the California Fair Political Practices Commission. Members of the Treasury Oversight Committee also must abide by the following sections of the Treasurer's Office Statement of Incompatible Activities: Section III(A)(l)(a), (b) and (c) entitled "Activities that Conflict with Official Duties," and Section III(C) entitled "Advance Written Determination".

12.0 Reporting

In accordance with the provisions of California Government Code Section 53646, which states that the Treasurer may render a quarterly report or a monthly report on the status of the investment portfolio to the Board of Supervisors, Controller and Mayor, the Treasurer regularly submits a monthly report. The report includes the investment types, issuer, maturity date, par value, and dollar amount invested; market value as of the date of the report and the source of the valuation; a statement of compliance with the investment policy or an explanation for non-compliance; and a statement of the ability or inability to meet expenditure requirements for six months, as well as an explanation of why moneys will not be available if that is the case.

13.0 Social Responsibility

In addition to and subordinate to the objectives set forth in Section 4.0 herein, investment of funds should be guided by the following socially responsible investment goals when investing in corporate securities and depository institutions. Investments shall be made in compliance with the forgoing socially responsible investment goals to the extent that such investments achieve substantially equivalent safety, liquidity and yield compared to investments permitted by state law.

13.1 Social and Environmental Concerns

Investments are encouraged in entities that support community well-being through safe and environmentally sound practices and fair labor practices. Investments are encouraged in entities that support equality of rights regardless of sex, race, age, disability or sexual orientation. Investments are discouraged in entities that manufacture tobacco products, firearms, or nuclear weapons. In addition, investments are encouraged in entities that offer banking products to serve all members of the local community, and investments are discouraged in entities that finance high-cost check-cashing and deferred deposit (payday-lending) businesses. Prior to making investments, the Treasurer's Office will verify an entity's support of the socially responsible goals listed above through direct contact or through the use of a third party such as the Investors Responsibility Research Center, or a similar ratings service. The entity will be evaluated at the time of purchase of the securities.

13.2 Community Investments

Investments are encouraged in entities that promote community economic development. Investments are encouraged in entities that have a demonstrated involvement in the development or rehabilitation of low income affordable housing, and have a demonstrated commitment to reducing predatory mortgage lending and increasing the responsible servicing of mortgage loans. Securities investments are encouraged in financial institutions that have a Community Reinvestment Act (CRA) rating of either Satisfactory or Outstanding, as well as financial institutions that are designated as a Community Development Financial Institution (CDFI) by the United States Treasury Department, or otherwise demonstrate commitment to community economic development.

13.3 City Ordinances

All depository institutions are to be advised of applicable City contracting ordinances, and shall certify their compliance therewith, if required.

14.0 Treasury Oversight Committee

A Treasury Oversight Committee was established by the San Francisco Board of Supervisors in Ordinance No. 316-00. The duties of the Committee shall be the following:

(a) Review and monitor the investment policy described in California Government Code Section 27133 and prepared annually by the Treasurer.

(b) Cause an annual audit to be conducted to determine the Treasurer's compliance with California Government Code Article 6 including Sections 27130 through 27137 and City Administrative Code Section 10.80-1. The audit may examine the structure of the investment portfolio and risk. This audit may be a part of the County Controller's usual audit of the Treasurer's Office by internal audit staff or the outside audit firm reviewing the Controller's Annual Report.

(c) Nothing herein shall be construed to allow the Committee to direct individual decisions, select individual investment advisors, brokers, or dealers, or impinge on the day-to-day operations of the Treasurer. (See California Government Code, Section 27137.)

APPENDIX I

Glossary

AGENCIES: Federal agency securities and/or Government-sponsored enterprises.

ASK/OFFER: The price at which securities are offered.

BANKERS' ACCEPTANCE (BA): A draft or bill or exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

BENCHMARK: A comparative base for measuring the performance or risk tolerance of the investment portfolio. A benchmark should represent a close correlation to the level of risk and the average duration of the portfolio's investments.

BID: The price offered by a buyer of securities. (When you are selling securities, you ask for a bid.) See Offer.

BROKER: A broker brings buyers and sellers together for a commission.

CERTIFICATE OF DEPOSIT (CD): A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

COLLATERAL: Securities, evidence of deposit or other property, which a borrower pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The CAFR is the City's official annual financial report. It consists of three major sections: introductory, financial, and statistical. The introductory section furnishes general information on the City's structure, services, and environment. The financial section contains all basic financial statements and required supplementary information, as well as information on all individual funds and discretely presented component units not reported separately in the basic financial statements. The financial section may also include supplementary information not required by GAAP. The statistical section provides trend data and nonfinancial data useful in interpreting the basic financial statements and is especially important for evaluating economic condition.

COUPON: (a) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to a bond evidencing interest due on a payment date.

DEALER: A dealer, as opposed to a broker, acts as a principal in all transactions, buying and selling for his own account.

DEBENTURE: A bond secured only by the general credit of the issuer.

DELIVERY VERSUS PAYMENT: There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

DEPOSITORY INSTITUTIONS: These institutions hold City and County moneys in the forms of certificates of deposit (negotiable or term), public time deposits and public demand accounts.

DERIVATIVES: (l) Financial instruments whose return profile is linked to, or derived from, the movement of one or more underlying index or security, and may include a leveraging factor, or (2) financial contracts based upon notional amounts whose value is derived from an underlying index or security (interest rates, foreign exchange rates, equities or commodities).

DISCOUNT: The difference between the cost price of a security and its maturity when quoted at lower than face value. A security selling below original offering price shortly after sale also is considered to be at a discount.

DISCOUNT SECURITIES: Non-interest bearing money market instruments that are issued a discount and redeemed at maturity for full face value, e.g., U.S. Treasury Bills.

DIVERSIFICATION: Dividing investment funds among a variety of securities offering independent returns.

FDIC DEPOSIT INSURANCE COVERAGE: The FDIC is an independent agency of the United States government that protects against the loss of insured deposits if an FDIC-insured bank or savings association fails. Deposit insurance is backed by the full faith and credit of the United States government. Since the FDIC was established, no depositor has ever lost a single penny of FDIC-insured funds. FDIC insurance covers funds in deposit accounts, including checking and savings accounts, money market deposit accounts and certificates of deposit (CDs). FDIC insurance does not, however, cover other financial products and services that insured banks may offer, such as stocks, bonds, mutual fund shares, life insurance policies, annuities or municipal securities. There is no need for depositors to apply for FDIC insurance or even to request it. Coverage is automatic. To ensure funds are fully protected, depositors should understand their deposit insurance coverage limits. The FDIC provides separate insurance coverage for deposits held in different ownership categories such as single accounts, joint accounts, Individual Retirement Accounts (IRAs) and trust accounts.
Basic FDIC Deposit Insurance Coverage Limits*
Single Accounts (owned by one person) $250,000 per owner
Joint Accounts (two or more persons) $250,000 per co-owner
IRAs and certain other retirement accounts $250,000 per owner
Trust Accounts $250,000 per owner per beneficiary subject to specific limitations and requirements**
*The financial reform bill, officially named the Dodd-Frank Wall Street Reform and Consumer Protection Act, signed into law on July 21, 2010, made the $250,000 FDIC coverage limit permanent.

FEDERAL CREDIT AGENCIES: Agencies of the Federal government set up to supply credit to various classes of institutions and individuals, e.g., S&L's, small business firms, students, farmers, farm cooperatives, and exporters.

FEDERAL FUNDS RATE: The rate of interest that depository institutions lend monies overnight to other depository institutions. Also referred to as the overnight lending rate.This rate is currently pegged by the Federal Reserve through open-market operations.

FEDERAL HOME LOAN BANKS (FHLB): Government sponsored wholesale banks (currently 12 regional banks), which lend funds and provide correspondent banking services to member commercial banks, thrift institutions, credit unions and insurance companies. The mission of the FHLBs is to liquefy the housing related assets of its members who must purchase stock in their district Bank.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA): FNMA, like GNMA was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development (HUD). It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans, in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC): Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. Congress defined this mission in (their) 1970 charter. Freddie Mac buys mortgage loans from banks, thrifts and other financial intermediaries, and re-sells these loans to investors, or keeps them for their own portfolio, profiting from the difference between their funding costs and the yield generated by the mortgages.

FEDERAL OPEN MARKET COMMITTEE (FOMC): Consists of seven members of the Federal Reserve Board and five of the twelve Federal Reserve Bank Presidents. The President of the New York Federal Reserve Bank is a permanent member, while the other Presidents serve on a rotating basis. The Committee periodically meets to set Federal Reserve guidelines regarding purchases and sales of Government Securities in the open market as a means of influencing the volume of bank credit and money.

FEDERAL RESERVE SYSTEM: The central bank of the United States created by Congress and consisting of a seven member Board of Governors in Washington, D.C., 12 regional banks and about 5,700 commercial banks that are members of the system.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA or Ginnie Mae): Securities influencing the volume of bank credit guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations, and other institutions. Security holder is protected by full faith and credit of the U.S. Government. Ginnie Mae securities are backed by the FHA, VA or FmHA mortgages. The term "pass-throughs" is often used to describe Ginnie Maes.

GOVERNMENT SECURITIES: Obligations of the U.S. Government and its agencies and instrumentalities.

LIQUIDITY: A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

LOCAL GOVERNMENT INVESTMENT POOL (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

MARKET VALUE: The price at which a security is trading and could presumably be purchased or sold.

MASTER REPURCHASE AGREEMENT: A written contract covering all future transactions between the parties to repurchase—reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller borrower.

MATURITY: The date upon which the principal or stated value of an investment becomes due and payable.

MONEY MARKET: The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

NRSRO: Nationally Recognized Statistical Rating Organization; Credit rating agencies that are registered with the SEC. Such agencies provide an opinion on the creditworthiness of an entity and the financial obligations issued by an entity.

OFFER: The price asked by a seller of securities. (When you are buying securities, you ask for an offer.) See Asked and Bid.

OPEN MARKET OPERATIONS: Purchases and sales of government and certain other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

PAR VALUE: The principal amount of a bond returned by the maturity date.

PORTFOLIO: Collection of securities held by an investor.

PRIMARY DEALER: A group of government securities dealers who submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC)-registered securities broker-dealers, banks, and a few unregulated firms.

PRUDENT PERSON RULE: An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

PUBLIC TIME DEPOSITS (Term Certificates Of Deposit): Time deposits are issued by depository institutions against funds deposited for a specified length of time. Time deposits include instruments such as deposit notes. They are distinct from certificates of deposit (CDs) in that interest payments on time deposits are calculated in a manner similar to that of corporate bonds whereas interest payments on CDs are calculated similar to that of money market instruments.

QUALIFIED PUBLIC DEPOSITORIES: A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the commission eligible collateral having a value of not less than its maximum liability and which has been approved by the Public Deposit Protection Commission to hold public deposits.

RATE OF RETURN: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond the current income return.

REPURCHASE AGREEMENT (RP OR REPO): A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use RP extensively to finance their positions. Exception: When the Fed is said to be doing RP, it is lending money that is, increasing bank reserves.

SAFEKEEPING: A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

SECONDARY MARKET: A market made for the purchase and sale of outstanding issues following the initial distribution.

SECURITIES & EXCHANGE COMMISSION: Agency created by Congress to protect investors in securities transactions by administering securities legislation.

SEC RULE l5(C))3-1: See Uniform Net Capital Rule.

STRUCTURED NOTES: Notes issued by Government Sponsored Enterprises (FHLB, FNMA, SLMA, etc.) and Corporations, which have imbedded options (e.g., call features, step-up coupons, floating rate coupons, derivative-based returns) into their debt structure. Their market performance is impacted by the fluctuation of interest rates, the volatility of the imbedded options and shifts in the shape of the yield curve.

TREASURY BILLS: A non-interest bearing discount security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

TREASURY BONDS: Long-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities of more than 10 years.

TREASURY NOTES: Medium-term coupon-bearing U.S. Treasury securities issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

UNIFORM NET CAPITAL RULE: Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called net capital rule and net capital ratio. Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

YIELD: The rate of annual income return on an investment, expressed as a percentage. (a) INCOME YIELD is obtained by dividing the current dollar income by the current market price for the security. (b) NET YIELD or YIELD TO MATURITY is the current income yield minus any premium above par or plus any discount from par in purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

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