NEW ISSUE – BOOK-ENTRY ONLY

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

In the opinions of Orrick, Herrington & Sutcliffe LLP, San Francisco, California and Schiff Hardin LLP, San Francisco, California, Co-Special Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming (among other matters), the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment paid by the City designated as and evidencing interest and received by the Owners of the Series 2015A Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the opinion of Co-Special Counsel, such interest is not a specific preference item for purposes of the federal individual and corporate alternative minimum taxes, although Co-Special Counsel observe that such interest is included in adjusted current earnings in calculating federal corporate alternative minimum taxable income. In the opinion of Co-Special Counsel, the portion of each Base Rental Payment paid by the City designated as and evidencing interest and received by the Owners of the Series 2015B Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, but is exempt from State of California personal income taxes. Co-Special Counsel express no opinion regarding any other tax consequences relating to the accrual or receipt of the interest portion of the Base Rental Payments or the ownership or disposition of the Certificates. See "TAX MATTERS" herein.

$134,325,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(WAR MEMORIAL VETERANS BUILDING SEISMIC UPGRADE AND IMPROVEMENTS)

$112,100,000	$22,225,000
SERIES 2015A	SERIES 2015B
(Tax-Exempt)	(Federally Taxable)

evidencing proportionate interests of the Owners thereof in a Project Lease, 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 $112,100,000 City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015A (the "Series 2015A Certificates") and the $22,225,000 City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015B (the "Series 2015B Certificates," and together with the Series 2015A Certificates, the "Certificates") will be sold to provide funds to: (i) finance or refinance the costs of the seismic retrofit, construction, reconstruction, installation, equipping, improvement or rehabilitation of the War Memorial Veterans Building and related property owned by the City and County of San Francisco (the "City") and located at 401 Van Ness Avenue, San Francisco (the "Project"); (ii) fund capitalized interest payable with respect to the Certificates through September 22, 2015; (iii) fund the 2015 Reserve Account of the Reserve Fund established under the Trust Agreement for the Certificates; and (iv) pay costs of execution and delivery of the Certificates. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT."

The Certificates are executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2015 (the "Trust Agreement"), between the City and U.S. Bank National Association, as the Trustee and Project Trustee (as defined herein), 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 a Project Lease dated as of July 1, 2015 (the "Project Lease"), by and between the Project Trustee, as lessor, and the City, as lessee. The City has covenanted in the Project Lease 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 is in consideration for the use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"), 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 Property. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Abatement of Rental Payments" and "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 ("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 evidenced and represented by 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 April 1, 2016. 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 their respective payment dates as described herein. See "THE CERTIFICATES – Prepayment of the Certificates."

THE OBLIGATION OF THE CITY TO MAKE BASE RENTAL PAYMENTS UNDER THE PROJECT LEASE DOES NOT CONSTITUTE AN OBLIGATION TO LEVY OR PLEDGE, 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 PROJECT LEASE 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."

CERTIFICATE PAYMENT SCHEDULE

(See inside cover)

The Certificates are offered when, as and if executed and received by the initial purchasers, subject to the approval of the validity of the Project Lease by Orrick, Herrington & Sutcliffe LLP, San Francisco, California and Schiff Hardin LLP, San Francisco, 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 July 22, 2015.

Dated: July 8, 2015.

PAYMENT SCHEDULE

Series 2015A Certificates
(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix	Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix
2023	$1,850,000	5.00%	2.13%	H94	2031	$4,320,000	4.00%	3.58%[(c)]	J92
2024	1,825,000	5.00	2.26[(c)]	J27	2032	4,490,000	4.00	3.63[(c)]	K25
2025	3,225,000	5.00	2.44[(c)]	J35	2033	4,670,000	4.00	3.67[(c)]	K33
2026	3,385,000	5.00	2.58[(c)]	J43	2034	4,860,000	4.00	3.71[(c)]	K41
2027	3,555,000	5.00	2.70[(c)]	J50	2035	5,055,000	4.00	3.75[(c)]	K58
2028	3,730,000	5.00	2.86[(c)]	J68	2036	5,255,000	4.00	3.79[(c)]	K66
2029	3,920,000	5.00	2.95[(c)]	J76	2037	5,465,000	4.00	3.83[(c)]	K74
2030	4,115,000	5.00	3.02[(c)]	J84					

$17,745,000 4.00% Term Certificates due April 1, 2040 – Yield[2] 3.90%[(c)] CUSIP[1] 79765D L24
$34,635,000 4.00% Term Certificates due April 1, 2045 – Price[2] 100.00 CUSIP[1] 79765D L73

Series 2015B Certificates
(Base CUSIP[1] Number: 79765D)

Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix	Certificate Payment Date (April 1)	Principal Amount	Interest Rate	Yield[2]	CUSIP[1] Suffix
2016	$4,045,000	2.00%	0.50%	L81	2021	$2,750,000	3.00%	1.80%	M56
2017	2,470,000	2.00	0.80	L99	2022	2,835,000	4.00	2.15	M64
2018	2,515,000	3.00	1.05	M23	2023	1,095,000	4.00	2.35	M72
2019	2,590,000	3.00	1.25	M31	2024	1,255,000	4.00	2.50[(c)]	M80
2020	2,670,000	3.00	1.50	M49					

(c) Yield to the first optional call date of April 1, 2023 at par.

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. The City does not take any responsibility for the accuracy of such numbers.

2 Reoffering prices/yields furnished by the Underwriters. The City takes no responsibility for the accuracy thereof.

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.

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.

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.

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CITY AND COUNTY OF SAN FRANCISCO

MAYOR

Edwin M. Lee

BOARD OF SUPERVISORS

London Breed, *Board President*, *District 5*

Eric Mar, *District 1*
Mark Farrell, *District 2*
Julie Christensen, *District 3*
Katy Tang, *District 4*
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

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San Francisco, California

Schiff Hardin LLP
San Francisco, California

Co-Financial Advisor

Kitahata & Company
San Francisco, California

First Southwest Company, LLC
Santa Monica, 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

$134,325,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(WAR MEMORIAL VETERANS BUILDING
SEISMIC UPGRADE AND IMPROVEMENTS)

$112,100,000 SERIES 2015A (Tax-Exempt)	$22,225,000 SERIES 2015B (Federally Taxable)

evidencing proportionate interests of the Owners thereof in a Project Lease, 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 $112,100,000 City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015A (the "Series 2015A Certificates") and its $22,225,000 City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015B (the "Series 2015B Certificates," and together with the Series 2015A Certificates, the "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 – SUMMARY OF PROJECT LEASE." 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.

The City, exercising its Charter powers to convey and lease property for City purposes, conveys certain real property to the Project Trustee (as defined in "THE CERTIFICATES – Authority for Execution and Delivery") under the Property Lease in exchange for the Certificate proceeds and other consideration. The Project Trustee leases the Leased Property back to the City for the City's use under the Project Lease. The City will be obligated under the Project Lease to make Base Rental payments and Additional Rental payments (together, "Rental Payments") to the Project Trustee each year during the term of the Project Lease (subject to certain conditions under which Base Rental may be "abated" as discussed herein). Each payment of Base Rental consists of principal and interest components, and when received by the Project Trustee in each rental period, is deposited in trust for payment of the Certificates.

The Trustee issues the "certificates of participation" in the Project Lease, evidencing and representing proportional interests in the principal and interest components of Base Rental it receives from the City. Pursuant to the Trust Agreement, the Project Trustee will assign all of its rights, title and interest under the Property Lease and the Project Lease to the Trustee (see "THE

CERTIFICATES – Authority for Execution and Delivery" herein). The Trustee will apply Base Rental it receives to pay principal and interest evidenced and represented by each Certificate when due according to the Trust Agreement, which governs the security and terms of payment of the Certificates. The money received from sale of the Certificates will be applied by the Trustee, at the City's direction, to finance or refinance the Project, consisting of seismic and other improvements to the site and facilities at the Veterans Building, and the equipping thereof. See "THE LEASED PROPERTY" and "THE PROJECT."

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" herein.

Quotations from and summaries and explanations of the Certificates, the Trust Agreement, the Project Lease, the Ordinance 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 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 2014 population was approximately 849,200.

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, biotechnology 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 2014, approximately

18.01 million people visited the City and spent an estimated $10.67 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 per-capita personal income of the City for fiscal year 2013-14 was $76,886. The San Francisco Unified School District operates 8 transitional kindergarten schools, 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 12 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 2013-14, SFO serviced approximately 46.1 million passengers and handled 370,525 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 adopted budget for fiscal years 2014-15 and 2015-16 totals $8.58 billion and $8.56 billion, respectively. The General Fund portion of each year's adopted budget is $4.27 billion in fiscal year 2014-15 and $4.33 billion in fiscal year 2015-16, 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 29,236 full-time-equivalent employees at the end of fiscal year 2013-14. According to the Controller of the City (the "Controller"), the fiscal year 2014-15 total net assessed valuation of taxable property in the City is approximately $181.8 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, 2014."

THE CERTIFICATES

Authority for Execution and Delivery

The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of July 1, 2015 (the "Trust Agreement"), by and between the City and County of San Francisco (the "City") and U.S. Bank National Association, as Trustee and Project Trustee (as defined below). Each Certificate represents 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 a Project Lease dated as of July 1, 2015 (the "Project Lease"), by and between the Project Trustee, as lessor, and the City, as lessee. The City is obligated under the Project Lease to pay the Base Rental in consideration for its use and occupancy of the land and facilities subject to the Project Lease (the "Leased Property"). The Leased Property will be initially conveyed to the Project Trustee pursuant to a Property Lease, dated as of July 1, 2015 (the "Property Lease"), by and between the City, as lessor, and the Project Trustee, as lessee.

The War Memorial and Performing Arts Center Board of Trustees (the "War Memorial Board of Trustees") is the governing body of the War Memorial and Performing Arts Center, which consists of four City-owned buildings: the War Memorial Veterans Building (the "Veterans Building"), the War Memorial Opera House, Louise M. Davies Symphony Hall, and Zellerbach Rehearsal Hall (collectively, the "War Memorial Center"). The War Memorial Center is a "charitable trust department" of the City under Article V of the City Charter. Under Charter Section 5.101, the War Memorial Board of Trustees has "exclusive charge of the trusts and all other assets under their jurisdiction, which may be acquired by loan, purchase, gift, devise, bequest or otherwise, including any land or buildings set aside for their use. They shall have authority to maintain, operate, manage, repair or reconstruct existing buildings and construct new buildings, and to make and enter into contracts relating thereto, subject, insofar as City funds are to be used, to the budgetary and fiscal provisions of [the] Charter." The execution and delivery of the Property Lease, the Project Lease and the Certificates and the pledge of the Leased Property were approved by the War Memorial Board of Trustees by its Resolution No. 11-26 on June 9, 2011.

The Trust Agreement, the Property Lease, and the Project Lease were approved by the Board of Supervisors of the City by its Ordinance No. 149-11, adopted on July 26, 2011 and signed by the Mayor on August 1, 2011. The Ordinance authorized the execution and delivery of up to $170,000,000 aggregate principal amount evidenced and represented by the Certificates under the Trust Agreement and the payment of a maximum annual Base Rental payment under the Project Lease. 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.

Under the Trust Agreement, the City will create a trust named the "War Memorial Veterans Building Seismic Upgrade and Improvements Project Trust" (the "Project Trust") for the benefit of the holders from time to time of the Certificates. U.S. Bank National Association will act as trustee with respect to the Project Trust (in such capacity, the Trustee is referred to as the "Project Trustee"). Pursuant to the Trust Agreement, the purpose of the Project Trust is to (a) act as lessee under the Property Lease, (b) act as sublessor under the Project Lease, and (c) assign certain of its rights and interests under the Property Lease and the Project Lease to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Project Trust will consist of all right, title and interest of the Project Trust in, to and under the Property Lease and the Project Lease and the proceeds thereof. Under the Trust Agreement, the City and the Project Trustee agree not to pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Project Lease and the Trust Agreement. The Project Trust will terminate when no Certificates remain Outstanding under the Trust Agreement.

Pursuant to the Trust Agreement, the Project Trustee will unconditionally grant, transfer, and assign to the Trustee, without recourse, all of its rights, title, and interest under the Property Lease and the Project Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Project Lease, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee has any right or claim under the Property Lease or the Project Lease, other than Additional Rental not payable to the Project Trustee, (iii) the right to take all actions and give all consents under the Property Lease and the Project Lease, (iv) any rights of access provided in the Property Lease and the Project Lease, and (v) any and all other rights and remedies of the Project Trustee in the Property Lease as lessee and the Project Lease as lessor.

Purpose

The proceeds of the Certificates will be used to: (i) finance or refinance the costs of the seismic retrofit, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of the Veterans Building (the "Project") and related property owned by the City and located at 401 Van Ness Avenue, San Francisco; (ii) fund capitalized interest payable with respect to the Certificates through September 22, 2015; (iii) fund the Reserve Account of the Reserve Fund for the Certificates established under the Trust Agreement; and (iv) pay costs of execution and delivery of the Certificates. See "THE PROJECT" and "ESTIMATED SOURCES AND USES OF FUNDS" herein, for a further description of the expected application of proceeds of sale of the Certificates.

Form and Registration

The Certificates are being executed and delivered in the aggregate principal amount 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 ("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."

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 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, evidenced and represented by the Certificates upon prepayment or upon the 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 is payable on April 1 and October 1 of each year, commencing on April 1, 2016 (each, an "Interest Payment Date") and continuing to and including their Certificate Payment Dates or on prepayment prior thereto, and will evidence the sum of the portions of the Base Rental designated as interest components coming due on such dates in each year. Interest evidenced and represented by the Series 2015A Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. Interest evidenced and represented by the Series 2015B Certificates will be calculated on the basis of a 365- or 366-day year, as applicable, for the number of days actually elapsed. Interest evidenced and represented by each Certificate 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 evidenced and 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 evidenced and 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 evidenced and represented by the Certificates 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 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.

Prepayment of the Certificates

Optional Prepayment

The Certificates with a Certificate Payment Date on or before April 1, 2023 are not subject to optional prepayment prior to their respective stated Certificate Payment Dates. The Certificates with a Certificate Payment Date on or after April 1, 2024 are subject to prepayment prior to their respective stated Certificate Payment Dates, as a whole or in part on any date on or after April 1, 2023, in the event the City exercises its option under the Project Lease to prepay the principal component of Base Rental payments, at a prepayment price equal to 100% of the principal amount evidenced and represented by the Certificates to be prepaid plus accrued interest to the date fixed for prepayment.

Special Mandatory Prepayment

The Certificates are 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 Prepayment Account of the Base Rental Fund following an event of damage, destruction or condemnation of the Leased Property or any portion thereof or upon loss of the use or possession of the Leased Property or any portion thereof due to a title defect.

Mandatory Sinking Account Installment Prepayment

The $17,745,000 term Series 2015A Certificates with a Certificate Payment Date of April 1, 2040, are subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (April 1)	Sinking Account Installment Amount
2038	$5,685,000
2039	5,910,000
2040†	6,150,000

† Certificate Payment Date.

The $34,635,000 term Series 2015A Certificates with a Certificate Payment Date of April 1, 2045, are subject to sinking account installment prepayment prior to their stated final Certificate Payment Date, in part, by lot, from scheduled payments of the principal component of Base Rental payments, at the principal amount thereof, plus accrued interest to the prepayment date, without premium, on April 1 in each of the years and in the amounts set forth below:

Sinking Account Payment Date (April 1)	Sinking Account Installment Amount
2041	$6,395,000
2042	6,650,000
2043	6,915,000
2044	7,195,000
2045†	7,480,000

† Final Certificate Payment Date.

Selection of Certificates for Prepayment

Whenever provision is made in the Trust Agreement for the prepayment of the principal amount evidenced and represented by the Certificates (other than from Sinking Account Installments) and less than all of principal amount evidenced and represented by the Outstanding Certificates are to be prepaid, the City will direct the principal amount evidenced and represented by the Certificates scheduled to be paid on each Certificate Payment Date to be prepaid. Among the Certificates scheduled to be paid on a particular 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 30 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 solely 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 or 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 evidenced and represented thereby accrued but unpaid to the prepayment date, and that from and after such date, if sufficient funds are available for prepayment, interest evidenced and represented thereby 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, will be held by the Trustee so as to be available for the prepayment on the scheduled prepayment date, and if a prepayment notice will have been given as described above, then from and after such prepayment date, no additional interest evidenced and represented by the Certificate 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 this 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.

Conditional Notice; Cancellation of Optional Prepayment

The City may provide a conditional notice of prepayment and such notice will specify its conditional status.

If the Certificates are subject to optional prepayment, and the Trustee does not have on deposit moneys sufficient to prepay the principal, plus the applicable premium, if any, evidenced and represented by the Certificates proposed to be prepaid on the date fixed for prepayment, and interest with respect thereto, the prepayment will be canceled, and in such case, the City, the Trustee and the Owners will be restored to their former positions and rights under the Trust Agreement, and the City will continue to pay the Base Rental payments as if no such notice were given. Such a cancellation of an optional prepayment at the election of the City will not constitute a default under the Trust Agreement, and the Trustee and the City will have no liability from such cancellation. In the event of such cancellation, the Trustee will send notice of such cancellation to the Owners in the same manner as the related notice of prepayment. Neither the failure to receive such cancellation notice nor any defect therein will affect the sufficiency of such cancellation.

In the event the City gives notice to the Trustee of its intention to exercise its prepayment option, but fails to deposit with the Trustee on or prior to the prepayment date an amount equal to the prepayment price, or fails to satisfy any condition to a conditional notice, the City will continue to pay the Base Rental payments as if no such notice were given.

Purchase of Certificates

Unless expressly provided otherwise in the Trust Agreement, money held in the Base Rental Fund under the Trust Agreement in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment from such moneys upon the delivery of such Certificates to the Trustee for cancellation at least ten 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 under the Trust Agreement will not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of provisions of the Trust Agreement. 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.

SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES

Source of Payment

The Certificates evidence proportionate interests in the Base Rental payments required to be made by the City to the Trustee under the Project Lease so long as the City has use and occupancy of the Leased Property. The Project Lease terminates on April 1, 2045, unless extended as described in this section.

Pursuant to the Trust Agreement, the City has granted 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 the Leased Property), and eminent domain award not required to be used for repair or replacement of the Leased Property; (iii) proceeds of rental interruption insurance policies with respect to the Leased Property; (iv) all amounts on hand from time to time in the Reserve Account of the Reserve Fund and 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 complete the Project or 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 Project Lease, which Base Rental payments are designed to be sufficient, in both time and amount, to pay, when due, the annual principal and interest evidenced and represented by the Certificates.

Covenant to Budget

The City has covenanted in the Project Lease to take such action as may be necessary to include all Rental Payments in its annual budget and to make the necessary annual appropriations for such Rental Payments. The Project Lease provides that such covenants on the part of the City are deemed and construed to be ministerial duties imposed by law.

If the City defaults on its covenant in the Project Lease to include all Rental Payments in the applicable annual budget and such default continues for 60 days or more, the Trustee may retain the Project Lease and hold the City liable for all Rental Payments on an annual basis. See "CERTAIN RISK FACTORS – Limited Recourse on Default; No Reletting of the Leased Property."

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, 2014." 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 Rental Payments under the Project Lease does not constitute an obligation to levy or pledge, 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; Capitalized Interest

The Rental Payments payable by the City pursuant to the Project Lease consist of Base Rental and Additional Rental. The Certificates evidence the principal and interest components of the Base Rental payments.

Base Rental Payments. The City has covenanted in the Project Lease that, so long as the City has the full use and occupancy of the 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 Property for such Fiscal Year.

Base Rental payments are payable by the City on March 25 and September 25 of each year during the term of the Lease, commencing March 25, 2016, 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 Leased Property. In the event that during any such period the City does not have use and occupancy of all or a portion of the Leased Property due to material damage to, destruction of or condemnation of the Leased Property, noncompletion of the construction of the Facilities, or defects in the title to the Leased Property, Base Rental payments are subject to abatement. See "Abatement of Base Rental Payments" below 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 the Project Lease to take such action as may be necessary to include all Base Rental and Additional Rental due under the Project Lease in its annual budget and to make necessary annual appropriations for all such Base Rental and Additional Rental, subject to the abatement provisions under the Project Lease. 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 the Project Lease and the Trust Agreement. The City is also responsible for repair and maintenance of the Leased Property during the term of the Project Lease.

Capitalized Interest. Prior to completion of the Project, proceeds of the sale of the Certificates will be deposited into the Base Rental Fund in an amount sufficient to pay all interest evidenced and represented by the Certificates through September 22, 2015. See "THE PROJECT – Completion of the Project" herein.

Abatement of 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 Project Lease 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 the Project Lease is absolute and unconditional without any right of set-off or counterclaim, subject only to the provisions of the Project Lease regarding abatement.

Rental Payments will be abated during any period in which there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, or due to defects in title to the Leased Property, or due to noncompletion of any portion thereof, except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve 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 Certificates. The amount of annual rental abatement will be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the 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 Project Lease may be extended until all amounts due under the Project Lease and the Trust Agreement are fully paid, but in no event later than April 1, 2055. See "CERTAIN RISK FACTORS – Abatement."

The City has the option, but not the obligation, to deliver Substitute Leased Property (defined below) for all or a portion of the Leased Property pursuant to the substitution provisions of the Project Lease during any period of abatement. During any period of abatement with respect to all or any part of the Leased Property, the Trustee is required to use the proceeds of the rental interruption insurance maintained pursuant to the Project Lease and moneys on deposit in the Reserve Fund to make payments of principal and interest evidenced and represented by the Certificates. Any abatement of Base Rental payments could affect the City's ability to pay debt service on the Certificates, although the Project Lease requires the City to maintain rental interruption insurance commencing the date of the Substantial Completion and the Trust Agreement requires that a Reserve Fund be established. See "CERTAIN RISK FACTORS – Abatement."

Reserve Fund

The Trust Agreement establishes a Reserve Fund that will be held by the Trustee, and within the Reserve Fund, there is created a Reserve Account for the Certificates to be held by the Trustee. The Reserve Account will only be available to support payments of the principal and interest components of Base Rental evidenced and represented by the Certificates. Simultaneously with the delivery of the Certificates, the City will cause to be deposited into the Reserve Account of the Reserve Fund a portion of the proceeds of the Certificates, which amount will be at least equal to the Reserve Requirement. The Reserve Requirement, as of any date of calculation, is 50% of the maximum annual principal and interest evidenced and represented by the Certificates payable in the then-current Fiscal Year or any future Fiscal Year. The Reserve Requirement will be applied separately for each series of Certificates or on an aggregate basis if the Reserve Fund or any account therein secures more than one series of Certificates on a parity basis (which includes the Series 2015A Certificates and the Series 2015B Certificates). As of the date of delivery of the Certificates, the Reserve Requirement with respect to the Certificates is $3,891,225.

The Reserve Fund is required to be maintained by the Trustee until the Base Rental is paid in full pursuant to the Project Lease or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment may, at the City's option, be paid from the Reserve Fund.

A Credit Facility in the amount of the Reserve Requirement may be substituted by the City at any time for all or a portion of the funds held by the Trustee in the Reserve Fund, provided that (i) such substitution will not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City will notify each Rating Agency prior to making any such substitution), and (ii) the Trustee will receive an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy, such Credit Facility will be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted will be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest evidenced and represented by the Certificates due on such date, the Trustee will transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts will only be available for such series of Certificates). In the event of any such transfer, the Trustee will immediately provide written notice to the City of the amount and the date of such transfer.

Any moneys in the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing April 1, 2016, and at such other time or times as directed by the City, will be transferred to the Base Rental Fund and applied to the payment of the principal and interest evidenced and represented by the Certificates on the next succeeding Interest Payment Date, or transferred to such other fund as the City may designate. The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

Replacement, Maintenance and Repairs

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

Insurance with Respect to the Leased Property

The Project Lease requires the City to maintain or cause to be maintained throughout the term of the Project Lease (but during the period of construction of the Facilities only the insurance described in clauses (i) and (v) below will be required and may be provided by the contractor under the construction contract for the Facilities): (i) general liability insurance against damages occasioned by construction of improvements to or operation of the 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 excess coverage or any other liability insurance coverage carried by the City; (ii) all risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the principal amount evidenced and represented by the Outstanding 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; (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) commencing on the date of Substantial Completion of the Facilities, rental interruption insurance, with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount to be adjusted annually on or prior to April 1 of each year, to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months) to insure against loss of rental income from the Leased Property caused by perils covered by the insurance described in (ii) above, with such insurance not subject to any deductible; and (v) builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount evidenced and represented by the Certificates, or the replacement cost of the Facilities, which insurance will be outstanding until Substantial Completion of the Facilities. Except as provided above, all policies of insurance required under the Project Lease may provide for a deductible amount that is commercially reasonable as determined by the City Risk Manager.

The City is also required under the Project Lease 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 policy of title insurance (with no survey required), in an amount at least equal to the initial aggregate principal amount evidenced and represented by the Certificates, showing fee title of the real property subject to the Project Lease (the "Site") in the name of the City and a leasehold interest in the 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 Certificates.

The Project Lease further requires the City to maintain earthquake insurance in an amount equal to the Outstanding principal amount evidenced and represented by the Certificates (to the extent commercially available, in the judgment of the City's Risk Manager); provided that no such earthquake insurance is required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies. Based upon current market conditions and the recommendations of the Risk Manager of the City, the City has determined not to obtain earthquake insurance at this time.

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

See APPENDIX A: " CITY AND COUNTY OF SAN FRANCISCO – ORGANIZATION AND FINANCES – Risk Retention Program."

Eminent Domain

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

Addition, Release and Substitution of Leased Property

If no Project Lease Event of Default has occurred and is continuing, the Project Lease 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 Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City will deliver to the Trustee and to the Rating Agencies all of the following:

(i) Executed copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of the Project Lease and, if applicable, the Property Lease or amendments thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Project Lease Year or in any subsequent Project Lease Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of the Project Lease as described above, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, will insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under the Project Lease;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under the Project Lease or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by the Project Lease, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of the Project Lease, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – SUMMARY OF PROJECT LEASE – Addition, Release and Substitution."

Additional Certificates

The City may, from time to time amend the Trust Agreement and the Project Lease to authorize one or more series of Additional Certificates secured by Base Rental payments under the Project Lease on a parity with the Outstanding Certificates, provided that, among other requirements, the Base Rental payable under the amended Project Lease is sufficient to pay all principal and interest evidenced and represented by the Outstanding Certificates and such Additional Certificates, and that the amended Base Rental is not in excess of the fair rental value of the Leased Premises.

ESTIMATED SOURCES AND USES OF FUNDS

Following is a table of estimated sources and uses of funds with respect to the Certificates:

Sources of Funds:	2015A	2015B	Total
Par Amount	$112,100,000	$22,225,000	$134,325,000
Plus Original Issue Premium	4,846,161	1,326,021	6,172,182
Total Sources	$116,946,161	$23,551,021	$140,497,182
Uses of Funds:			
Repayment of Commercial Paper	$94,345,745	$19,052,508	$113,398,253
Commercial Paper Fees & Interest	1,865,405	369,836	2,235,241
Project Fund	15,181,523	3,109,226	18,290,749
Base Rental Fund(1)	750,490	148,792	899,282
Reserve Account	3,238,953	652,272	3,891,225
Underwriting Discount	837,631	70,231	907,862
Costs of Delivery(2)	726,414	148,156	874,570
Total Uses	$116,946,161	$23,551,021	$140,497,182

(1) Represents capitalized interest through September 22, 2015.

(2) Includes amounts for legal fees, Trustee's fees and expenses, financial advisory fees, rating agency fees, escrow and title insurance fees, printing costs, other delivery costs and rounding amounts.

CERTIFICATE PAYMENT SCHEDULE

The Project Lease requires the City to make Base Rental payments on each March 25 and September 25, commencing March 25, 2016, in payment for the use and occupancy of the Leased Property during the term of the Project Lease.

The Trust Agreement requires that Base Rental payments 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 April 1, 2016, the Trustee will apply such amounts in the Base Rental Fund as are necessary to make principal and interest payments evidenced and represented by the Certificates as the same become due and payable, as shown in the following table. Capitalized interest payable from a portion of the proceeds of the Certificates deposited in the Base Rental Fund concurrently with the execution and delivery of the Certificates will be applied to pay interest on the Certificates through September 22, 2015.

Certificate Payment Schedule

Payment Date	2015A Principal	2015A Interest	2015B Principal	2015B Interest	Annual Debt Service
April 1, 2016	–	$3,278,534.58	$4,045,000	$453,487.16	$7,777,021.74
October 1, 2016	–	2,370,025.00	–	286,275.00	–
April 1, 2017	–	2,370,025.00	2,470,000	285,490.68	7,781,815.68
October 1, 2017	–	2,370,025.00	–	262,291.64	–
April 1, 2018	–	2,370,025.00	2,515,000	260,858.36	7,778,200.00
October 1, 2018	–	2,370,025.00	–	224,463.29	–
April 1, 2019	–	2,370,025.00	2,590,000	223,236.71	7,777,750.00
October 1, 2019	–	2,370,025.00	–	185,506.85	–
April 1, 2020	–	2,370,025.00	2,670,000	185,000.00	7,780,556.85
October 1, 2020	–	2,370,025.00	–	144,950.00	–
April 1, 2021	–	2,370,025.00	2,750,000	144,552.88	7,779,552.88
October 1, 2021	–	2,370,025.00	–	103,984.11	–
April 1, 2022	–	2,370,025.00	2,835,000	103,415.89	7,782,450.00
October 1, 2022	–	2,370,025.00	–	47,128.77	–
April 1, 2023	$1,850,000	2,370,025.00	1,095,000	46,871.23	7,779,050.00
October 1, 2023	–	2,323,775.00	–	25,168.77	–
April 1, 2024	1,825,000	2,323,775.00	1,255,000	25,100.00	7,777,818.77
October 1, 2024	–	2,278,150.00	–	–	–
April 1, 2025	3,225,000	2,278,150.00	–	–	7,781,300.00
October 1, 2025	–	2,197,525.00	–	–	–
April 1, 2026	3,385,000	2,197,525.00	–	–	7,780,050.00
October 1, 2026	–	2,112,900.00	–	–	–
April 1, 2027	3,555,000	2,112,900.00	–	–	7,780,800.00
October 1, 2027	–	2,024,025.00	–	–	–
April 1, 2028	3,730,000	2,024,025.00	–	–	7,778,050.00
October 1, 2028	–	1,930,775.00	–	–	–
April 1, 2029	3,920,000	1,930,775.00	–	–	7,781,550.00
October 1, 2029	–	1,832,775.00	–	–	–
April 1, 2030	4,115,000	1,832,775.00	–	–	7,780,550.00
October 1, 2030	–	1,729,900.00	–	–	–
April 1, 2031	4,320,000	1,729,900.00	–	–	7,779,800.00
October 1, 2031	–	1,643,500.00	–	–	–
April 1, 2032	4,490,000	1,643,500.00	–	–	7,777,000.00
October 1, 2032	–	1,553,700.00	–	–	–
April 1, 2033	4,670,000	1,553,700.00	–	–	7,777,400.00
October 1, 2033	–	1,460,300.00	–	–	–
April 1, 2034	4,860,000	1,460,300.00	–	–	7,780,600.00
October 1, 2034	–	1,363,100.00	–	–	–
April 1, 2035	5,055,000	1,363,100.00	–	–	7,781,200.00
October 1, 2035	–	1,262,000.00	–	–	–

Payment Date	2015A Principal	2015A Interest	2015B Principal	2015B Interest	Annual Debt Service
April 1, 2036	5,255,000	1,262,000.00	–	–	7,779,000.00
October 1, 2036	–	1,156,900.00	–	–	–
April 1, 2037	5,465,000	1,156,900.00	–	–	7,778,800.00
October 1, 2037	–	1,047,600.00	–	–	–
April 1, 2038	5,685,000	1,047,600.00	–	–	7,780,200.00
October 1, 2038	–	933,900.00	–	–	–
April 1, 2039	5,910,000	933,900.00	–	–	7,777,800.00
October 1, 2039	–	815,700.00	–	–	–
April 1, 2040	6,150,000	815,700.00	–	–	7,781,400.00
October 1, 2040	–	692,700.00	–	–	–
April 1, 2041	6,395,000	692,700.00	–	–	7,780,400.00
October 1, 2041	–	564,800.00	–	–	–
April 1, 2042	6,650,000	564,800.00	–	–	7,779,600.00
October 1, 2042	–	431,800.00	–	–	–
April 1, 2043	6,915,000	431,800.00	–	–	7,778,600.00
October 1, 2043	–	293,500.00	–	–	–
April 1, 2044	7,195,000	293,500.00	–	–	7,782,000.00
October 1, 2044	–	149,600.00	–	–	–
April 1, 2045	7,480,000	149,600.00	–	–	7,779,200.00
Total	$112,100,000	$96,056,734.58	$22,225,000	$3,007,781.34	$233,389,515.92

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THE LEASED PROPERTY

The Leased Property consists of the Veterans Building located at 401 Van Ness Avenue, San Francisco. As described below under "THE PROJECT," the Veterans Building is being completely renovated as part of a seismic upgrade and improvement project. The Veterans Building was originally constructed in 1932 and is part of the War Memorial and Performing Arts Center (the "War Memorial Center"). The War Memorial Center consists of four City-owned buildings: the Veterans Building, the War Memorial Opera House, Louise M. Davies Symphony Hall, and Zellerbach Rehearsal Hall. The Veterans Building has been designated as City Landmark No. 84 and California State Historical Landmark No. 964. The Veterans Building is arranged to accommodate various cultural and veterans' activities. The Herbst Theatre occupies the center of the building on the first three floors, and was last renovated in 1978. Corridors encircle the auditorium on each floor and open into offices and meeting rooms on the outer sides. The fourth floor is similarly organized around a central two-story sky lit sculpture court, likewise surrounded by corridors which open into perimeter exhibit and gallery spaces.

The first floor of the Veterans Building has a grand main lobby providing access to the 916-seat Herbst Theatre and the San Francisco Arts Commission Gallery located in the northeast corner, as well as to first floor corridors leading to veterans and War Memorial Center administrative offices. On the second floor, the Green Room and its exterior loggia overlook Van Ness Avenue, with veterans' meeting and conference rooms on the north, south and west sides. The third and fourth floors, which housed the galleries and offices of the San Francisco Museum of Modern Art until 1994, are currently occupied on a temporary basis by municipal offices.

The War Memorial Board of Trustees is the governing body of the War Memorial Center. The War Memorial Center is a "charitable trust department" of the City under Article V of the City Charter. Under Charter Section 5.101, the War Memorial Board of Trustees has "exclusive charge of the trusts and all other assets under their jurisdiction, which may be acquired by loan, purchase, gift, devise, bequest or otherwise, including any land or buildings set aside for their use. They shall have authority to maintain, operate, manage, repair or reconstruct existing buildings and construct new buildings, and to make and enter into contracts relating thereto, subject, insofar as City funds are to be used, to the budgetary and fiscal provisions of [the] Charter."

The War Memorial Center is subject to the War Memorial Trust Agreement, dated August 19, 1921, as amended (the "War Memorial Trust Agreement"). The War Memorial Trust Agreement names the San Francisco Posts of the American Legion (the "American Legion"), the San Francisco Art Association (now the San Francisco Museum of Modern Art), and the Musical Association of San Francisco (now the San Francisco Symphony) as beneficiaries. Accordingly, the War Memorial Board of Trustees allocates space in the Veterans Building for the beneficial use of the American Legion. See "LITIGATION" herein. The San Francisco Museum of Modern Art no longer occupies space in the Veterans Building or anywhere else in the War Memorial Center. The San Francisco Symphony currently occupies the Louise M. Davies Symphony Hall and has never occupied the Veterans Building.

THE PROJECT

Description of the Project

The Veterans Building is being completely renovated as part of a seismic upgrade and improvement project. In addition to serious seismic deficiencies, the 83-year old national landmark had aging building systems, a deteriorated building envelope, disabled elevators, and it lacked life safety systems such as sprinklers and fire alarms, disabled elevators. The building was also underutilized and inefficiently laid out.

The Project generally consists of a complete renovation to the interior and exterior of the Veterans Building, including the seismic upgrade and earthquake damage repair, hazardous materials mitigation, facility preservation and modernization improvements such as replacement of lead-coated copper roof and extensive skylights, replacement of attic catwalks and service platforms, elevator upgrades, accessibility upgrades, the replacement of water piping and drinking water system, and other Code-mandated upgrades such as ADA upgrades, energy efficiency upgrades, mechanical system upgrades and central plant replacement.

The Veterans Building is 240,000 gross square feet and is comprised of a full basement, four floors above grade and a tall attic area. The original structural system was a load-bearing structural steel frame with reinforced concrete non-bearing shear walls. The seismic upgrade includes the addition of new reinforced concrete shear walls, built primarily as infill elements between existing steel framing, as well as a new, structural steel horizontal diaphragm bracing within the building's attic space. As an energy dissipation mechanism, new shear walls are detailed to undergo controlled rocking at their bases, reducing building accelerations, and minimizing the potential for cracking and other damage commonly found in concrete walls. Existing slabs are reinforced with composite fiber fabric, designed to remain elastic during earthquake response, again to reduce damage.

The seismic upgrade design complies with the national standard ASCE 41-13 Seismic Evaluation and Retrofit of Existing Buildings, considering an enhanced seismic performance objective, in order to provide increased safety and reduced damage relative to a new building of standard construction at the site. This is comparable to the design criteria for new Occupancy Category III construction under the 2014 San Francisco Building Code. The design incorporated explicit mathematical simulations of seven earthquakes affecting the building, each of which was intended to represent the Maximum Considered Earthquake for the site. Analyses considered the response and behavior of new and existing elements of the superstructure and the building foundations. Analyses and designs explicitly considered limitation of cracking in the existing terra-cotta-clad reinforced concrete exterior walls.

The soils underlying the Veterans Building are saturated, dense sands with some cementation. These soils are expected to be able to support significant weight without settlement, even during strong earthquakes. Geotechnical investigations performed as part of the seismic upgrade and improvements project concluded that some localized loose pockets of material may exist but that these should not be detrimental to building performance. The site is classified as Site Class D under the 2014 San Francisco Building Code. See "CERTAIN RISK FACTORS – Seismic Risks."

Completion of the Project

The Project commenced in July 2013, and is now approximately 92% complete. Substantial completion of the Project is scheduled for July 31, 2015, which is in line with the original schedule. All required environmental approvals for the Project have been obtained.

The first phase of the Project, remodeling Herbst Theater is scheduled to be completed by July 2015, while the second phase, remodeling all other areas of the structure, is scheduled to be completed by September 2015. A separate tenant improvement project, funded privately by the San Francisco Opera (the "SF Opera"), includes remodeling of the 4th floor to accommodate the SF Opera costume shop and office space as well as two new public assembly spaces to be used by the SF Opera and other arts organizations. These tenant improvements are expected to be completed by December 2015.

Total costs of the Project are estimated to be approximately $156,369,000 (excluding the $21 million cost of the SF Opera project). To date, the City has paid Project costs from proceeds of commercial paper issued by the City, and the City currently plans to apply a portion of the proceeds of the Certificates to repay such commercial paper. The City also plans to use a portion of the proceeds of the Certificates for Project costs. See "ESTIMATED SOURCES AND USES OF FUNDS." In addition to the proceeds of the commercial paper and the Certificates, the City will use amounts from the General Fund, amounts from certain other funds, and privately-raised funds to complete the Project.

SF Public Works, Building Design & Construction are providing project management, architecture and construction management services for the Project. Simpson, Gumpertz & Heger is the Prime Consultant for Engineering and other services. Under the Project Lease, the Project Trustee appoints the City as its agent for the purposes of the Project.

The General Contractor for the Project is Charles Pankow Builders, Ltd ("Pankow"). Pankow is constructing the Project pursuant to a Construction Management/General Contractor contract dated September 12, 2012 (the "Construction Contract"). Under certain circumstances, the Construction Contract calls for liquidated damages at $5,000 per day for calendar days 1-30, $7,000 per day for calendar days 31-61, $15,000 per day for calendar days 61 and later and $5,000 per calendar day if the work is not finally complete after the time limit for completing punch list work.

The term "Substantial Completion" as defined in the Project Lease means the construction and installation of improvements to and the substantial readiness of the Facilities for use and occupancy by the City (subject to minor architectural finish items e.g., "punch list" items) as evidenced and represented by the delivery of the Certificate of Substantial Completion. The Trust Agreement defines "Facilities" as all improvements, structures and fixtures related thereto and located on the site of the Veterans Building, together with all other works, property or structures located from time to time on the such site. The Certificate of Substantial Completion is the notice required to be filed with the Project Trustee pursuant to the Project Lease, stating that the Facilities have been substantially completed. No assurances can be given that Substantial Completion of the Facilities will be achieved by July 31, 2015. Upon the Substantial Completion of the Facilities, the City is required to maintain rental interruption insurance in the amount required by the Project Lease. See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property."

Upon completion of the Project, the City currently plans to use the Veterans Building to accommodate office and meeting room needs of the American Legion; office space for City department staff of the War Memorial Center, San Francisco Arts Commission and Grants For The Arts; public assembly rental spaces for cultural and entertainment presentations; office and costume shop space for the SF Opera; and gallery and collections storage space for the San Francisco Arts Commission. See "LITIGATION" herein.

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 Rental Payments does not constitute an obligation of the City to levy or pledge, or for which the City has levied or pledged, any form of taxation. The obligation of the City to make 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 are payable solely from Base Rental payments made by the City pursuant to the Project Lease and amounts held in the Reserve Account of the Reserve Fund and 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 Project Lease, 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. 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 YEAR ENDED JUNE 30, 2014."

Construction-Period Risk

Except to the extent of certain amounts available to the Trustee for payment of Base Rental, including capitalized interest deposited in the Base Rental Fund and amounts on deposit in the Reserve Fund, the obligation of the City under the Project Lease to make Base Rental payments will be dependent upon the City's use and right of occupancy of the Leased Property. Rental insurance proceeds are not available for payment of Base Rental prior to the Substantial Completion of the Facilities.

During the construction period, the Facilities will be subject to all of the ordinary construction risks and delays applicable to projects of its kind. Such risks include but are not limited to (i) inclement weather, affecting contractor performance and timeliness of completion, which could affect the costs and availability of, or delivery schedule for, equipment, components, materials, labor or subcontractors; (ii) natural disaster (including earthquake, for which losses are uninsured), operating risks or hazards or other unexpected conditions or events adversely affecting the progress of work; (iii) contractor claims or nonperformance; (iv) increased materials costs, labor costs, or failure of contractors to execute within contract price, resulting in insufficient funding for the Facilities; (v) work stoppages or slowdowns; (vi) failure of contractors to meet schedule terms; (vii) the discovery of hazardous materials on the site or other issues regarding compliance with applicable environmental standards, which can arise at any time during the construction of the Facilities, or (viii) other factors.

There can be no assurance that Substantial Completion of the Facilities will not be delayed, preventing the City's use and occupancy of the Leased Property on the currently projected date.

Abatement

The obligation of the City under the Project Lease to make Base Rental payments is in consideration for the use and right of occupancy of the Leased Property.

The Project Lease provides that in the case of abatement relating to the Leased Property, the amount of annual rental abatement would be such that the resulting Rental Payments in any Project Lease Year during which such interference continues do not exceed the annual fair rental value of the portions of the 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 the Leased Property or portion thereof to tenantable condition or correction of the title defect; and the term of the Project Lease will be extended by the period during which the rental is abated under the Project Lease, except that such extension will in no event extend beyond April 1, 2055. Moneys in the Reserve Account of the Reserve Fund, and the proceeds of rental interruption insurance may be used by the Trustee to make principal and interest payments evidenced and represented by the Certificates in the event Base Rental payments received by the Trustee are insufficient to pay principal or interest evidenced and represented by the Certificates as such amounts become due.

See "SECURITY AND SOURCES OF PAYMENT FOR THE CERTIFICATES – Insurance with Respect to the Leased Property" and "– Replacement, Maintenance and Repairs" for additional provisions governing damage to the Leased Property.

In addition, even if such amounts are sufficient to make such payments, moneys remaining in the Reserve Account after such payments may be less than the related Reserve Fund Requirement. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Account to the Reserve Fund Requirement.

It is not possible to predict the circumstances under which such an abatement of Rental Payments may occur. In addition, there is no statute, case or other law specifying how such an abatement of rental should be measured. For example, it is not clear whether fair rental value is established as of commencement of the Project Lease or at the time of the abatement or may be adjusted during an event of abatement. Upon abatement, it may be that the value of the Leased Property is substantially higher or lower than its value at the time of execution and delivery of the Certificates. Abatement, therefore, could have an uncertain and material adverse effect on the security for and payment of the Certificates.

If damage, destruction, condemnation or title defect with respect to the Leased Property or any portion thereof results in abatement of Base Rental payments and the resulting Base Rental payments, together with moneys in the Reserve Account of the Reserve Fund and any available insurance proceeds, are insufficient to make all payments evidenced and represented by the Certificates during the period that the 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 Project Lease or Trust Agreement for nonpayment under such circumstances. Failure to pay principal, premium, if any, or interest evidenced and represented by the Certificates as a result of abatement of the City's obligation to make Rental Payments under the Project Lease is not an event of default under the Trust Agreement or the Project Lease.

Notwithstanding the provisions of the Project Lease 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 Property, 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 evidenced and represented by the Certificates.

Reserve Fund

At the time of delivery of the Certificates, proceeds of the Series 2015A Certificates in the amount of $3,238,953.39 and proceeds of the Series 2015B Certificates in the amount of $652,271.61 will be deposited in the Reserve Account of the Reserve Fund. In the event of abatement or default, the amounts on deposit in the Reserve Account may be significantly less than the amount of Base Rental due at the time of abatement or default.

Limited Recourse on Default; No Reletting of the Leased Property

The Project Lease and the Trust Agreement provide that, if there is a default by the City, the Trustee may enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due under the Project Lease by pursuing any remedy available in law or in equity, other than by terminating the Project Lease or re-entering and reletting the Leased Property, or except as expressly provided in the Project Lease. The City is not required by the Project Lease or the Trust Agreement, and cannot be compelled, to replenish the Reserve Account to the Reserve Fund Requirement. In addition, the Project Lease provides that no remedies may be exercised so as to cause the interest with respect to the Series 2015A Certificates to be includable in gross income for federal income tax purposes or subject to State personal income taxes. The enforcement of any remedies provided for in the Project Lease and in the Trust Agreement could prove to be both expensive and time consuming.

The Project Lease provides 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 or conditions contained in the Project Lease, the Property Lease or in the Trust Agreement (and does not remedy such breach with all reasonable dispatch 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 Certificates then outstanding, will proceed), without any further notice, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due by pursuing any remedy available in law or in equity, other than by terminating the Project Lease or re-entering and reletting the Leased Property, or except as expressly provided in the Project Lease. The Project Lease does not allow the remedy of re-entering and reletting of the Leased Property.

Enforcement of Remedies

The enforcement of any remedies provided in the Project Lease and the Trust Agreement could prove both expensive and time consuming. The rights and remedies provided in the Project Lease 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 Project Lease 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 in the State. See "CERTAIN RISK FACTORS – Bankruptcy" herein.

No Acceleration on Default

In the event of a default, there is no remedy of acceleration of the Base Rental payments. Certificate Owners would have to sue for payment of unpaid Base Rental in each rental period as and when it becomes due. 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 Property

The Project Lease permits the release of portions of the Leased Property or the substitution of other real property for all or a portion of the Leased Property. See APPENDIX C: "SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS – SUMMARY OF PROJECT LEASE – Addition, Release and Substitution." Although the Project Lease requires that the substitute property have an annual fair rental value upon becoming part of the Leased Property equal to the maximum annual amount of the Base Rental payments remaining due with respect to the 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 the 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 the Leased Property could have an adverse effect on the security for the 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 March 2015, the Working Group on California Earthquake Probabilities (a collaborative effort of the U.S. Geological Survey (U.S.G.S.), the California Geological Survey, and the Southern California Earthquake Center) reported that there is a 72% chance that one or more quakes of about magnitude 6.7 or larger will occur in the San Francisco Bay Area before the year 2045. Such earthquakes may be very destructive. In addition to the potential damage to City-owned buildings and facilities (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 long-term harm to the City's economy, tax receipts, and residential and business real property values.

The Leased Property is located near the geographic center of the City and is therefore in a seismically active region. The soils underlying the Veterans Building are saturated, dense sands with some cementation. These soils are expected to be able to support significant weight without settlement, even during strong earthquakes. Geotechnical investigations performed as part of the seismic upgrade and improvements project concluded that some localized loose pockets of material may exist but that these should not be detrimental to building performance; however, there can be no assurance that a major earthquake anywhere in the Bay Area will not cause any material damage to the Leased Property. See "THE PROJECT."

The obligation of the City to make payments of Base Rental may be abated if the Leased Property or any improvements thereon are damaged or destroyed by natural hazard such as earthquake or flood. The City is not obligated under the Project Lease to maintain earthquake insurance on the Leased Property because the City does not expect to be able to procure earthquake insurance in reasonable amounts at reasonable costs on the open market from reputable insurance companies. The City currently does not carry earthquake insurance on the Leased Property. Rental interruption insurance required to be maintained under the Project Lease is not required to cover earthquake hazards.

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 the Leased Property or any improvements thereon are damaged or destroyed by a pipeline explosion. There can be no assurance that the Leased Property 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

The Project Lease obligates the City to maintain and keep in force various forms of insurance, subject to deductibles, on the Leased Property for repair or replacement in the event of damage or destruction to the Leased Property. Upon the Substantial Completion of the Facilities, 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 Project Lease allows 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 makes no representation as to the ability of any insurer to fulfill its obligations under any insurance policy provided for in the Project Lease 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 evidenced and represented by the 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 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 security for payment of the principal and interest evidenced and represented by the Certificates also may 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

In addition to the limitations on remedies contained in the Trust Agreement and the Project Lease, the rights and remedies in the Trust Agreement and the Project Lease 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 Project Lease 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 the Project Lease 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 Project Lease despite any provision therein that makes the bankruptcy or insolvency of the City an event of default thereunder. If the City rejects the Project Lease, 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 Project Lease and the City's obligations to make payments thereunder. The City may also be permitted to assign the Project Lease (or the Property Lease) 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.

State of California Financial Condition

The City receives a significant portion of its funding from the State. The City's fiscal year 2014-15 Annual Appropriation Ordinance projects that approximately $562.9 million or 15.7% of the City's $3.6 billion General Fund revenues will come from State sources. See APPENDIX A: "CITY AND COUNTY OF SAN FRANCISCO ORGANIZATION AND FINANCES – CITY BUDGET – Impact of the State of California Budget on Local Finances."

Changes in the revenues received by the State can affect the amount of funding, if any, to be received from the State by the City. The City cannot predict the extent of the budgetary problems the State may encounter in this or in any future fiscal years, nor is it clear what measures could be taken by the State to balance its budget, as required by law. In addition, the City cannot predict the outcome of any elections impacting fiscal matters, the 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, including the current economic downturn, over which the City has no control.

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

Series 2015A Certificates

In the opinion of Orrick, Herrington & Sutcliffe LLP and Schiff Hardin LLP, San Francisco, California, Co-Special Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, the portion of each Base Rental Payment paid by the City designated as and evidencing interest and received by the Owners of the Series 2015A Certificates ("interest evidenced by the Series 2015A Certificates") is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from State of California personal income taxes. Co-Special Counsel are of the further opinion that interest evidenced by the Series 2015A Certificates is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Co-Special Counsel observe that such interest evidenced by the Series 2015A Certificates is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinions of Co-Special Counsel is set forth in Appendix F hereto.

To the extent the issue price of any Series 2015A Certificate Payment Date (a "maturity date of the Series 2015A Certificates") is less than the amount to be paid at the maturity date of such Series 2015A Certificates (excluding amounts stated to be interest evidenced by the Series

2015A Certificates and payable at least annually over the term of such Series 2015A Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Owner thereof, is treated as interest evidenced by the Series 2015A Certificates which is excluded from gross income for federal income tax purposes and State of California personal income taxes. For this purpose, the issue price of a particular maturity date of the Series 2015A Certificates is the first price at which a substantial amount of such maturity of the Series 2015A Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity date of the Series 2015A Certificates accrues daily over the term to maturity of such Series 2015A Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series 2015A Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series 2015A Certificates. Owners of the Series 2015A Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015A Certificates with original issue discount, including the treatment of Owners who do not purchase such Series 2015A Certificates in the original offering to the public at the first price at which a substantial amount of such Series 2015A Certificates is sold to the public.

Series 2015A Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Series 2015A Certificates, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and an Owner's basis in a Premium Certificate, will be reduced by the amount of amortizable bond premium properly allocable to such Owner. Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest evidenced by obligations such as the Series 2015A Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest evidenced by the Series 2015A Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest evidenced by the Certificates being included in gross income for federal income tax purposes, possibly from the date of original execution and delivery of the Series 2015A Certificates. The opinions of Co-Special Counsel assume the accuracy of these representations and compliance with these covenants. Co-Special Counsel have not undertaken to determine (or to inform any person), whether any actions taken (or not taken) or events occurring (or not occurring) after the date of execution and delivery of the Series 2015A Certificates may adversely affect the value of, or the tax status of interest evidenced by, the Series 2015A Certificates. Accordingly, the opinions of Co-Special Counsel are not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Co-Special Counsel are of the opinion that interest evidenced by the Series 2015A Certificates is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of interest evidenced by, the Series 2015A Certificates may otherwise affect a Series 2015A Certificate holder's federal, state or local tax liability. The nature and extent of these other tax consequences depend upon the particular tax status of the Owner or the Owner's other items of income or deduction. Co-Special Counsel express no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest evidenced by the Series 2015A Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Owners from realizing the full current benefit of the tax status of such interest. For example, the Obama Administration's budget proposals in recent years have proposed legislation that would limit the exclusion from gross income of interest evidenced by the Series 2015A Certificates to some extent for high-income individuals. The introduction or enactment of any such future legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series 2015A Certificates. Prospective purchasers of the Series 2015A Certificates should consult their own tax advisers regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Co-Special Counsel express no opinion.

The opinions of Co-Special Counsel are based on current legal authority, cover certain matters not directly addressed by such authorities, and represent Co-Special Counsels' judgment as to the proper treatment of the Series 2015A Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Co-Special Counsel cannot give and have not given any opinion or assurance about the future activities of the City, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Co-Special Counsels' engagement with respect to the Series 2015A Certificates ends with the execution and delivery of the Series 2015A Certificates, and, unless separately engaged, Co-Special Counsel are not obligated to defend the City or the Owners regarding the tax-exempt status of interest evidenced by the Series 2015A Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the City and its appointed counsel, including the Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2015A Certificates for audit, or the course or result of such audit, or an audit of obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2015A Certificates, and may cause the City or the Owners to incur significant expense.

Series 2015B Certificates

Co-Special Counsel observe that the portion of each Base Rental Payment paid by the City designated as and evidencing interest and received by the Owners of the Series 2015B Certificates ("interest evidenced by the Series 2015B Certificates") is not excluded from gross income for federal income tax purposes under Section 103 of the Code, but is exempt from State of California personal income taxes.

The following discussion summarizes certain U.S. federal income tax considerations generally applicable to Owners of the Series 2015B Certificates that acquire their Series 2015B Certificates in the initial offering. The discussion below is based upon laws, regulations, rulings, and decisions in effect, and available on the date hereof, all of which are subject to change, possibly with retroactive effect. Further, the following discussion does not deal with all U.S. tax considerations applicable to Owners of the Series 2015B Certificates or to categories of Owners some of which may be subject to special taxing rules, such as certain U.S. expatriates, banks, real estate investment trusts ("REITs"), regulated investment companies ("RICs"), insurance companies, tax-exempt organizations, dealers or traders in securities or currencies, partnerships, S corporations, estates and trusts, Owners that hold their Series 2015B Certificates (x) as part of a hedge, straddle or an integrated or conversion transaction or (y) through a non-U.S. entity, or investors whose "functional currency" is not the U.S. dollar. Furthermore, it does not address (i) alternative minimum tax consequences, (ii) the taxes imposed under Section 1411 of the Code or (iii) the indirect effects on persons who hold equity interests in a Owner. In addition, this summary generally is limited to Owners that acquire their Series 2015B Certificates pursuant to this offering for the issue price that is applicable to such Series 2015B Certificates (i.e., the price at which a substantial amount of the Series 2015B Certificates are sold to the public) and who will hold their Series 2015B Certificates as "capital assets" within the meaning of Section 1221 of the Code. This summary does not address tax considerations applicable to Beneficial Owners of the Series 2015B Certificates that are not U.S. persons for U.S. federal income tax purposes.

Interest evidenced by the Series 2015B Certificates generally will be taxable as ordinary interest income at the time such amounts are accrued or received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes.

The Series 2015B Certificates may be issued with original issue discount ("OID"). OID is the excess of the stated redemption price at maturity of a bond over the initial public offering price of the bond at which a substantial amount of such maturity of the bonds is sold to the public. The OID with respect to any maturity of the Series 2015B Certificates accrues daily over the term to maturity of such Series 2015B Certificate on the basis of a constant interest rate compounded semiannually. The amount of accrued OID that is properly allocable to each Owner of such Series 2015B Certificate is treated as interest on such Series 2015B Certificate and is added to the adjusted basis of such Series 2015B Certificate for purposes of determining gain or loss upon disposition. Interest that is payable at least annually over the term of such Series 2015B Certificate is not added to the adjusted basis of the Series 2015B Certificate for purposes of determining gain or loss upon disposition. Owners of Series 2015B Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Series 2015B Certificates having OID.

Series 2015B Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable bond premium. An Owner of a Series 2015B Certificate issued at a premium may make an election, applicable to all debt securities purchased at a premium by such Owner, to amortize such premium, using a constant yield method over the term of such Series 2015B Certificate. Beneficial owners of Series 2015B Certificate should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

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 Orrick, Herrington & Sutcliffe LLP and Schiff Hardin LLP, San Francisco, 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 underwriters 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 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

Kitahata & Company and First Southwest Company, LLC 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 assumes 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 holders and beneficial 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 2014-15, which is due not later than March 26, 2016, 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 in order to assist the Underwriters of the Certificates in complying 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 enumerated events. Certain obligations issued by the City or a related entity were upgraded by Fitch Ratings on March 28, 2013, and the City filed notice of such upgrades with the Electronic Municipal Market Access system of the MSRB on May 17, 2013.

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.

LITIGATION

No litigation is pending or threatened concerning the validity of the Certificates, the Trust Agreement, the Property Lease, the Project Lease, 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, except as described below. The City will furnish to the Underwriters of the Certificates a certificate of the City as to the foregoing as of the time of the original delivery of the Certificates.

On April 17, 2015, the American Legion caused to be filed a petition in the Probate Department of the San Francisco Superior Court seeking construction of the meaning of certain provisions of the War Memorial Trust Agreement and an order instructing the City's War Memorial Board of Trustees to permit the American Legion to allocate rent-free space in the Veterans Building to such organizations as it chooses to install. The American Legion has previously threatened to seek rent-free use of the entire building. The City is unable to predict (i) whether these issues can be resolved by settlement, or (ii) the ultimate outcome of such litigation. In any event, the City does not expect such dispute or any such litigation to affect the payment of or security for the Certificates, as Base Rental payments will be made from the General Fund of the City, and not from any tenant rental payments.

RATINGS

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services ("S&P"), and Fitch Ratings ("Fitch"), have assigned municipal bond ratings of "Aa3," "AA," and "AA-," respectively, to the Certificates. Certain information not included in this Official Statement was supplied by the City to the rating agencies to be considered in evaluating the Certificates. The ratings reflect only the views of each rating agency, and 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. 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 of time or that the same will not be revised or withdrawn entirely by such rating agency, if in its judgment circumstances so warrant. Any such revision or withdrawal of the ratings obtained may have an adverse effect on the market price of the Certificates. The City undertakes no responsibility to oppose any such downward revision, suspension or withdrawal.

SALE OF THE CERTIFICATES

The Series 2015A Certificates were sold by competitive bid on July 8, 2015. The Certificates were awarded to J.P. Morgan Securities LLC (the "Series 2015A Underwriter"), who submitted the lowest true interest cost bid, at a purchase price of $116,108,529.17. Under the terms of its bid, the Series 2015A Underwriter will be obligated to purchase all of the Series 2015A 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 2015A Underwriter has provided the reoffering prices or yields for the Series 2015A Certificates set forth on the inside cover of this Official Statement, and the City undertakes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Series 2015A Certificates is $4,846,160.55 and the Series 2015A Underwriter's gross compensation (or "spread") is $837,631.38.

The Series 2015B Certificates were sold by competitive bid on July 8, 2015. The Certificates were awarded to Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Series 2015B Underwriter," and together with the Series 2015A Underwriter, the "Underwriters"), who submitted the lowest true interest cost bid, at a purchase price of $23,480,790.40. Under the terms of its bid, the Series 2015B Underwriter will be obligated to purchase all of the Series 2015B 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 2015B Underwriter has provided the reoffering yields for the Series 2015B Certificates set forth on the inside cover of this Official Statement, and the City undertakes no responsibility for the accuracy of those prices or yields. Based on the reoffering prices, the original issue premium on the reoffering of the Series 2015B Certificates is $1,326,021.40 and the Series 2015B Underwriter's gross compensation (or "spread") is $70,231.00.

MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended 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 Underwriters 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: /s/ Benjamin Rosenfield
Controller

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APPENDIX A

CITY AND COUNTY OF SAN FRANCISCO
ORGANIZATION AND FINANCES

This Appendix contains information that is current as of June 17, 2015.

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 has 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 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 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 Mayor.

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	2019
Julie Christensen, *District 3*	2015	2016
Katy Tang, *District 4*	2013	2019
London Breed, *Board President, District 5*	2012	2017
Jane Kim, *District 6*	2010	2019
Norman Yee, *District 7*	2012	2017
Scott Wiener, *District 8*	2010	2019
David Campos, *District 9*	2008	2017
Malia Cohen, *District 10*	2010	2019
John Avalos, *District 11*	2008	2017

Other Elected and Appointed City Officers

Dennis J. Herrera was re-elected to his fourth four-year term as City Attorney in November 2013. 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 2014, the City adopted a full two-year budget. The City's fiscal year 2014-15 adopted budget appropriates annual revenues, fund balance, transfers and reserves of approximately $8.58 billion, of which the City's General Fund accounts for approximately $4.27 billion. In fiscal year 2015-16 appropriated revenues, fund balance, transfers and reserves total approximately $8.56 billion and $4.33 billion of General Fund budget. For a further discussion of the fiscal years 2014-15 and 2015-16 adopted budgets, see "City Budget Adopted for Fiscal Years 2014-15 and 2015-16" herein. On June 1, 2015, Mayor Ed Lee issued his proposed fiscal year 2015-16 and fiscal year 2016-17 budget. The proposed fiscal year 2015-16 budget appropriates sources of approximately $8.92 billion, of which $4.58 billion is in the General Fund. The proposed fiscal year 2016-17 budget appropriates $8.96 billion, of which $4.68 billion is in the General Fund. 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 four significant changes:

- Specifies a two-year (biennial) budget, replacing the annual budget. Fixed two-year budgets were approved beginning in July 2012 by the Board of Supervisors for four departments: the Airport, the Port, the Public Utilities Commission and MTA. In July 2014, the Board also approved fixed two year budgets for the Library, Retirement and Child Support Services departments. All other departments prepared balanced, rolling two-year budgets.

- Requires a five-year financial plan, which forecasts revenues and expenses and summarizes expected public service levels and funding requirements for that period. The most recent five-year financial plan, including a forecast of expenditures and revenues and proposed actions to balance them in light of strategic goals, was issued by the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office on December 9, 2014, for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. See "Five-Year Financial Plan" below.

- 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.

- Standardizes the processes and deadlines for the City to submit labor agreements for all public employee unions by May 15.

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. On December 16, 2014, the Board of Supervisors unanimously adopted financial policies to implement voter-approved changes to the City's Rainy Day Reserve, as well as changes to the General Reserve which would increase the cap from 2% to 3% of revenues and reduce deposit requirements during a recession. These policies are described in further detail below under "Budgetary Reserves." 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 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 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 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 Controller to issue periodic or special financial reports during the fiscal year. Each year, the 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 Controller issued the most recent of these reports, the fiscal year 2014-15 Nine Month Budget Status Report (the "Nine Month Report"), on May 8, 2015. 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 December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and Controller's Office issued a proposed Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. For details see "Five-Year Financial Plan" below. On March 12, 2015 the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office released an update to the City's proposed Five-Year Financial Plan. 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 9, 2015 the Controller released the Discussion of the Mayor's FY 2015-16 and FY 2016-17 Proposed Budget (the "Revenue Letter"). All of these reports are available from the 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 2014-15 and 2015-16 Original Budgets total $4.27 billion, and $4.33 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 2011-12 through 2013-14 and the Original Budgets for fiscal years 2014-15 and 2015-16. 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 2013-14 was issued on November 28, 2014. The fiscal year 2013-14 CAFR reported that as of June 30, 2014, the General Fund available for appropriation in subsequent years was $295 million (see Table A-4), of which $136 million was assumed in the fiscal year 2014-15 Original Budget and $137 million was assumed in the fiscal year 2015-16 Original Budget. This represents a $55 million increase in available fund balance over the $240 million available as of June 30, 2013 and resulted primarily from savings and greater-than-budgeted additional tax revenue, particularly property transfer tax, business tax and state hospital revenues in fiscal year 2013-14. The fiscal year 2014-15 CAFR is scheduled to be completed in late November 2015.

TABLE A-2

CITY AND COUNTY OF SAN FRANCISCO
Budgeted General Fund Revenues and Appropriations for
Fiscal Years 2011-12 through 2015-16
(000s)

	FY 2011-12 Final Revised Budget	FY 2012-13 Final Revised Budget	FY 2013-14 Final Revised Budget	FY 2014-15 Original Budget [2]	FY 2015-16 Original Budget [2]
Prior-Year Budgetary Fund Balance & Reserves	$427,886	$557,097	$156,426	$193,583	$149,823
Budgeted Revenues					
Property Taxes	$1,028,677	$1,078,083	$1,153,417	$1,232,927	$1,290,500
Business Taxes	389,878	452,853	532,988	572,385	597,835
Other Local Taxes	602,455	733,295	846,924	910,430	922,940
Licenses, Permits and Franchises	24,257	25,378	25,533	27,129	27,278
Fines, Forfeitures and Penalties	7,812	7,194	4,994	4,242	4,265
Interest and Investment Earnings	6,219	6,817	10,946	6,853	8,253
Rents and Concessions	22,895	21,424	23,060	22,692	18,738
Grants and Subventions	680,091	721,837	799,188	861,933	882,270
Charges for Services	153,318	169,058	177,081	209,810	199,455
Other	14,803	13,384	14,321	20,538	19,651
Total Budgeted Revenues	$2,930,405	$3,229,323	$3,588,452	$3,868,938	$3,971,185
Bond Proceeds & Repayment of Loans	589	627	1,105	29,151	29,043
Expenditure Appropriations					
Public Protection	$991,840	$1,058,324	$1,102,667	$1,173,977	$1,190,234
Public Works, Transportation & Commerce	53,878	68,351	79,635	127,973	129,991
Human Welfare & Neighborhood Development	677,953	670,958	745,277	799,355	814,586
Community Health	573,970	635,960	703,092	736,916	733,506
Culture and Recreation	99,762	105,580	112,051	126,932	121,579
General Administration & Finance	190,014	190,151	199,709	293,107	293,686
General City Responsibilities[1]	99,274	86,527	86,519	158,180	146,460
Total Expenditure Appropriations	$2,686,691	$2,815,852	$3,028,950	$3,416,440	$3,430,042
Budgetary reserves and designations, net	$11,112	$4,191	$0	$19,261	$11,461
Transfers In	$160,187	$195,388	$242,958	$179,282	$180,460
Transfers Out	(567,706)	(646,018)	(720,114)	(835,253)	(889,008)
Net Transfers In/Out	($407,519)	($450,630)	($477,156)	($655,971)	($708,548)
Budgeted Excess (Deficiency) of Sources Over (Under) Uses	$253,558	$516,375	$239,876	$0	$0
Variance of Actual vs. Budget	299,547	146,901	184,184		
Total Actual Budgetary Fund Balance	$553,105	$663,276	$424,060	$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 2014-15 and FY 2015-16 Original Budget Prior-Year Budgetary Fund Balance & Reserves will be reconciled with the previous year's Final Revised Budget.

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, 2014 was $836 million (as shown in Table A-3 and Table A-4) using Generally Accepted Accounting Principles ("GAAP"), derived from audited revenues of $3.7 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, 2010 through June 30, 2014.

TABLE A-3

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

	2010	2011	2012	2013	2014	
Restricted for rainy day (Economic Stabilization account)	$39,582	$33,439	$31,099	$23,329	$60,289	2
Restricted for rainy day (One-time Spending account)	-	-	3,010	3,010	22,905	2
Committed for budget stabilization (citywide)	-	27,183	74,330	121,580	132,264	
Committed for Recreation & Parks expenditure savings reserve	4,677	6,248	4,946	15,907	12,862	2
Assigned, not available for appropriation						
Assigned for encumbrances	69,562	57,846	62,699	74,815	92,269	2
Assigned for appropriation carryforward	60,935	73,984	85,283	112,327	159,345	2
Assigned for budget savings incentive program (citywide)	-	8,684	22,410	24,819	32,088	2
Assigned for salaries and benefits (MOU)	4,198	7,151	7,100	6,338	10,040	2
Total Fund Balance Not Available for Appropriation	$178,954	$214,535	$290,877	$382,125	$522,062	3
Assigned and unassigned, available for appropriation						
Assigned for litigation & contingencies	$27,758	$44,900	$23,637	$30,254	79,223	4
Assigned for General reserve			$22,306	$21,818	-	
Assigned for subsequent year's budget	105,328	159,390	104,284	122,689	135,938	5
Unassigned for General Reserve			-	-	45,748	
Unassigned - Budgeted for use second budget year		-	103,575	111,604	137,075	
Unassigned - Available for future appropriation	-	9,061	12,418	6,147	21,656	
Total Fund Balance Available for Appropriation	$133,086	$213,351	$266,220	$292,512	$419,640	6
Total Fund Balance, Budget Basis	$312,040	$427,886	$557,097	$674,637	$941,702	
Budget Basis to GAAP Basis Reconciliation						
Total Fund Balance - Budget Basis	$312,040	$427,886	$557,097	$674,637	$941,702	
Unrealized gain or loss on investments	1,851	1,610	6,838	(1,140)	935	
Nonspendable fund balance	14,874	20,501	19,598	23,854	24,022	7
Cumulative Excess Property Tax Revenues Recognized on Budget Basis	(71,967)	(43,072)	(46,140)	(38,210)	(37,303)	
Cumulative Excess Health, Human Service, Franchise Tax and other Revenues on Budget Basis	(55,938)	(63,898)	(62,241)	(93,910)	(66,415)	
Deferred Amounts on Loan Receivables	(9,082)	(13,561)	(16,551)	(20,067)	(21,670)	
Pre-paid lease revenue	-	(1,460)	(2,876)	(4,293)	(5,709)	
Total Fund Balance, GAAP Basis	$191,778	$328,006	$455,725	$540,871	$835,562	

[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"

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, 2014 are included herein as Appendix B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE YEAR ENDED JUNE 30, 2014." 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)

	2010	2011	2012	2013	2014
Revenues:					
Property Taxes	$1,044,740	$1,090,776	$1,056,143	$1,122,008	$1,178,277
Business Taxes[2]	353,471	391,057	435,316	479,627	562,896
Other Local Taxes	520,733	608,197	751,301	756,346	922,205
Licenses, Permits and Franchises	24,249	25,252	25,022	26,273	26,975
Fines, Forfeitures and Penalties	17,279	6,868	8,444	6,226	5,281
Interest and Investment Income	7,900	5,910	10,262	2,125	7,866
Rents and Concessions	18,733	21,943	24,932	35,273	25,501
Intergovernmental	651,074	657,238	678,808	720,625	827,750
Charges for Services	138,615	146,631	145,797	164,391	180,850
Other	21,856	10,377	17,090	14,142	9,760
Total Revenues	$2,798,650	$2,964,249	$3,153,115	$3,327,036	$3,747,361
Expenditures:					
Public Protection	$948,772	$950,548	$991,275	$1,057,451	$1,096,839
Public Works, Transportation & Commerce	40,225	25,508	52,815	68,014	78,249
Human Welfare and Neighborhood Development	632,713	610,063	626,194	660,657	720,787
Community Health	473,280	493,939	545,962	634,701	668,701
Culture and Recreation	94,895	99,156	100,246	105,870	113,019
General Administration & Finance	169,980	175,381	182,898	186,342	190,335
General City Responsibilities	87,267	85,422	96,132	81,657	86,968
Total Expenditures	$2,447,132	$2,440,017	$2,595,522	$2,794,692	$2,954,898
Excess of Revenues over Expenditures	$351,518	$524,232	$557,593	$532,344	$792,463
Other Financing Sources (Uses):					
Transfers In	$94,115	$108,072	$120,449	$195,272	$216,449
Transfers Out	(559,263)	(502,378)	(553,190)	(646,912)	(720,806)
Other Financing Sources	3,733	6,302	3,682	4,442	6,585
Other Financing Uses	-	-	-	-	-
Total Other Financing Sources (Uses)	($461,415)	($388,004)	($429,059)	($447,198)	($497,772)
Extraordinary gain/(loss) from dissolution of the Redevelopment Agency			(815)	-	-
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	($109,897)	$136,228	$127,719	$85,146	$294,691
Total Fund Balance at Beginning of Year	$301,675	$191,778	$328,006	$455,725	$540,871
Total Fund Balance at End of Year -- GAAP Basis [4]	$191,778	$328,006	$455,725	$540,871	$835,562
Fund Balance Available to Support Subsequent Year's Appropriations, Year End					
-- GAAP Basis	($2,050)	$48,070	$133,794	$135,795	$178,066
-- Budget Basis[5]	$105,328	$168,451	$220,277	$240,410	$294,669

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.

5 Beginning in FY 2013-14, CAFR reports year end General Reserve balance as unassigned but it is not considered available for subsequent year's 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 ("Five-Year Financial Plan") is required under Proposition A, a Charter amendment approved by voters in November 2009. The Charter requires the Five-Year Financial Plan to forecast expenditures and revenues for the next five fiscal years, propose actions to balance revenues and expenditures during each year of the Five-Year Financial Plan, and discuss strategic goals and corresponding resources for City departments. Proposition A required that a Five-Year Financial Plan be adopted every two years. The City updates the Five-Year Financial Plan annually.

On December 9, 2014, the Mayor, Budget Analyst for the Board of Supervisors and the Controller's Office issued a proposed Five-Year Financial Plan for fiscal year 2015-16 through fiscal year 2019-20, to be considered by the Board of Supervisors. The Five-Year Financial Plan projected shortfalls of $16 million, $88 million, $275 million, $376 million, and $418 million cumulatively for fiscal years 2015-16 through fiscal year 2019-20, respectively. On March 12, 2015, the Five-Year Financial Plan was updated with the most recent information on the City's fiscal condition. For General Fund Supported operations, the updated Five-Year Financial Plan projects budgetary shortfalls of $21 million, $67 million, $289 million, and $376 million and $402 cumulatively over the next five fiscal years. The updated Five-Year Financial Plan projects a cumulative decrease in shortfall projections of $16 million during the plan period. The updated Five-Year Financial Plan projects continued growth in General Fund revenues of 14%, primarily composed of growth in local tax sources, offset by projected increases in employee salaries and benefits, citywide operating expenses, and departmental costs of 24%. The Five-Year Financial Plan presents an array of fiscal strategies to constrain this increase in expenditures and bring revenues and expenditures into balance. To the extent budgets are balanced with ongoing savings or revenues, future shortfalls are expected to decrease.

The City currently projects growth in General Fund sources of $610 million over the five-year period, and expenditure growth of $1.01 billion. Growth in citywide operating costs is responsible for the majority of the cost growth and projected annual shortfalls, growing by $397 million during the plan period. Other costs projected to increase during the period include: employee wage and benefit cost increases of $367 million, Charter mandated baseline and reserve changes of $162 million, and individual department cost increases totaling $86 million. These figures incorporate cost increases incurred due to voter approval of several November 2014 ballot measures:

> Proposition B – Population-Based Adjustment to General Fund Appropriation to Transportation Fund: Starting in fiscal year 2015-16, the City is required to adjust the baseline funding to MTA annually by the percent increase in the San Francisco population. The estimated value of this transfer is $23.6 million in fiscal year 2015-16, increasing annually by the change in population thereafter.
>
> Proposition C – Children and Families First Initiative: Voters approved the renewal of the Public Education Enrichment Fund ("PEEF") and the Children's Amendment (The Children's Fund and the Children's Baseline) through Proposition C. PEEF and the Children's Amendment are local legislation that set aside General Fund dollars for services for San Francisco children and families. The Plan reflects an increase in the property tax set-aside for the Children's Fund, now the Children and Youth Fund, the removal of in-kind contributions to the San Francisco Unified School District through PEEF, and the bifurcation of the existing Rainy Day Reserve on January 1, 2015 into a City Reserve and a School Reserve. This will increase costs to the General Fund by approximately $21 million annually by the end of the four-year phase in period.
>
> Proposition J - Minimum Wage Increase: This report reflects the projected increases to the City's minimum wage mandated by Proposition J. Over the course of the next three years, the minimum wage in San Francisco will increase from $11.05/hour, the minimum wage as of January 1, 2015 pursuant to the existing minimum wage legislation, to $15.00/hour on July 1, 2018, and by the Consumer Price Index ("CPI") thereafter. This will increase City costs for In Home Supportive Services ("IHSS") program workers at the Human Services Agency and employees of some City contractors by approximately $11.3 million in fiscal year 2015-16.

The Five-Year Financial Plan proposes the following strategies to restore fiscal stability: capital spending and debt restructuring; controlling wage and benefit costs; additional tax and fee revenues; limiting growth in contract and materials costs; and ongoing departmental revenues and savings initiatives.

New to the Five-Year Financial Plan is consideration of the potential impact of a recession on the City's five year outlook. The base case does not assume an economic downturn due to the difficulty of predicting recessions; however, the City has historically not experienced more than six consecutive years of expansion and the current economic expansion began over five years ago. The recession scenario projects a cumulative deficit of $821 million in fiscal year 2019-20 as compared to the base case cumulative deficit of $402 million in fiscal year 2019-20 as updated. At a high level, the recession scenario would necessitate much larger reductions in expenditures than the base case fiscal strategies section of the report. In the base case projection, the report assumes expenditure growth of 23%; in the fiscal strategies section a more modest growth rate of 18% over the next five years is assumed, which contains both revenue and expenditure solutions. In the recession scenario, expenditures grow by 9% over the next five years to match the slower projected rate of revenue growth.

City Budget Adopted for Fiscal Years 2014-15 and 2015-16

On July 23, 2014, Mayor Lee signed the Consolidated Budget and Annual Appropriation Ordinance (the "Original Budget") for fiscal years ending June 30, 2015 and June 30, 2016. This is the third two-year budget for the entire City. The adopted budget closed the $67 million and $133 million General Fund shortfalls for fiscal year 2014-15 and fiscal year 2015-16 identified in the Five-Year Financial Plan update through a combination of increased revenues and expenditures savings, partially offset by expenditure increases including: (a) net citywide revenue increases of $140 million and $78 million, respectively; (b) a net citywide expenditure increase of $31 million in fiscal year 2014-15 primarily from increased labor costs, followed by citywide expenditure savings of $62 million in fiscal year 2015-16, made possible in part by lower than expected health costs and improved pension system returns; and, (d) increased departmental costs totaling $43 million and $7 million respectively, the largest component of which was one-time and ongoing operating costs of the new San Francisco General Hospital opening in December 2015.

On July 10, 2014 the Board of Supervisors Budget and Finance Committee unanimously approved the Mayor's proposed budget with minor revisions totaling $19 million in fiscal year 2014-15 and $13 million in fiscal year 2015-16. The revisions in fiscal year 2014-15 were funded by $12 million in Committee reductions to the Mayor's budget and $7 million in additional fiscal year 2014-15 state subvention revenue that became available after the State approved its budget. The revisions in fiscal year 2015-16 were funded by $10 million in Committee reductions to the Mayor's budget, increased by an additional $5 million of fiscal year 2014-15 and fiscal year 2015-16 expenditure reductions, and offset by increased expenditure requirements of $2 million primarily from proposed increases to the Children's Fund property tax set-aside.

The Original Budget for fiscal years 2014-15 and 2015-16 totals $8.58 billion and $8.56 billion respectively, representing an increase of fiscal year 2014-15 over fiscal year 2013-14 of $673 million and a decrease from fiscal year 2014-15 to fiscal year 2015-16 of $24 million. The General Fund portion of each year's budget is $4.27 billion in fiscal year 2014-15 and $4.33 billion in fiscal year 2015-16 representing consecutive increases of $321 million and $60 million. There are 28,435 funded full time positions in the fiscal year 2014-15 Original Budget and 29,058 in the fiscal year 2015-16 Original Budget representing increases of 766 and 622 positions, respectively.

The budget for fiscal years 2014-15 and 2015-16 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.

Other Budget Updates

On May 8, 2015, the Controller's Office issued the Nine-Month Report which projected the General Fund would end fiscal year 2014-15 with a balance of $337.1 million. This represents a $102.2 million improvement from the previously assumed ending balance of the adopted budget. The fund balance projection includes $158.7 million in prior year ending fund balance, a projected $185.7 million revenue surplus, $78.6 million from departmental cost savings, offset by $78.5 million in increased reserve deposits and $12.9 million in increased contributions to baselines. The general revenue improvements are driven primarily by a significant increase in property transfer tax revenues, as well as hotel and business tax receipts higher than budgeted levels.

Impact of the State of California Budget on Local Finances

Revenues from the State represent approximately 16% of the General Fund revenues appropriated in the budget for fiscal years 2014-15 and 2015-16, 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 July 10, 2014, Governor Brown signed the fiscal year 2014-15 State budget into law. Consistent with the statewide economic recovery spending in fiscal year 2014-15 is set to increase by 7% over fiscal year 2013-14, including a $1.6 billion deposit to the newly created Rainy Day Reserve. The State budget includes payments of local mandate debt if sales tax revenue exceeds set thresholds. Additional uncertainty remains related to the implementation of national health care reform (the Affordable Care Act, or "ACA"). The State's budget estimates State savings of $725 million annually beginning in fiscal year 2014-15. The savings are achieved by reducing realignment funding to county health departments of which the City's share is $17 million. State savings estimates assume that costs for the care of uninsured will decrease as a result of the ACA, offsetting the impact of reduced realignment funding. The timing and extent to which reduced subventions will be offset 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.

On May 8, 2015, the Governor released the 2015-16 Revised State Budget, which projects fiscal year 2014-15 General Fund revenues and transfers of $111.3 billion, total expenditures of $114.5 billion and a year-end surplus of $2.4 billion (inclusive of the $5.6 billion fund balance in the State's General Fund from fiscal year 2013-14), of which $971 million would be reserved for the liquidation of encumbrances and $1.4 billion would be deposited in a reserve for economic uncertainties. As required by the fiscal year 2014-15 California State budget, the Governor is proposing to pay local governments $765 million for pre-2004 mandate debt of which $26 million is estimated to be received by the City in fiscal year 2014-15. The revised budget also includes increases of $150 million in fiscal year 2014-15 for county Medi-Cal administration, in addition to the proposed increases of $150 million and $240 million in fiscal years 2014-15 and 2015-16, respectively, included in the January proposed Budget. The revised budget estimates $381 million in savings in fiscal year 2015-2016 as a result of the Medicare Access and Children's Health Insurance Program (CHIP) Reauthorization Act, which reauthorizes CHIP through September 2017 and includes enhanced federal funding for the CHIP program effective October 2015. The proposed budget estimates that counties will save $724.9 million and $698.2 million in fiscal years 2014-15 and 2015-16, respectively, in indigent health care costs under the ACA, all of which will be redirected to fund CalWORKs grant increases. The proposed budget also describes certain factors threatening the continuation of the In Home Supportive Services Maintenance of Effort ("MOE") negotiated by counties with the State in 2012. In fiscal year 2013-14, the county share of the MOE was approximately $1 billion. The Governor will release an adopted budget in Summer 2015, at which time the City will evaluate the adopted budget to determine its impact on the City's finances.

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 Controller's Office will continue to monitor federal budget changes and provide updates on City financial impacts as necessary in quarterly budget updates.

Budgetary Reserves

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 1% 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 Original Budget for fiscal years 2014-15 and 2015-16 includes starting balances of $58 million and $70 million for the General Reserve for fiscal years 2014-15 and 2015-16, respectively. On December 16, 2014, the Board of Supervisors adopted financial policies to further increase the City's General Reserve from 2% to 3% of General Fund revenues between fiscal year 2017-18 and fiscal year 2020-21 while reducing the required deposit to 1.5% of General Fund revenues during economic downturns. The intent of this policy change is to increase reserves available during a multi-year downturn.

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 (Original Budget for fiscal years 2014-15 and 2015-16 includes $17 million in fiscal year 2014-15 and $18 million in fiscal year 2015-16), and the Litigation Reserve (Original Budget for fiscal years 2014-15 and 2015-16 includes $17 million in fiscal year 2014-15 and $16 million in fiscal year 2015-16). 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 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 2013-14 revenue exceeded the deposit threshold by $86 million generating a deposit of $64 million to the Rainy Day Reserve composed of $43 million to the Economic Stabilization account and $21 million to the One-Time Capital Expenditures account. The fiscal year 2014-15 and 2015-16 budgets do not anticipate deposits to the Rainy Day 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. Monies 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). Monies in the Rainy Day Reserve's One-Time or Capital Expenditures account are available for capital and other one-time spending initiatives. Withdrawals of $12 million and $3 million from the One-Time Capital Expenditures account are budgeted in fiscal years 2014-15 and 2015-16 respectively leaving a balance of $8 million at the end of fiscal year 2015-16.

If the 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 2013-14 year-end balance of the Rainy Day Reserve's Economic Stabilization Account is $60 million. The fiscal year 2014-15 budget includes an allocation of $11 million to the SFUSD leaving a balance of $49 million.

Effective January 1, 2015, Proposition C passed by the voters in November 2014, divides the existing Rainy Day Economic Stabilization Account into a City Rainy Day Reserve ("City Reserve") and a School Rainy Day Reserve ("School Reserve") with each reserve account receiving 50% of the January 1, 2015 balance. Beginning in fiscal year 2015-16, 25% of Rainy Day Reserve deposits will go to the School Reserve and 75% will go to the City Reserve. No withdrawals or deposits from the City Reserve are included in the Original Budget for fiscal year 2014-15 or fiscal year 2015-16 leaving a City Reserve budgeted balance of $25 million at the end of fiscal year 2015-16.

Budget Stabilization Reserve

On April 13, 2010, the Board of Supervisors unanimously approved the 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: the General Reserve, described above, and the 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, including Real Property Transfer Tax ("RPTT") 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.

Fiscal year 2013-14 RPTT receipts exceeded the five-year annual average by $44 million and ending general fund unassigned fund balance was $56 million, triggering a $75 million deposit. However, this deposit requirement was partially offset by the Rainy Day Reserve deposit of $64 million, resulting in a required deposit of $11 million and bringing the fiscal year 2013-14 Budget Stabilization Reserve ending balance to $132 million. The fiscal year 2014-15 and fiscal year 2015-16 budgets project deposits of $28 million and $4 million, respectively, as a result of projected RPTT receipts in excess of the five-year annual average, bringing the projected ending balance in fiscal year 2015-16 to $165 million. The Controller's Office will determine final deposits in October of each year based on actual receipts during the prior fiscal year.

The maximum combined value of the Rainy Day Reserve and the Budget Stabilization Reserve is 10% of General Fund revenues, which would be approximately $389 million for fiscal year 2014-15. 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.

THE SUCCESSOR AGENCY

As described below, the Successor Agency was established by the Board of Supervisors of the City following dissolution of the former San Francisco Redevelopment Agency (the "Former Agency") pursuant to the Dissolution Act. Within City government, the Successor Agency is titled "The Office of Community Investment and Infrastructure as the Successor to the San Francisco Redevelopment Agency." Set forth below is a discussion of the history of the Former Agency and the Successor Agency, the governance and operations of the Successor Agency and its powers under the Redevelopment Law and the Dissolution Act, and the limitations thereon.

The Successor Agency maintains a website as part of the City's website. The information on such websites is not incorporated herein by reference.

Authority and Personnel

The powers of the Successor Agency are vested in its governing board (the "Successor Agency Commission"), referred to within the City as the "Commission on Community Investment and Infrastructure," which has five members who are appointed by the Mayor of the City with the approval of the Board of Supervisors. Members are appointed to staggered four-year terms (provided that two members have initial two-year terms). Once appointed, members serve until replaced or reappointed.

The Successor Agency currently employs approximately 50.6 full-time equivalent positions. The Executive Director, Tiffany Bohee, was appointed in February 2012. The other principal full-time staff positions are the Deputy Executive Director, Community and Economic Development; the Deputy Executive Director, Finance and Administration; the Deputy Executive Director, Housing; and the Successor Agency General Counsel. Each project area in which the Successor Agency continues to implement redevelopment plans, is managed by a Project Manager. There are separate staff support divisions with real estate and housing development specialists, architects, engineers and planners, and the Successor Agency has its own fiscal, legal, administrative and property management staffs, including a separate staff to manage the South Beach Harbor Marina.

Effect of the Dissolution Act

AB 26 and AB 27. The Former Agency was established under the Community Redevelopment Law in 1948. The Former Agency was established under the Redevelopment Law in 1948. As a result of AB 1X 26 and the decision of the California Supreme Court in the *California Redevelopment Association* case, as of February 1, 2012, all redevelopment agencies in the State were dissolved, including the Former Agency, and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies and also to satisfy "enforceable obligations" of the former redevelopment agency all under the supervision of a new oversight board, the State Department of Finance and the State Controller.

Pursuant to Resolution No. 11-12 (the "Establishing Resolution") adopted by the Board of Supervisors of the City on January 24, 2012 and signed by the Mayor on January 26, 2012, and Sections 34171(j) and 34173 of the Dissolution Act, the Board of Supervisors of the City confirmed the City's role as successor to the Former Agency. On June 27, 2012, the Redevelopment Law was amended by AB 1484, which clarified that successor agencies are separate political entities and that the successor agency succeeds to the organizational status of the former redevelopment agency but without any legal authority to participate in redevelopment activities except to complete the work related to an approved enforceable obligation.

Pursuant to Ordinance No. 215-12 passed by the Board of Supervisors of the City on October 2, 2012 and signed by the Mayor on October 4, 2012, the Board of Supervisors (i) officially gave the following name to the Successor Agency: the "Successor Agency to the Redevelopment Agency of the City and County of San Francisco," (ii) created the Successor Agency Commission as the policy body of the Successor Agency, (iii) delegated to the Successor Agency Commission the authority to act in place of the Former Agency Commission to implement the surviving redevelopment projects, the replacement housing obligations and other enforceable obligations of the Former Agency and the authority to take actions that AB 26 and AB 1484 require or allow on behalf of the Successor Agency and (iv) established the composition and terms of the members of the Successor Agency Commission.

As discussed below, many actions of the Successor Agency are subject to approval by an "oversight board" and the review or approval by the California Department of Finance, including the issuance of bonds such as the Bonds.

Oversight Board

The Oversight Board was formed pursuant to Establishing Resolution adopted by the City's Board of Supervisors and signed by the Mayor on January 26, 2012. The Oversight Board is governed by a seven-member governing board, with four members appointed by the Mayor, and one member appointed by each of the Bay Area Rapid Transit District ("BART"), the Chancellor of the California Community Colleges, and the County Superintendent of Education.

Department of Finance Finding of Completion

The Dissolution Act established a process for determining the liquid assets that redevelopment agencies should have shifted to their successor agencies when they were dissolved, and the amount that should be available for remittance by the successor agencies to their respective county auditor-controllers for distribution to affected taxing entities within the project areas of the former redevelopment agencies. This determination process was required to be completed through the final step (review by the State Department of Finance) by November 9, 2012 with respect to affordable housing funds and by April 1, 2013 with respect to non-housing funds. Within five business days of receiving notification from the State Department of Finance, a successor agency must remit to the county auditor-controller the amount of unobligated balances determined by the State Department of Finance, or it may request a meet and confer with the State Department of Finance to resolve any disputes.

On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amounts of unobligated balances relating to affording housing funds, determined by the State Department of Finance in the amount of $10,577,932, plus $1,916 in interest. On May 23, 2013, the Successor Agency promptly remitted to the City Controller the amount of unobligated balances relating to all other funds determined by the State Department of Finance in the amount of $959,147. The Successor Agency has made all payments required under AB 1484 and has received its finding of completion from the State Department of Finance on May 29, 2013.

State Controller Asset Transfer Review

The Dissolution Act requires that any assertion of a former redevelopment agency transferred to a city, county or other local agency after January 1, 2011, be sent back to the successor agency. The Dissolution Act further requires that the State Controller review any such transfer. As of the date hereof, the State Controller's review is pending. The Successor Agency does not expect the outcome of the State Controller's Asset Transfer Review to have a material adverse impact on the availability of Tax Revenues.

Continuing Activities

The Former Agency was organized in 1948 by the Board of Supervisors of the City pursuant to the Redevelopment Law. The Former Agency's mission was to eliminate physical and economic blight within specific geographic areas of the City designated by the Board of Supervisors. The Former Agency had redevelopment plans for nine redevelopment project areas.

Because of the existence of enforceable obligations, the Successor Agency is authorized to continue to implement, through the issuance of tax allocation bonds, four major redevelopment projects that were previously administered by the Former Agency: (i) the Mission Bay North and South Redevelopment Project Areas, (ii) the Hunters Point Shipyard Redevelopment Project Area and Zone 1 of the Bayview Redevelopment Project Area, and (iii) the Transbay Redevelopment Project Area (collectively, the "Major Approved Development Projects"). In addition, the Successor Agency continues to manage Yerba Buena Gardens and other assets within the former Yerba Buena Center Redevelopment Project Area ("YBC"). The Successor Agency exercises land use, development and design approval authority for the Major Approved Development Projects and manages the former Redevelopment Agency assets in YBC in place of the Former Agency.

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 BART, all of which are legal entities separate from the City. See also, Table A-26: "Statement of 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 Agency (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 Agency received $132 million of property tax increment in fiscal year 2013-14, diverting about $75 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) was 98.83% for fiscal year 2013-14. 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. Foreclosures, defined as the number of trustee deeds recorded by the Assessor-Recorder's Office, numbered 187 for fiscal year 2013-14 compared to 363 for fiscal year 2012-13, 802 in fiscal year 2011-12, 927 in fiscal year 2010-11, and 901 in fiscal year 2009-10. This represents 0.09%, 0.18%, 0.39%, 0.46%, and 0.45%, respectively, of total parcels in such fiscal years.

TABLE A-5

CITY AND COUNTY OF SAN FRANCISCO
Assessed Valuation of Taxable Property
Fiscal Years 2010-11 through 2014-15
(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
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	2,138,245	2,113,284	98.83%
2014-15	181,809,981	5.4%	1.174	2,134,995	n/a	n/a

1 Based on preliminary assessed valuations for FY 2014-15. 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 2013-14 is based on year-end current year secured and levies as adjusted through roll corrections, excluding supplemental assessments, as reported to the State of California (available on the website of the California State Controller's Office).
Total Tax Levy for FY 2014-15 is based on NAV times the 1.1743% 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.

At the start of fiscal year 2014-15, the total net assessed valuation of taxable property within the City is \$181.8 billion. Of this total, \$171.1 billion (94.1%) represents secured valuations and \$10.7 billion (5.9%) 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 property's 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.

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 the rest of 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 2009-10 through 2013-14 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, 2010	$14,015
June 30, 2011	41,730
June 30, 2012	53,288
June 30, 2013	36,744
June 30, 2014	25,756

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

As of July 1, 2014, the Assessor granted 10,726 temporary reductions in property assessed values worth a total of $640.3 million (equating to a reduction of about $3.6 million in general fund taxes), compared to 18,409 temporary reductions with a value of $2.02 billion (equating to a reduction of about $11.4 million in discretionary general fund taxes) granted in Spring 2013. The 2014 $640.3 million temporary reduction total represented 0.35% of the fiscal year 2014-15 Net Assessed Valuation of $181.8 billion shown in Table A-5. 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, 2014, the total number of open appeals before the AAB was 6,279, compared to 7,421 open AAB appeals as of June 30, 2013, including 5,051 filed since July 1, 2013, 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 $27.9 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 about $331.1 million (based upon the fiscal year 2013-14 tax rate) with an impact on the General Fund of about $157.7 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 2014-15 is estimated to produce about $2.1 billion, not including supplemental, escape and special assessments that may be assessed during the year. Of this amount, the City has budgeted to receive $935.1 million into the General Fund and $132.0 million into special revenue funds designated for children's programs, libraries and open space. SFUSD and SFCCD are estimated to receive about $130.0 million and $24.5 million, respectively, and the local ERAF is estimated to receive $429.0 million (before adjusting for the State's Triple Flip sales tax and vehicle license fees ("VLF") backfill shifts). The Successor Agency will receive about $131 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.

General Fund property tax revenues in fiscal year 2013-14 were $1.18 billion, representing an increase of $24.8 million (2.2%) over fiscal year 2013-14 Original Budget and $56.3 million (5.0%) over fiscal year 2012-13 actual revenue. Property tax revenue is budgeted at $1.23 billion in fiscal year 2014-15 representing an increase of $54.7 million (4.6%) over fiscal year 2013-14 actual receipts and $1.29 billion in fiscal year 2015-16 representing an annual increase of $57.6 million (4.7%) over fiscal year 2014-15 budget. Tables A-2 and A-3 set forth a history of budgeted and actual property tax revenues for fiscal years 2011-12 through 2013-14, and budgeted receipts for fiscal years 2014-15 and fiscal year 2015-16.

The City's General Fund is allocated about 48% 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, 2010	$17,507
June 30, 2011	17,302
June 30, 2012	17,980
June 30, 2013	18,341
June 30, 2014	19,654

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 beginning July 1, 2014 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 2014-15
(000s)

Assessee	Location	Parcel Number	Type	Total Assessed Value[1]	% of Basis of Levy[2]
HWA 555 Owners LLC	555 California St	0259 026	Commercial Office	$945,282	0.52%
PPF Paramount One Market Plaza Owner LP	1 Market	3713 007	Commercial Office	774,392	0.42%
Union Investment Real Estate GMBH	555 Mission St	3721 120	Commercial Office	457,498	0.25%
Emporium Mall LLC	845 Market St	3705 056	Commercial Retail	432,617	0.24%
SPF China Basin Holdings LLC	185 Berry St	3803 005	Commercial Office	425,167	0.23%
SHC Embarcadero LLC	4 The Embarcadero	0233 044	Commercial Office	399,011	0.22%
Wells REIT II - 333 Market St LLC	333 Market St	3710 020	Commercial Office	397,044	0.22%
Post-Montgomery Associates	165 Sutter St	0292 015	Commercial Retail	389,025	0.21%
PPF Off One Maritime Plaza LP	300 Clay St	0204 021	Commercial Office	369,052	0.20%
S F Hilton Inc	1 Hilton Square	0325 031	Commercial Hotel	368,599	0.20%
				$4,957,686	**2.72%**

[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 2014-15 valuation of property assessed by the State Board of Equalization is $2.72 billion.

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

Through tax year 2013 businesses in the City were subject to payroll expense and business registration taxes. Proposition E approved by the voters in the November 6, 2012 election changed business registration tax rates and introduced a gross receipts tax which phases in over a five-year period beginning January 1, 2014, replacing the current 1.5% tax on business payrolls over the same period. Overall, 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.

The payroll expense tax is authorized by Article 12-A of the San Francisco Business and Tax Regulation Code. The 1.5% payroll tax rate in 2013 was adjusted to 1.35% in tax year 2014 and annually thereafter according to gross receipts tax collections to ensure that the phase-in of the gross receipts tax neither results in a windfall nor a loss for the City. The new gross receipts tax ordinance, like the current payroll expense tax, is imposed for the privilege of "engaging in business" in San Francisco. The gross receipts tax will apply to businesses with $1 million or more in gross receipts, adjusted by the Consumer Price Index going forward. Proposition E also imposes a 1.4% tax on administrative office business activities measured by a company's total payroll expense within San Francisco in lieu of the Gross Receipts Tax, and increases annual business registration fees to as much as $35,000 for businesses with over $200 million in gross receipts. Prior to Proposition E, business registration taxes varied from $25 to $500 per year per subject business based on the prior year computed payroll tax liability. Proposition E increased the business registration tax rates to between $75 and $35,000 annually.

Business tax revenue in fiscal year 2013-14 was $563 million, representing an increase of $83 million (17%) over fiscal year 2012-13 revenue. Business tax revenue is budgeted at $573 million in fiscal year 2014-15 representing an increase of $10 million (2%) over fiscal year 2013-14 revenue. In fiscal year 2015-16, Business Tax revenue is budgeted at $599 million, an increase of $25 million (4%) from fiscal year 2014-15 budgeted revenue.

TABLE A-9

CITY AND COUNTY OF SAN FRANCISCO
Business Tax Revenues
Fiscal Years 2011-12 through 2015-16
All Funds
(000s)

Fiscal Year	Revenue	Change	
2011-12	$437,677	$45,898	11.7%
2012-13	480,131	42,454	9.7%
2013-14	563,406	83,275	17.3%
2014-15 budgeted	573,385	9,979	1.8%
2015-16 budgeted	598,835	25,450	4.4%

Includes Payroll Tax, portion of Payroll Tax allocated to special revenue funds for the Community Challenge Grant program, Business Registration Tax, and, beginning in fiscal year 2013-14, Gross Receipts Tax revenues. Figures for fiscal year 2011-12 through fiscal year 2013-14 are audited actuals. Figures for fiscal year 2014-14 and fiscal year 2015-16 are Original Budget amounts.

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

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 of $273 in October of 2014, which is approximately 9% over October of the prior year. Increases in RevPAR are budgeted to continue at a slower pace through fiscal year 2015-16. Including amounts used to pay debt service on hotel tax revenue bonds hotel tax revenue for fiscal year 2013-14 was $313 million, representing a $71 million increase from fiscal year 2012-13 revenue. Fiscal year 2014-15 is budgeted to be $323 million, an increase of $10 million (3%) from fiscal year 2013-14 and fiscal year 2015-16 is budgeted to be $341 million, an increase of $18 million (5%) from fiscal year 2014-15 budget.

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 the online travel companies had no obligation to remit hotel tax to San Francisco. The City has received approximately $88 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. San Francisco has appealed the judgment against it. That appeal has been stayed pending the California Supreme Court's decision in a similar case between the online travel companies and the City of San Diego.

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 total tax receipts for fiscal years 2011-12 through 2013-14 and budget projections for fiscal year 2014-15 through 2015-16. Beginning in fiscal year 2013-14, hotel tax budgeted in the General Fund in fiscal year 2013-14 increased by $56 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 2011-12 through 2015-16
All Funds
(000s)

Fiscal Year	Tax Rate	Revenue	Change	
2011-12	14.00%	$242,843	$27,331	12.7%
2012-13	14.00%	241,961	(882)	-0.4%
2013-14	14.00%	313,138	71,177	29.4%
2014-15 budgeted	14.00%	323,456	10,318	3.3%
2015-16 budgeted	14.00%	341,134	17,678	5.5%

Figures for FY 2011-12 through FY 2013-14 are audited actuals and include the portion of hotel tax revenue used to pay debt service on hotel tax revenue bonds. Figures for FY 2014-15 and FY 2015-16 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 ("RPTT") revenue in fiscal year 2013-14 was $262 million, a $29 million (13%) increase from fiscal year 2012-13 revenue. Fiscal year 2014-15 RPTT revenue is budgeted to be $235 million, approximately $27 million (10%) less than the revenue received in fiscal year 2013-14 due to the expected slowing of market activity as a result of the decline in real property in inventory. This slowing is budgeted to continue into fiscal year 2015-16 with RPTT revenue budgeted at $220 million, a reduction of $15 million (6%). The volume of transactions in fiscal year 2013-14 is projected to result in a decline in inventory into fiscal year 2014-15 and fiscal year 2015-16.

Table A-11 sets forth a history of real property transfer tax receipts for fiscal years 2011-12 through 2013-14, and budgeted receipts for fiscal years 2014-15 and fiscal year 2015-16.

TABLE A-11

CITY AND COUNTY OF SAN FRANCISCO
Real Property Transfer Tax Receipts
Fiscal Years 2011-12 through 2015-16
(000s)

Fiscal Year	Revenue	Change	
2011-12	$233,591	$98,407	72.8%
2012-13	232,730	(861)	-0.4%
2013-14	261,925	29,195	12.5%
2014-15 budgeted	235,000	(26,925)	-10.3%
2015-16 budgeted	220,000	(15,000)	-6.4%

Figures for FY 2011-12 through FY 2013-14 are audited actuals. Figures for FY 2014-15 and FY 2015-16 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 2013-14 were $134 million, an increase of $11 million (9%) from fiscal year 2012-13 sales tax revenue. Revenue growth is budgeted to continue during fiscal year 2014-15 with $136 million budgeted, an increase of $2 million (2%) from projected fiscal year 2013-14 receipts. Continued growth is budgeted during fiscal year 2015-16 with an assumption that the strong local economy will generate increased taxable sales across nearly all categories, with particularly strong performance in the construction industry, but at a slower rate to reach $142 million, $6 million (5%) more than fiscal year 2014-15.

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. In recent years online retailers such as Amazon have contributed significantly to sales tax receipts. The budget assumes no changes from State laws affecting sales tax reporting for these online retailers. Sustained growth in sales tax revenue will depend on changes to state and federal law and order fulfillment strategies for online retailers.

Table A-12 reflects the City's actual sales and use tax receipts for fiscal years 2011-12 through 2013-14, and budgeted receipt for fiscal year 2014-15 and 2015-16, 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 2011-12 through 2015-16
(000s)

Fiscal Year	Tax Rate	City Share	Revenue	Change	
2011-12	8.50%	0.75%	$117,071	$10,769	10.1%
2011-12 adj.[1]	8.50%	1.00%	155,466	14,541	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	8.75%	0.75%	133,705	11,434	9.4%
2013-14 adj.[1]	8.75%	1.00%	177,299	14,474	8.9%
2014-15 *budgeted*[2]	8.75%	0.75%	136,080	2,375	1.8%
2014-15 adj.[1] *budgeted*	8.75%	1.00%	180,370	3,071	1.7%
2015-16 *budgeted*[2]	8.75%	0.75%	142,200	6,120	4.5%
2015-16 adj.[1] *budgeted*	8.75%	1.00%	188,478	8,108	4.5%

Figures for FY 2011-12 through FY 2013-14 are audited actuals. Figures for FY 2014-15 and FY 2015-16 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 2013-14 Utility User Tax revenues were $87 million, representing a decrease of $5 million (7%) from fiscal year 2012-13 revenue. Fiscal year 2014-15 revenue is budgeted to be $92 million, representing expected growth of $5 million (7%) from fiscal year 2013-14. Fiscal year 2015-16 Utility User Tax revenues are budgeted at $92 million, unchanged from fiscal year 2014-15 budget.

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 revenue for fiscal year 2013-14 was $44 million, a $1 million (2%) increase over the previous fiscal year. In fiscal year 2014-15, the Access Line Tax revenue is budgeted at $43 million, a $1 million

(2%) decrease from fiscal year 2013-14 revenue. Fiscal year 2015-16 revenue is budgeted at $44 million a $1 million (2%) increase from fiscal year 2014-15 budget. Budgeted amounts in fiscal year 2014-15 and fiscal year 2015-16 assume annual inflationary increases to the access line tax rate as required under Business and Tax Regulation Code Section 784.

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. Parking Tax revenue is positively correlated with business activity and employment, both of which are projected to increase over the next two years as reflected in increases in business and sales tax revenue projections.

Fiscal year 2013-14 Parking Tax revenue was $83 million, $1 million (1%) above fiscal year 2012-13 revenue. Parking tax revenue is budgeted at $85 million in fiscal year 2014-15, an increase of $2 million (2%) over the fiscal year 2013-14. In fiscal year 2015-16, Parking Tax revenue is budgeted at $87 million, $2 million (3%) over the fiscal year 2014-15 budgeted amount. Parking tax growth estimates are commensurate with expected changes to the CPI over the same period.

Parking tax revenues are deposited into the General Fund, from which an amount equivalent to 80 percent is transferred to the MTA 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 Vehicle License Fee (VLF) revenue: 1991 Health and Welfare Realignment, 2011 Health and Human Services Realignment, and Public Safety Realignment.

1991 Health & Welfare Realignment. The Governor's fiscal year 2013-14 budget assumed savings of $300 million for counties statewide as a result of Affordable Care Act ("ACA") implementation, and reduced realignment allocations to counties proportionally to recapture these savings for the State. These realignment reductions are expected to be ongoing and are reflected in fiscal year 2014-15 and 2015-16 budgeted amounts. A reconciliation of county costs is scheduled to take place starting January 2017.

In fiscal year 2013-14, General Fund 1991 realignment revenue was $166 million, a decrease of $9 million (5%) from fiscal year 2012-13 as a result of a $14 million (10%) reduction in sales tax distributions offset by an increase of $5 million (18%) in VLF distributions. The decrease is primarily a result of reduced realignment funding from the AB 85 realignment 'clawback' offset by underlying growth in sales tax and VLF receipts. The realignment 'clawback' is budgeted to remain at the same level during fiscal year 2014-15 and fiscal year 2015-16 with budgeted realignment revenue of $163 million and $169 million, respectively.

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 2014-15 this revenue is budgeted at $97 million, a $7 million (8%) increase from fiscal year 2013-14. This increase includes anticipated growth of $3 million in child welfare services subaccount funding and $1 million of CalWORKs Maintenance of Effort ("MOE") funding received by the Human Services Agency, and a $2 million funding increase in community mental health service and $1 million in state alcohol funds received by Department of Public Health. In fiscal year 2015-16 this revenue is budgeted at $99 million, which is primarily comprised of an increase of $2 million from the fiscal year 2014-15 budget in the child protective services subaccount.

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. This revenue is budgeted at $32 million in fiscal year 2014-15, a $2 million (5%) decrease from fiscal year 2013-14. This decrease resulted from projected reductions in both base amounts and growth amounts as the State budget reflects a temporary drop in funding to support implementation of AB109. The fiscal year 2015-16 budget assumes a $4 million (14%) increase from fiscal year 2014-15.

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 2013-14 was $87 million, an increase of $4 million (5%) from fiscal year 2012-13 revenues. This revenue is budgeted at $91 million in fiscal year 2014-15 and $95 million in fiscal year 2015-16, representing annual growth of $5 million (5%) and $4 million (4%) respectively. 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. The county ratio for San Francisco in fiscal year 2013-14 is 3% and is expected to remain at that level in fiscal year 2014-15 and fiscal year 2015-16.

Other Intergovernmental Grants and Subventions

In addition to those categories listed above, $476 million is budgeted in fiscal year 2014-15 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 $53 million (12%) increase from fiscal year 2013-14. The fiscal year 2015-16 budget is $481 million, an increase of $4 million (1%) from fiscal year 2014-15 Original Budget.

Charges for Services

Revenue from charges for services in the General Fund in fiscal year 2013-14 was $172 million, an increase of $19 million (13%) from fiscal year 2012-13 revenue. Charges for services revenue is budgeted at $201 million in fiscal year 2014-15 and $190 million in fiscal year 2015-16, representing growth of $29 million (17%) and a reduction of $10 million (5%) respectively from prior year.

Fiscal year 2014-15 growth reflects the following one-time revenues; (1) $17 million in Public Health from a reallocation of Healthy San Francisco to the General Fund from San Francisco General Hospital; (2) $7 million in Planning Department revenue, primarily from a one-time reduction in permit application backlogs and the expected increase in construction permit fees; (3) $5 million in additional Fire Department revenue, including $4 million in additional revenue from charges for providing services to the Presidio, which had previously been budgeted as an expenditure recovery, $3 million in additional prior-year Ground Emergency Medical Transit ("GEMT") revenue, and a $1 million increase in plan check and inspection fees. These increases are offset by a $4 million ongoing reduction in expected ambulance fees; and (4) $5 million in Recreation and Park revenue, primarily from one-time events and including $2 million from the disposition of assets from Candlestick Park. Fiscal year 2015-16 reduction reflects the following changes; (1) $2 million less in Recreation and Park revenue, primarily due to the elimination of one-time revenue gains expected in fiscal year 2014-15 from Candlestick Park; (2) $2 million less in Planning Department revenue due to the elimination of one-time revenue gains from the fiscal year 2014-15 backlog reduction; and (3) $6 million less in Fire Department revenue due to the elimination of prior-year GEMT revenue in the form of ambulance fees.

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 $706 million in fiscal year 2014-15 and $725 million in fiscal year 2015-16.

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 2011-12 through 2015-16
(000s)

Major Service Areas	FY 2011-12 Original Budget	FY 2012-13 Original Budget	FY 2013-14 Original Budget	FY 2014-15 Original Budget	FY 2015-16 Original Budget
Public Protection	$998,237	$1,058,689	$1,130,932	$1,173,977	$1,190,234
Human Welfare & Neighborhood Development	672,834	670,375	700,254	799,355	814,586
Community Health	575,446	609,892	701,978	736,916	733,506
General Administration & Finance	199,011	197,994	244,591	293,107	293,686
Culture & Recreation	100,740	111,066	119,579	126,932	121,579
General City Responsibilities	110,725	145,560	137,025	158,180	146,460
Public Works, Transportation & Commerce	51,588	67,529	80,797	127,973	129,991
Total*	$2,708,581	$2,861,106	$3,115,155	$3,416,440	$3,430,042

*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 $411 million, $222 million and $150 million of General Fund support respectively in fiscal year 2014-15 and $416 million, $223 million, and $153 million respectively in fiscal year 2015-16. 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 $234 million of General Fund support in the fiscal year 2014-15 and $238 million in fiscal year 2015-16.

The Public Health Department is budgeted to receive $614 million in General Fund support for public health programs and the operation of San Francisco General Hospital and Laguna Honda Hospital in fiscal year 2014-15 and $636 million in fiscal year 2015-16.

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 receives an annual general fund transfer equal to 80% of general fund parking tax receipts pursuant to the Charter. This transfer is budgeted to be $68 million in fiscal year 2014-15 and $70 million in fiscal year 2015-16 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 2014-15 & 2015-16
(Millions)

	FY 2014-15 Required	FY 2014-15 Original	FY 2015-16 Required	FY 2015-16 Original
Municipal Transportation Agency	$180.3	$180.3	$186.3	$186.3
Parking and Traffic Commission	67.6	67.6	69.9	69.9
Children's Services	134.1	148.5	138.6	139.2
Library Preservation	61.6	61.6	63.7	63.7
Public Education Enrichment Funding				
Unified School District	50.7	50.7	56.8	56.8
First Five Commission	27.5	27.5	28.4	28.4
City Services Auditor	14.9	14.9	14.8	14.8
Human Services Homeless Care Fund	14.9	14.9	14.8	14.8
Property Tax Related Set-Asides				
Municipal Symphony	2.3	2.3	2.4	2.4
Children's Fund Set-Aside	51.6	51.6	58.7	58.7
Library Preservation Set-Aside	43.0	43.0	45.3	45.3
Open Space Set-Aside	43.0	43.0	45.3	45.3
Staffing and Service-Driven				
Police Minimum Staffing	Requirement likely not met		Requirement likely not met	
Fire Neighborhood Firehouse Funding	Requirement met		Requirement met	
Treatment on Demand	Requirement likely met		Requirement likely met	
Total Baseline Spending	**$691.45**	**$705.83**	**$724.88**	**$725.49**

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 $4.3 billion in the fiscal year 2014-15 Original Budget (all-funds), and $4.4 billion in the fiscal year 2015-16 Original Budget. Looking only at the General Fund, the combined salary and benefits budget was $2.0 billion in the fiscal year 2014-15 and 2015-16 Original 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 2014-15 and 2015-16 includes 27,669 and 29,053 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, fire and sheriff's employees.

In May 2014, the City negotiated three-year agreements (for fiscal years 2014-15 through 2016-17) with most of its labor unions. In general, the parties agreed to: (1) annual wage increase schedules of 3% (October 11, 2014), 3.25% (October 10, 2015), and between 2.25% and 3.25% depending on inflation (July 1, 2016); and (2) some structural reforms of the City's healthcare benefit and cost-sharing structures to rebalance required premiums between the two main health plans offered by the City. These changes to health contributions build reforms agreed to by most unions during earlier negotiations.

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. In May 2014, the City negotiated a contract extension with the Firefighters Association through June 30, 2018, which mirrored the terms of POA agreement.

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. In May 2014, the MTA and the union representing the transit operators (TWU, Local 250-A) agreed to a three-year contract that runs through June 30, 2017. Provisions in the contract include 14.25% in wage increases in exchange for elimination of the 7.5% employer retirement pick-up.

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, 2014

Organization	Budgeted Positions	Expiration Date of MOU
Automotive Machinists, Local 1414	429	June 30, 2017
Bricklayers, Local 3/Hod Carriers, Local 36	10	June 30, 2017
Building Inspectors Association	95	June 30, 2017
Carpenters, Local 22	110	June 30, 2017
Carpet, Linoleum & Soft Tile	3	June 30, 2017
CIR (Interns & Residents)	2	June 30, 2017
Cement Masons, Local 580	33	June 30, 2017
Deputy Sheriffs Association	780	June 30, 2017
District Attorney Investigators Association	41	June 30, 2017
Electrical Workers, Local 6	887	June 30, 2017
Glaziers, Local 718	10	June 30, 2017
International Alliance of Theatrical Stage Employees, Local 16	23	June 30, 2017
Ironworkers, Local 377	14	June 30, 2017
Laborers International Union, Local 261	1,027	June 30, 2017
Municipal Attorneys' Association	435	June 30, 2017
Municipal Executives Association	1,172	June 30, 2017
MEA - Police Management	6	June 30, 2018
MEA - Fire Management	9	June 30, 2018
Operating Engineers, Local 3	59	June 30, 2017
City Workers United	127	June 30, 2017
Pile Drivers, Local 34	24	June 30, 2017
Plumbers, Local 38	341	June 30, 2017
Probation Officers Association	157	June 30, 2017
Professional & Technical Engineers, Local 21	4,795	June 30, 2017
Roofers, Local 40	11	June 30, 2017
S.F. Institutional Police Officers Association	2	June 30, 2017
S.F. Firefighters, Local 798	1,737	June 30, 2018
S.F. Police Officers Association	2,502	June 30, 2018
SEIU, Local 1021	11,643	June 30, 2017
SEIU, Local 1021 Staff & Per Diem Nurses	1,616	June 30, 2016
SEIU, Local 1021 H-1 Rescue Paramedics	12	June 30, 2018
Sheet Metal Workers, Local 104	45	June 30, 2017
Sheriff's Managers and Supervisors Association	98	June 30, 2017
Stationary Engineers, Local 39	661	June 30, 2017
Supervising Probation Officers, Operating Engineers, Local 3	24	June 30, 2017
Teamsters, Local 853	162	June 30, 2017
Teamsters, Local 856 (Multi-Unit)	107	June 30, 2017
Teamsters, Local 856 (Supervising Nurses)	122	June 30, 2016
TWU, Local 200 (SEAM multi-unit & claims)	341	June 30, 2017
TWU, Local 250-A Auto Service Workers	117	June 30, 2017
TWU, Local 250-A Transit Fare Inspectors	74	June 30, 2017
TWU-250-A Miscellaneous	97	June 30, 2017
TWU-250-A Transit Operators	2,216	June 30, 2017
Union of American Physicians & Dentists	199	June 30, 2015
Unrepresented Employees	168	June 30, 2015
	32,543 [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 City and County Employees' Retirement System ("SFERS" or "Retirement System")

History and Administration

SFERS is charged with administering a defined-benefit pension plan that covers substantially all City employees and certain other employees. The Retirement System was initially established by approval of City voters on November 2, 1920 and the 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 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 SFUSD, the SFCCD, and the San Francisco Trial Courts.

The Retirement System estimates that the total active membership as of July 1, 2014 (the date of most recent valuation report) was 35,957, compared to 34,690 members a year earlier. Active membership includes 5,409 terminated vested members and 1,032 reciprocal members. Terminated vested members are former employees who have vested rights in future benefits from SFERS. 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. Retirement allowances are paid to approximately 26,800 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, 2014, approximately 10 police officers are still enrolled in the program. All are expected to retire before the end of 2015.

Table A-16 displays total Retirement System participation (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts) as of the five most recent actuarial valuation dates.

TABLE A-16

SAN FRANCISCO CITY AND COUNTY
Employees' Retirement System
Fiscal Years 2009 - 10 through 2013 - 14

As of 1-Jul	Active Members	Vested Members	Reciprocal Members	Total Non-retired	Retirees/ Continuants	Active to Retiree Ratio
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
2013	28,717	4,933	1,040	34,690	26,034	1.103
2014	29,516	5,409	1,032	35,957	26,852	1.099

Sources: SFERS' Actuarial Valuation reports as of July 1, 2014, July 1, 2013, July 1, 2012, July 1, 2011 and July 1, 2010.

Notes: Member counts exclude DROP participants.
Member counts are for the entire Retirement System and include 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. City Charter prescribes certain actuarial methods and amortization periods to be used by the Retirement System in preparing the actuarial valuation. The Retirement Board adopts the economic and demographic assumptions used in the annual valuations. Demographic assumptions such as retirement, termination and disability rates are based upon periodic demographic studies performed by the consulting actuarial firm approximately every five years. Economic assumptions are reviewed each year by the Retirement Board after receiving an economic experience analysis from the consulting actuarial firm.

At the January 2015 Retirement Board meeting, the consulting actuarial firm recommended that the Board adopt the following economic assumptions for the July 1, 2014 actuarial valuation: long-term investment earnings assumption of 7.50%, long-term wage inflation assumption of 3.75% and long-term consumer price index assumption of 3.25%. After consideration of the analysis and recommendation, the Retirement Board voted to adopt these recommended assumptions.

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 accrued liability of the Retirement System exceeds the actuarial value of Retirement System assets, such amount being known as an "unfunded actuarial accrued liability" or "UAAL."

The UAAL 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 updated Actuarial Funding Methods Policy any such gain or loss is amortized over a closed 20-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 closed 20-year period. Prior to the updated Policy which became effective with the July 1, 2014 actuarial valuation, the amortization period for gains, losses and assumption changes was 15 years at the valuation date.

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 required to be amortized over no more than 20 years according to the Charter. The Board has adopted a 15-year closed period for changes to active member benefits and a 5-year closed period for changes to inactive or retired members effective for all changes on or after July 1, 2014. The prior Board Policy specified closed 20-year periods for all benefit changes.

The consulting actuarial firm combines the three calculations described above to arrive at a total contribution requirement for funding the Retirement System in the next 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.

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 provided the following:

a) 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) Employees commencing employment on or after January 7, 2012 otherwise eligible for membership in CalPERS may become members of SFERS;

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

d) Effective July 1, 2012, no Supplemental COLA will be 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. In that case, *Protect our Benefits (POB) v. City of San Francisco* (1st DCA Case No. A140095), the Court of Appeals held that changes to the Supplemental COLA adopted by the voters in November 2011 under Proposition C could not be applied to current City employees and those who retired after November 1996 when the Supplemental COLA provisions were originally adopted, but could be applied to SFERS members who retired before November 1996. Both sides filed petitions for review with the California Supreme Court. If the Appellate ruling becomes the final judgment, it is estimated that the actuarial liabilities of the Plan will increase by approximately $388 million or 1.8% for back payment of the Supplemental COLAs payable for 2013 and 2014. On June 17, 2015, the California Supreme Court denied review of the Court of Appeals decision.

The impact of Proposition C is incorporated in the actuarial valuations beginning with the July 1, 2012 Actuarial Valuation report. Since 2009, the voters of San Francisco have approved one other retirement plan amendment:

- 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.

SFERS Recent Funding Performance and City Employer Contribution History

Fiscal year 2012-13 total City employer contributions to the Retirement System were $423.3 million which included $183.4 million from the General Fund. Fiscal year 2013-14 total City employer contributions were $507.6 million which included $228 million from the General Fund. For fiscal year 2014-15, total City employer contributions to the Retirement System are budgeted at $571.2 million which includes $255.1 million from the General Fund. These budgeted amounts are based upon the fiscal year 2014-15 employer contribution rate of 26.76% (estimated to be 22.4% after taking into account the 2011 Proposition C cost-sharing provisions). The fiscal year 2015-16 employer contribution rate is 22.80% per the July 1, 2014 actuarial valuation report. The decline in employer contribution rate from 26.76% to 22.80% results from 1) overall investment gains in the last five fiscal years between July 1, 2009 and June 30, 2014, and 2) large investment losses from the 2008-09 fiscal year being fully reflected in the actuarial value of assets after a five-year smoothing period.

Table A-17 shows total Retirement System assets, liabilities and percent funded for the last five actuarial valuations as well as contributions for the fiscal years 2009-10 through 2013-14. Information is shown for all employers in the Retirement System (City and County of San Francisco, SFUSD, SFCCD, and San Francisco Trial Courts). "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 actuarial accrued 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 Obligation. "Employee and Employer Contributions" reflects the total of mandated employee contributions and employer Actuarial Retirement Contributions received by the Retirement System in the fiscal year ended June 30th prior to the July 1st valuation date.

TABLE A-17

SAN FRANCISCO CITY AND COUNTY

Employees' Retirement System (in $000s)

Fiscal Years 2009-10 through 2013-14

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]
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%
2013	17,011,500	16,303,400	20,224,800	84.1%	80.6%	701,596	20.71%
2014	19,920,600	18,012,100	21,122,600	94.3%	85.3%	821,902	24.82%

[1] Employer contribution rates for fiscal years 2014-15 and 2015-16 are 26.76% and 22.80%, respectively.

Sources: SFERS' audited financial statements and supplemental schedules June 30, 2013, 2012, 2011, 2010, and 2009.
SFERS' actuarial valuation report as of July 1, 2013, July 1, 2012, July 1, 2011, July 1, 2010, and July 1, 2009.

Table A-17 shows that the Actuarial Percent Funded ratio increased from 80.6% to 85.3%. In general, this indicates that for every dollar of benefits promised, the Retirement System has approximately $0.85 of assets available for payment based on the actuarial value of assets as of July 1, 2014. The Market Percent Funded ratio increased from 84.1% to 94.3% and is now higher than the Actuarial Percent Funded ratio which does not yet fully reflect all asset gains from the last five fiscal years.

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 70 of the CAFR, attached as Appendix B to this Official Statement, for a breakdown of the asset allocation as of June 30, 2014. The Fund did not hold hedge funds as of June 30, 2014. The Board approved a 5% allocation to hedge funds at its January 2015 meeting. 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, 1145 Market Street, 5th Floor, San Francisco, California 94103, or by calling (415) 487-7020. Certain documents are available at the Retirement System website at www.mysfers.org. These documents are not incorporated herein by reference.

The actuarial accrued liability of the Retirement System (the Pension Benefit Obligation) is 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, 2014, the audited market value of Retirement System assets was $19.9 billion. This 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 audited at each fiscal year end as part of the annual audit of the Retirement System's financial statements.

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 $19.2 million in fiscal year 2012-13 and $20.0 million in fiscal year 2013-14. For fiscal year 2014-15, the City prepaid its annual CalPERS obligation at a level of $25.2 million. Further discussion of the City's CalPERS plan obligations are summarized in Note 9 to the City's CAFR, as of June 30, 2014, 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 SFUSC, 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 and dental 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; a member nominated by the Controller and approved by the Health Service Board, and three members of the Health Service System, active or retired, elected from among their members. 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 the HSS website, or by writing to the San Francisco Health Service System, 1145 Market Street, Third Floor, San Francisco, California 94103, or by calling (415) 554-1727. Audited annual financial statements for several years are also posted on the HSS 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

According to the City Charter Section A8.428, the City's contribution towards HSS Medical Plans is determined by the results of a survey annually of the amount of premium contributions provided by the 10 most populous counties in California (other than the City). The survey is commonly called the 10-County Average Survey (Average) and used 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 the June 2014 collective bargaining the Average was eliminated in the calculation of premiums for Active employees represented by most unions, in exchanged for a percentage based employee premium contribution. The long term impact of the premium contribution model is anticipated to be 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. The contribution amounts are paid by the City into the Health Service Trust Fund. The Average is still used as a basis for calculating all retiree premiums. To the extent annual medical premiums exceed the contributions made by the City as required by the Charter and union agreements, such excess must be paid by HSS Beneficiaries or, if elected by the Health Service Board, from net assets also held in 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 are also based on the negotiated methodologies found in the most of the union agreements and, when applicable, 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 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 first dependent.

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 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. The Health Care Reform Law, or aspects thereof, continues to be challenged in various venues, and the City is unable to predict the outcome of such challenges and their impact on the City's finances.

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, W-2 reporting on total healthcare premium costs, implementation of a medical loss ratio rebate on self-insured plans, issuance of a separate summary of benefits to every member and provided to every new member and providing information on State Exchanges to both employees currently on COBRA and future COBRA recipients. As of 2014 and 2015, and beyond, healthcare FSAs are limited to $2,500 annually.

The change to the definition of a full time employee will be implemented 2015. The City modified health benefit eligibility to employees who are employed, on average, at least 30 hours of service per week or 130 hours in a calendar month.

The Automatic Enrollment requirement in the Health Care Reform was deferred until 2016. This requires that employers automatically enroll new full-time employees in one of the employer's health benefit plans (subject to any waiting period authorized by law). Further it is required than employees be given adequate notice and the opportunity to opt out of any coverage in which they were automatically enrolled. It is uncertain when final guidance will be issued by the Department of Labor.

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 2015 plan year. The three fees are the Federal Health Insurer Tax ("HIT"), Patient Centered Outcomes Research Institute ("PCORI") fee, and the Transitional Reinsurance Fee. The total impact on the CCSF in 2015 is $15.06 million.

The Federal HIT tax is a fixed-dollar amount distributed across health insurance providers for fully insured plans. The 2015 plan year premiums for Kaiser Permanente and Blue Shield of California included the impact of the HIT tax. The impact on the CCSF only in 2015 is $11.91 million.

Beginning in 2013, the Patient Center Outcomes Research Institute ("PCORI") Fee was accessed at the rate of $2.00 per enrollee per year was assessed per year to all participants in the Self-Insured medical-only plan (approximately 8,600). The fee is charged directly to the Health Service System. In 2014 the rate was $2.10 and is approximately $2.22 in 2015. The 2015 impact of PCORI is $0.20 million, HSS pays this fee directly to the Internal Revenue Service (IRS) and the fee will increase with health care inflation until it sunsets in 2019.

The Transitional Reinsurance Fee decreases from $63/year fee on each Health Service System beneficiary for plan year 2014. The Transitional Reinsurance Fee will be $44.00 in 2015 and the impact on CCSF only is $2.95 million.

Local Elections:

Proposition B (2008) Changing Qualification for Retiree Health and Pension Benefits and Establishing a Retiree Health Care Trust Fund

On June 3, 2008, the San Francisco voters approved Proposition B, 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 2% of pre-tax compensation toward their retiree health care and the City contributes up to 1%. The impact of Proposition B on standard retirements occurred in 2014.

Proposition C (2011) City Pension and Health Care Benefit

On November 8, 2011, the San Francisco voters approved Proposition C, a charter amendment that made additional changes to the way the City and current and future employees share in funding SFERS pension and health benefits. The Proposition limits the 50% coverage for dependents to employees who left the workforces (without retiring) prior to 2001. The Health Service System is in the process of programming eligibility changes to comply with Proposition C.

Employer Contributions for Health Service System Benefits

For fiscal year 2013-14, based on the most recent audited financial statements, the Health Service System received approximately $644.1 million from participating employers for Health Service System benefit costs. Of this total, the City contributed approximately $540.3 million; approximately $160.8 million of this $540.3 million amount was for health care benefits for approximately 27,213 retired City employees and their eligible dependents and approximately $379.5 million was for benefits for approximately 62,206 active City employees and their eligible dependents. For Plan Year 2015, the Health Service System has budgeted to receive approximately $644.6 million from participating employers for Health Service System benefit costs.

The 2015 aggregate plan costs for the City decreased by 2.78%. 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 that maintains competition among our vendors, implementing Accountable Care Organizations (ACO's) that reduced utilization and increased use of generic prescription rates 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. The Health Service Board also approved the use of $8.8 million in Health Service Trust Fund assets to decrease both the employee and employer premium costs for the Blue Shield of California (Flex-Funded), The flatten trend is anticipated to continue.

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 3% 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 of the three following 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 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 September 9, 2014 draft, Cheiron, Inc. estimated that the City's unfunded liability was approximately $4.00 billion as of July 1, 2012. This estimate assumed a 4.45% return on investments and had an ARC for fiscal year 2013-14 of approximately $341.4 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, 2012 actuarial valuation. The covered payroll (annual payroll of active employees covered by the plan) was $2.5 billion and the ratio of the UAAL to the covered payroll was 162.0%.

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 2013-14 annual OPEB cost was $353.2 million, of which the City funded $166.6 million which caused, among other factors, the City's long-term liability to increase by $186.6 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, 2014, included as Appendix B to this Official Statement. Five-year trend information is displayed in Table A-18 (dollars in thousands):

TABLE A-18

CITY AND COUNTY OF SAN FRANCISCO
Five-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
6/30/2014	353,251	47.2%	1,793,753

The September 2014 draft 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, 2014, the fund balance in the Retiree Health Care Trust Fund established by Proposition B was $49.0 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, 2014 is approximately $49 million. The City will continue to monitor and update its actuarial valuations of liability as required under GASB 45. Table A-19 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 2011-12 to fiscal year 2015-16.

TABLE A-19

CITY AND COUNTY OF SAN FRANCISCO
Employee Benefit Costs, All Funds
Fiscal Years 2011-12 through 2015-16
(000s)

	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Budget	FY 2015-16 Budget
SFERS and PERS Retirement Contributions	$428,263	$452,325	$535,309	$590,013	$541,989
Social Security & Medicare	147,682	156,322	160,288	174,497	182,525
Health - Medical + Dental, active employees [1]	363,344	370,346	369,428	380,501	393,772
Health - Retiree Medical [1]	151,301	155,885	161,859	165,779	169,381
Other Benefits [2]	21,766	16,665	16,106	20,775	21,506
Total Benefit Costs	**$1,112,355**	**$1,151,543**	**$1,242,990**	**$1,331,565**	**$1,309,172**

FY 2008-09 through FY 2013-14 figures are audited actuals. FY 2014-15 and 2015-16 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 2014. The Investment Policy is also posted at the Treasurer's website. The information available on such website is not incorporated herein by reference.

Investment Portfolio

As of April 30, 2015, 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 April 30, 2015

Type of Investment	Par Value	Book Value	Market Value
U.S. Treasuries	$ 475,000,000	$ 472,153,320	$ 478,348,750
Federal Agencies	4,446,088,000	4,448,757,659	4,455,645,953
State and Local Obligations	305,175,000	310,609,854	307,903,530
Public Time Deposits	480,000	480,000	480,000
Negotiable Certificates of Deposit	680,500,000	680,486,775	680,265,048
Banker's Acceptances	-	-	-
Commercial Paper	490,000,000	489,953,042	489,953,292
Medium Term Notes	623,154,000	626,398,678	624,750,502
Money Market Funds	210,101,226	210,101,226	210,101,226
Total	$ 7,230,498,226	$ 7,238,940,554	$ 7,247,448,300

April 2015 Earned Income Yield: 0.748%

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

TABLE A-21

City and County of San Francisco
Investment Maturity Distribution
Pooled Funds
As of April 30, 2015

Maturity in Months			Par Value	Percentage
0	to	1	$655,526,226	9.07%
1	to	2	277,000,000	3.83%
2	to	3	44,665,000	0.62%
3	to	4	9,000,000	0.12%
4	to	5	252,491,000	3.49%
5	to	6	119,300,000	1.65%
6	to	12	803,875,000	11.12%
12	to	24	2,710,926,000	37.49%
24	to	36	1,600,940,000	22.14%
36	to	48	518,600,000	7.17%
48	to	60	238,175,000	3.29%
			$7,230,498,226	100.00%

Weighted Average Maturity: 603 Days

Sources: Office of the Treasurer and 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, 2014 are described in Appendix B: "COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2014," 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 2016-2025 Capital Plan was approved by the CPC on March 2, 2015 and was adopted by the Board of Supervisors in April 2015. The Capital Plan contains $32 billion in capital investments over the coming decade for all City departments, including $5.1 billion in projects for General Fund-supported departments. The Capital Plan proposes $1.66 billion for General Fund pay-as-you-go capital projects over the next ten years. The amount for General Fund pay-as-you-go capital projects is assumed to grow to over $200 million per year by fiscal year 2025-26. 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 $1.8 billion of the capital projects of General Fund supported departments are expected to be 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 $18.2 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 at the maritime port, and the Sewer System Improvement Program, among others. Approximately $12.2 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 10-year capital plan, identified resources remain below those necessary to maintain and enhance the City's physical infrastructure. As a result, over $8.5 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 Capital 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 June 1, 2015, the City had approximately $2.05 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 June 1, 2015 [1 2]

Fiscal Year	Principal	Interest	Annual Debt Service
2015	$165,859,884	$44,554,130	$210,414,014
2016	123,173,046	86,766,286	209,939,332
2017	111,929,110	81,281,872	193,210,982
2018	108,828,225	75,766,419	184,594,644
2019	108,070,545	70,556,949	178,627,494
2020	106,636,232	65,251,012	171,887,244
2021	103,445,457	60,059,487	163,504,944
2022	108,633,401	55,282,324	163,915,725
2023	111,475,251	50,195,006	161,670,257
2024	113,201,206	44,789,781	157,990,987
2025	113,181,476	39,221,281	152,402,757
2026	107,681,279	33,662,671	141,343,950
2027	112,200,840	28,619,511	140,820,351
2028	116,384,035	23,391,846	139,775,881
2029	116,131,751	18,303,143	134,434,894
2030	111,590,095	13,269,617	124,859,712
2031	72,826,950	8,388,702	81,215,652
2032	75,415,000	5,494,800	80,909,800
2033	40,100,000	2,564,600	42,664,600
2034	14,875,000	912,250	15,787,250
2035	5,330,000	266,500	5,596,500
TOTAL [3]	$2,046,968,783	$808,598,187	$2,855,566,970

[1] This table does <u>not</u> 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 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, and the fifth series in the amount of $54.9 million was issued in October 2014.

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.

In June 2014, voters approved Proposition A, which authorized the issuance of up to $400.0 million in general obligation bonds to provide funds to finance the construction, acquisition, improvement and retrofitting of neighborhood fire and police stations, emergency firefighting water system, medical examiner facility, traffic company & forensic services division and other critical infrastructure and facilities for earthquake safety and related costs. The City issued the first series of bonds in the amount of $100.6 million in October 2014.

In November 2014, voters approved Proposition A, which authorized the issuance of up to $500 million in general obligation bonds to provide funds to finance the construction, acquisition and improvement of certain transportation and transit related improvements and other related costs.

Refunding General Obligation Bonds

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 $1.356 billion 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. The City has issued eight series of refunding bonds under the Refunding Resolutions, as shown on Table A-23.

TABLE A-23

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Refunding Bonds

Series Name	Date Issued	Principal Amount Issued (Millions)
2006-R1	October 2006	$90.7
2006-R2	December 2006	66.6
2008-R1	May 2008	232.1
2008-R2	July 2008	39.3
2008-R3	July 2008	118.1
2011-R1 [1]	November 2011	339.4
2015-R1 [2]	February 2015	293.9

[1] Series 2004-R1 Bonds were refunded by the 2011-R1 Bonds in November 2011

[2] Series 2006-R1, 2006-R2, and 2008-R3 Bonds were refunded by the 2015-R1 Bonds in February 2015
Series 2008-R3 Bonds were partially refunded.

Table A-24 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 June 1, 2015, the City had authorized and unissued general obligation bond authority of approximately $1.285 billion.

TABLE A-24

CITY AND COUNTY OF SAN FRANCISCO
General Obligation Bonds (as of June 1, 2015)

Description of Issue (Date of Authorization)	Series	Issued	Outstanding [1]	Authorized & Unissued
Seismic Safety Loan Program (11/3/92)	2007A	$30,315,450	$25,193,783	$284,684,550 [2]
Branch Library Facilities Improvement (11/7/00)	2008A	31,065,000	1,315,000	
Clean & Safe Neighborhood Parks (2/5/08)	2008B	42,520,000	1,805,000	
	2010B	24,785,000	11,960,000	
	2010D	35,645,000	35,645,000	
	2012B	73,355,000	58,010,000	8,695,000
San Francisco General Hospital and Trauma Center (11/4/08)	2009A	131,650,000	25,210,000	
	2010A	120,890,000	58,335,000	
	2010C	173,805,000	173,805,000	
	2012D	251,100,000	184,380,000	
	2014A	209,955,000	198,680,000	
Earthquake Safety and Emergency Response Bond (6/8/10)	2010E	79,520,000	49,605,000	
	2012A	183,330,000	145,205,000	
	2012E	38,265,000	35,415,000	
	2013B	31,020,000	27,235,000	
	2014C	54,950,000	54,950,000	25,215,000
Road Repaving & Street Safety (11/8/11)	2012C	74,295,000	59,385,000	
	2013C	129,560,000	113,730,000	44,145,000
Clean & Safe Neighborhood Parks (11/6/12)	2013A	71,970,000	63,175,000	123,030,000
Earthquake Safety and Emergency Response Bond (6/3/14)	2014D	100,670,000	100,670,000	299,330,000
Transportation and Road Improvement (11/4/14)				500,000,000
SUB TOTALS		**$1,888,665,450**	**$1,423,708,783**	**$1,285,099,550**
General Obligation Refunding Bonds:				
Series 2006-R1 issued 10/31/06		$90,690,000	$0	
Series 2006-R2 issued 12/18/06		66,565,000	0	
Series 2008-R1 issued 5/29/08		232,075,000	35,200,000	
Series 2008-R2 issued 5/29/08		39,320,000	21,195,000	
Series 2008-R3 issued 7/30/08		118,130,000	0	
Series 2011-R1 issued 11/9/12		339,475,000	272,955,000	
Series 2015-R1 issued 2/25/15		293,910,000	293,910,000	
SUB TOTALS		**1,180,165,000**	**623,260,000**	
TOTALS		**$3,068,830,450**	**$2,046,968,783**	**$1,285,099,550**

[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-25 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 June 1, 2015. Note that the annual payment obligations reflected in Table A-25 reflect the fully accreted value of any capital appreciation obligations as of the payment dates.

TABLE A-25

CITY AND COUNTY OF SAN FRANCISCO
Lease Revenue Bonds and Certificates of Participation
As of June 1, 2015

Fiscal Year	Principal	Interest	Annual Payment Obligation
2015	$3,770,000	$1,870,664	$5,640,664
2016	64,585,000	48,009,207	112,594,207
2017	60,500,000	45,247,295	105,747,295
2018	59,015,000	42,476,466	101,491,466
2019	51,030,000	40,008,234	91,038,234
2020	42,310,000	37,896,276	80,206,276
2021	44,455,000	35,981,834	80,436,834
2022	44,250,000	34,011,070	78,261,070
2023	46,185,000	32,044,432	78,229,432
2024	47,685,000	30,007,359	77,692,359
2025	47,275,000	27,869,306	75,144,306
2026	46,975,000	25,791,909	72,766,909
2027	49,155,000	23,608,266	72,763,266
2028	49,630,000	21,330,462	70,960,462
2029	51,880,000	18,993,964	70,873,964
2030	51,410,000	16,578,701	67,988,701
2031	42,705,000	14,210,744	56,915,744
2032	31,950,000	12,050,087	44,000,087
2033	30,995,000	10,480,656	41,475,656
2034	32,465,000	8,852,743	41,317,743
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	499,473	11,989,473
2043	1,900,000	95,000	1,995,000
TOTAL [1]	$1,040,055,000	$558,619,506 [2]	$1,598,674,506

[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, with such amount increasing by five percent each fiscal year. As of June 1, 2015 the total authorized amount for such financings was $64.5 million. The total principal amount outstanding as of June 1, 2015 was $14.2 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 previous 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, Series 1 and 1-T and Series 2 and 2-T (the "CP Program"). Commercial Paper Notes (the "CP Notes") are 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 or other take-out financing to be issued when market conditions are favorable. Projects are 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 expire June 2016.

The Board authorized on July 16, 2013 and the Mayor approved on July 25, 2013 an additional $100.0 million Lease Revenue Commercial Paper Certificates of Participation Program, Series 3 and 3-T and Series 4 and 4-T that increases the total authorization of the CP Program to $250.0 million. The Series 3 and 3-T and 4 and 4-T are secured by a letter of credit issued by State Street Bank and Trust Company expiring June 2016.

As of June 2015, the outstanding principal amount of CP Notes is $156.6 million. The weighted average interest rate for the CP Notes is approximately 0.08%.

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 million 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 Fall of 2015.

The Board of Supervisors authorized on July 26, 2011 and the Mayor approved on August 1, 2011 the issuance of not to exceed $170 million 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 2015.

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.

The Board of Supervisors authorized October 8, 2013 and the Mayor approved October 11, 2013 the issuance of not to exceed $13.5 million of City and County of San Francisco Certificates of Participation (Treasure Island Improvement Project) to finance the cost of additions and improvements to the utility infrastructure at Treasure island.

Overlapping Debt

Table A-26 shows bonded debt and long-term obligations as of June 1, 2015 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-26

CITY AND COUNTY OF SAN FRANCISCO

Statement of Direct and Overlapping Debt and Long-Term Obligations

2014-2015 Assessed Valuation (net of non-reimbursable & homeowner exemptions)**:**		$181,809,981,276	
DIRECT GENERAL OBLIGATION BOND DEBT		**Outstanding 6/1/2015**	
General City Purposes Carried on the Tax Roll		$2,046,968,783	
GROSS DIRECT DEBT		$2,046,968,783	
DIRECT LEASE PAYMENT AND LONG-TERM OBLIGATIONS			
San Francisco COPs, Series 2001A (30 Van Ness Ave. Property)		$26,920,000	
San Francisco Finance Corporation, Equipment LRBs Series 2010A, 2011A, 2012A, and 2013A		14,225,000	
San Francisco Finance Corporation Emergency Communication Refunding Series, 2010-R1		13,815,000	
San Francisco Finance Corporation Moscone Expansion Center, Series, 2008-1, 2008-2		111,020,000	
San Francisco Finance Corporation LRBs Open Space Fund (Various Park Projects) Series 2006, 2007		52,770,000	
San Francisco Finance Corporation LRBs Library Preservation Fund Series, 2009A		29,960,000	
San Francisco COPs, Series 2007A (City Office Buildings - Multiple Properties)		137,185,000	
San Francisco COPs, Series 2009A Multiple Capital Improvement Projects (Laguna Honda Hospital)		137,585,000	
San Francisco COPs, Series 2009B Multiple Capital Improvement Projects (Street Improvement Project)		33,270,000	
San Francisco COPs, Series 2009C Office Project (525 Golden Gate Avenue) Tax Exempt		29,560,000	
San Francisco COPs, Series 2009D Office Project (525 Golden Gate Avenue) Taxable BABs		129,550,000	
San Francisco Refunding Certificates of Participation, Series 2010A		116,165,000	
San Francisco COPs, Refunding Series 2011AB (Moscone)		67,825,000	
San Francisco COPs, Series 2012A Multiple Capital Improvement Projects (Street Improvement Project)		39,415,000	
San Francisco COPs, Series 2013A Moscone Center Improvement		22,135,000	
San Francisco COPs, Series 2013BC Port Facilities		34,355,000	
San Francisco COPs, Series 2014-R1 (Courthouse Project), 2014-R2 (Juvenile Hall Project)		44,300,000	
LONG-TERM OBLIGATIONS		$1,040,055,000	
GROSS DIRECT DEBT & LONG-TERM OBLIGATIONS		$3,087,023,783	
OVERLAPPING DEBT & LONG-TERM OBLIGATIONS			
Bayshore Hester Assessment District		$625,000	
San Francisco Bay Area Rapid Transit District (33%) Sales Tax Revenue Bonds		86,486,667	
San Francisco Bay Area Rapid Transit District (29%) General Obligation Bonds, Series 2005A, 2007B		105,251,150	
San Francisco Community College District General Obligation Bonds - Election of 2001, 2005		285,465,000	
San Francisco Redevelopment Agency Hotel Tax Revenue Bonds - 2011		37,470,000	
San Francisco Redevelopment Agency Obligations (Property Tax Increment)		858,437,852	1
San Francisco Redevelopment Agency Obligations (Special Tax Bonds)		106,098,939	
Association of Bay Area Governments Obligations (Special Tax Bonds)		19,005,000	
San Francisco Unified School District General Obligation Bonds, Series Election of 2003, 2006, and 2011		818,130,000	
TOTAL OVERLAPPING DEBT & LONG-TERM OBLIGATIONS		$2,316,969,608	
GROSS COMBINED TOTAL OBLIGATIONS		$5,403,993,391	2
Ratios to Assessed Valuation:	**Actual Ratio**	**Charter Req.**	
Gross Direct Debt (General Obligation Bonds)	1.13%	< 3.00%	3
Gross Direct Debt & Long-Term Obligations	1.70%	n/a	
Gross Combined Total Obligations	2.97%	n/a	

1 The accreted value as of July 1, 2014 is $6,705,001

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 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 in which there is City participation, generally in the form of a public/private partnership. 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. 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 Phase 1 and 2 and Candlestick Point project area will deliver approximately 12,100 new homes, approximately 32 percent of which will be below market rate and will include the rebuilding of the Alice Griffith public housing development consistent with the City's HOPE SF program, up to 3 million square feet of research and development space, and more than 350 acres of new parks in the southeast portion of San Francisco (the "Project"). In total, the Project will generate over $6 billion of new economic activity to the City, more than 12,000 permanent jobs, hundreds of new construction jobs each year, new community facilities, new transit infrastructure, and provide approximately $90 million in community benefits. The Project's full build out will occur over 20 to 30 years. In the next five years over 1,000 units of housing and 26 acres of parks will be completed in the first phase of the Shipyard.

The first phase of development has begun at the Hunters Point Shipyard site with over 300 units currently under construction, and an additional 150 units will begin construction in 2015-2016. In late 2014 construction of horizontal infrastructure began for the first 184 affordable units in the Candlestick Point area Also, in 2015, the design process will begin for a 635,000 square foot mixed-use retail center, 150,000 square foot hotel at the former Candlestick Stadium site and an additional 1200 residential units , including 230 stand alone affordable units and up to 100 inclusionary units. Two hillside open space areas at the base of Bayview Hill will be improved and a new wedge park plaza will also be constructed, adding a total of 7.5 acres of open space adjacent to the new retail and residential development.

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.

The first major land transfer from the Navy to the Treasure Island Development Authority ("TIDA") will occur in early 2015 and will include the northern half of Yerba Buena Island and more than half of the area of Treasure Island. The developer, Treasure Island Community Development ("TICD"), is performing the preliminary engineering and pursuing the permits required to begin construction before the end of 2015. The first phase of development 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.

Mission Bay Blocks 29-32 – Warriors Multipurpose Recreation and Entertainment Venue

The Golden State Warriors, a National Basketball Association (NBA) team, is proposing to develop a multipurpose recreation and entertainment venue and associated development the former Salesforce site in Mission Bay. The site is bordered by Third Street to the West, Terry Francois Boulevard to the East, 16th Street to the South and South Street to the North. The Warriors propose constructing a state-of-the-art multi-purpose recreation and entertainment venue for Warriors' home games, concerts and family shows. The site will also have two live performance theatres, restaurants retail, office space, bike valet, public plazas and a limited amount of parking. The project will trigger the Mission Bay master developer's construction of a new 3.5 acre Bay Front Park between the new arena and the Bay. Environmental review is currently underway with the goal of opening in time for the 2018-2019 basketball season.

Transbay

The Transbay Project Redevelopment Project Area was adopted in 2005 with the purpose of redeveloping 10 acres of property owned by the State in order to generate funding for the new Transbay Transit Center. In 2012 the Transit Center District Plan, the guiding document for the area surrounding the Transit Center, was approved by the Planning Commission and by the Board of Supervisors. The Transit Center District Plan includes additional funding sources for the Transbay Transit Center. 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 Transbay Transit Center broke ground on August 11, 2010, and is scheduled to open by the end of 2017. Demolition of existing structures on the site was completed in August 2011.

The area surrounding the Transbay Transit Center is being redeveloped with plans for 4,500 new homes, 1,200 to be affordable below-market rate homes, 6 million square feet of new office space, over 11 acres of new parks and open space, and a new retail boulevard on Folsom Street. Much of this new development will occur on the publicly-owned parcels within the district. Recently completed in the neighborhood is Rene Cazenave Apartments which is 120 units of permanent affordable housing for formerly homeless individuals. There are over 470 units currently under construction on Folsom and Beale Streets, with three new construction projects along Folsom Street totaling over 1,800 units expected to break ground within the next two years. There is also over 2 million square feet of commercial space currently under construction, with several new projects expected to break ground in the coming years.

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 Transbay Transit Center, "City Park," a 5.4-acre public park that 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 March 2013, the TJPA sold the TJPA property adjacent to the Transbay Transit Center to Hines Corporation and Boston Properties, 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.

Mission Bay

The development plans for Mission Bay include a new University of California-San Francisco ("UCSF") research campus containing 3.15 million square feet of building space on 46 acres of land, of which 43 acres were donated by the Mission Bay Master Developer and the City; UCSF's 550-bed hospital; 3.4 million square feet of biotech, 'cleantech' and health care office space; 6,400 housing units, with 1,850 (29%) affordable to moderate-, low-, and very low-income households; 425,000 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.

Over 4,067 units have been completed with an additional 900 units under construction, along with several new parks. Another 550 housing units, a 250-room hotel and several new commercial buildings will break ground in 2015. As discussed above, the design development process has also begun for that Golden State Warriors project.

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 set forth in the term sheet 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.

In the wake of the passage of Proposition B on the June 2013 ballot, the developer, Port and OEWD staff have continued to engage relevant agencies and stakeholders to further refine the project plan. The environmental review process was initiated in January 2014 and is expected to last until early to mid-2016. That process will be accompanied by negotiation of transaction agreements and approval of any needed height limit and zoning changes which will likely determine the final approval schedule (currently expected on or after early 2017).

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 community and environmental review. In November 2014, Proposition F was approved by the voters, authorizing an increase of height limits on Pier 70 from 40 feet to 90 feet.

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 up to 1.7 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 935 and 1825 housing units, with as many as 30% percent of them made available to low- and middle- income households. This built area includes three historic industrial buildings that will be rehabilitated as part of the Waterfront Site development.

Cruise Terminal

On September 25, 2014 the Port opened the new James R. Herman cruise ship terminal at Pier 27. Formerly the base for the America's Cup races in the summer of 2013, the Cruise Terminal includes 91,000 square feet in a two-story building with views to the Bay Bridge and back to the City skyline and Telegraph Hill. Sized for 2,600 passengers and able to handle ships with up to 4,000 passengers, the Cruise Terminal is designed for the evolving trends in the passenger cruise industry. It includes the latest passenger and perimeter security features while also transitioning to an event center for the City on non-cruise days. The site also includes a 2.5 acre Cruise Terminal Plaza along the Embarcadero, creating a new open space amenity and strengthening connection between the Bay and the base of Telegraph Hill.

The James R. Herman Cruise Terminal has been designed to meet modern ship and operational requirements of the cruise industry and expects to receive a LEED Silver designation for its environmental design.

The Cruise Terminal contributes to San Francisco's economy by attracting 40-80 cruise calls a year, bringing visitors and tax revenue to the City's General Fund. It is estimated that the cruise industry in San Francisco supports $31.2 million annually in economic activity and generates 300 jobs within San Francisco. 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.

San Francisco Public Works, along with the Port were responsible for construction management of the new cruise terminal. Contractor for the construction project was Turner Construction and Designers/Architects were KMD Kaplan McLaughlin Diaz, Pfau Long Architecture, JV Bermello Ajamil & Partners and cruise terminal design consultants.

Moscone Convention Center

The Moscone Center Expansion Project will add approximately 300,000 square feet and repurpose an additional 120,000 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 propose 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 from Third St and a replacement pedestrian bridge connecting Yerba Buena Gardens with the cultural facilities and children's playground to the south. An additional enclosed pedestrian bridge would provide enhanced circulation for Moscone convention attendees and reduce on-street congestion.

A May 2012 analysis by Jones Lang Lasalle Hotels estimated that the City would 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 and the Planning Commission unanimously approved the project on August 15, 2014. Pre-construction began in December 2014 with major construction scheduled to begin in the spring of 2015 and continue 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 limit 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 CPI 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, 2014, 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.

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT OF THE CITY AND COUNTY OF SAN FRANCISCO FOR THE FISCAL YEAR ENDED JUNE 30, 2014

SEAL OF THE CITY AND COUNTY OF SAN FRANCISCO

ORO EN PAZ FIERRO EN GUERRA

CITY AND COUNTY OF
SAN FRANCISCO, CALIFORNIA

Comprehensive Annual Financial Report
Year ended June 30, 2014

Prepared by:
Office of the Controller

Ben Rosenfield
Controller

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CITY AND COUNTY OF SAN FRANCISCO

Comprehensive Annual Financial Report
Year Ended June 30, 2014

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Comprehensive Annual Financial Report
Year Ended June 30, 2014
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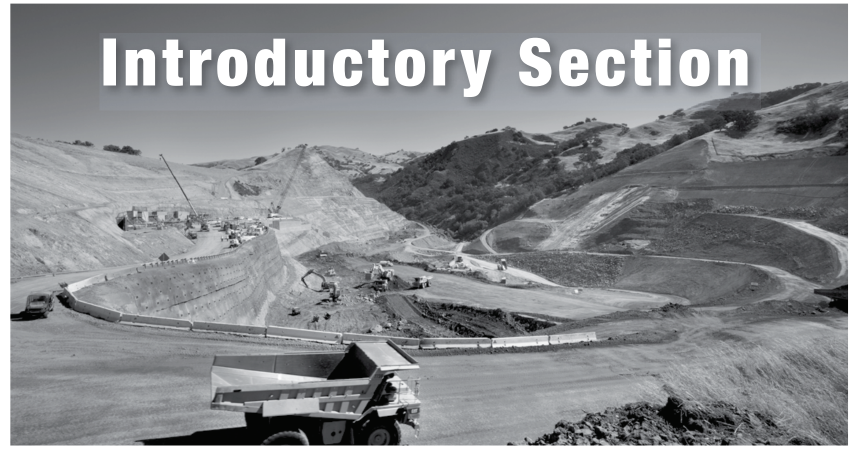
Introductory Section



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

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

November 28, 2014

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

Ladies and Gentlemen:

I am pleased to present the Comprehensive Annual Financial Report (CAFR) of the City and County of San Francisco, California (the City) for the year ended June 30, 2014, with the independent auditor's report. The report is submitted in compliance with City Charter sections 2.115 and 3.105, and California Government Code Sections 25250 and 25253. The Office of the Controller prepared the CAFR in conformance with the principles and standards for accounting and financial reporting set forth by the Governmental Accounting Standards Board (GASB).

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

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

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

KEY FINANCIAL REPORT SECTIONS:

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

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

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

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

SAN FRANCISCO'S ECONOMY:

Overview of Recent Trends

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

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

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

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

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

SAN FRANCISCO GOVERNMENT:

Profile of San Francisco Government

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

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

San Francisco's Budgetary Process

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

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

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

Internal and Budgetary Controls

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

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

Pension and Retiree Health Trust Fund Operations

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

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

General Fund Financial Position Highlights

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

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

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

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

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

Key Government Initiatives

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

Improving the City's Public Transportation Systems

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

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

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

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

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

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

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

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

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

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

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

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

Expanding Access to Healthcare

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

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

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

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

Modernizing the City's Parks and Libraries

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

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

Delivering Public and Private Waterfront Improvements

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

Other Long-Term Challenges Remain

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

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

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

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

OTHER INFORMATION:

Independent Audit

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

Award for Financial Reporting

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

Acknowledgements

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

Respectfully submitted,

Ben Rosenfield
Controller

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City and County of San Francisco

California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

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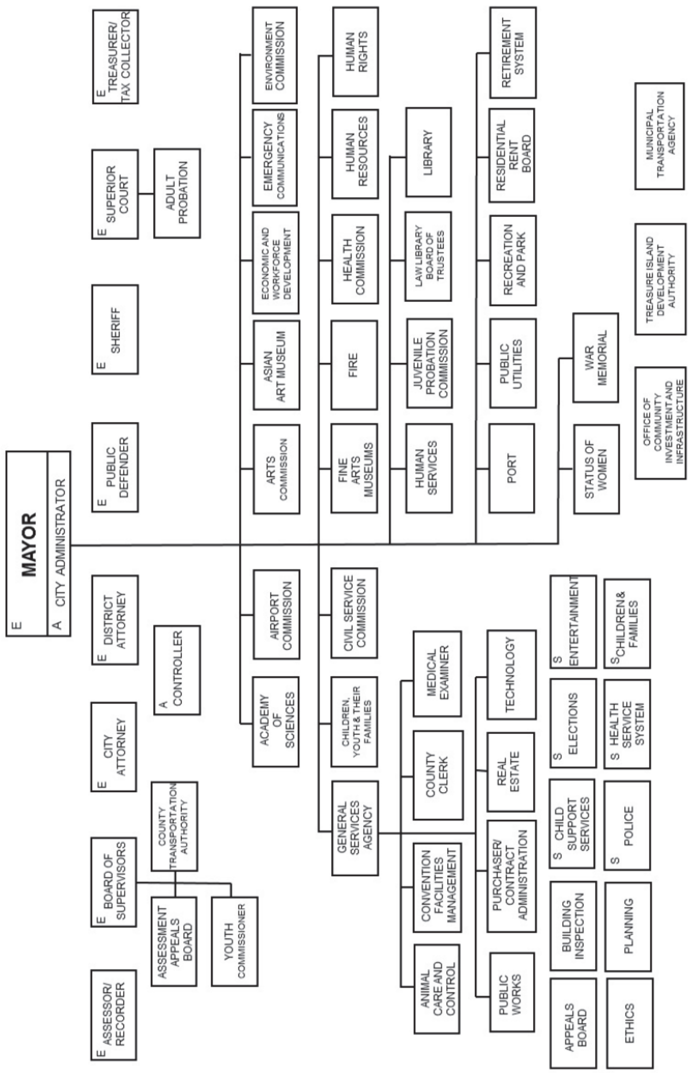
City and County of San Francisco Organization Chart

(As of June 30, 2014)



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

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2014

ELECTED OFFICIALS

Mayor	Edwin M. Lee
Board of Supervisors:	
President	David Chiu
Supervisor	Eric L. Mar
Supervisor	Mark Farrell
Supervisor	Katy Tang
Supervisor	London Breed
Supervisor	Jane Kim
Supervisor	Norman Yee
Supervisor	Scott Wiener
Supervisor	David Campos
Supervisor	Malia Cohen
Supervisor	John Avalos
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	Tilly Chang
Building Inspection	Tom Hui
California Academy of Sciences	Gregory C. Farrington, Ph.D.
Child Support Services	Karen M. Roye
Children, Youth and Their Families	Maria Su
Civil Service	Jennifer Johnston
Economic and Workforce Development	Todd Rufo
Elections	John Arntz
Emergency Management	Anne Kronenberg
Entertainment	Jocelyn Kane
Environment	Deborah Raphael
Ethics	John St. Croix
Fine Arts Museums	Colin B. Bailey
Fire	Joanne Hayes-White

CITY AND COUNTY OF SAN FRANCISCO

List of Principal Officials
As of June 30, 2014

DEPARTMENT DIRECTORS/ADMINISTRATORS (Continued)

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

DISCRETELY PRESENTED COMPONENT UNIT

Treasure Island Development Authority	Mirian Saez

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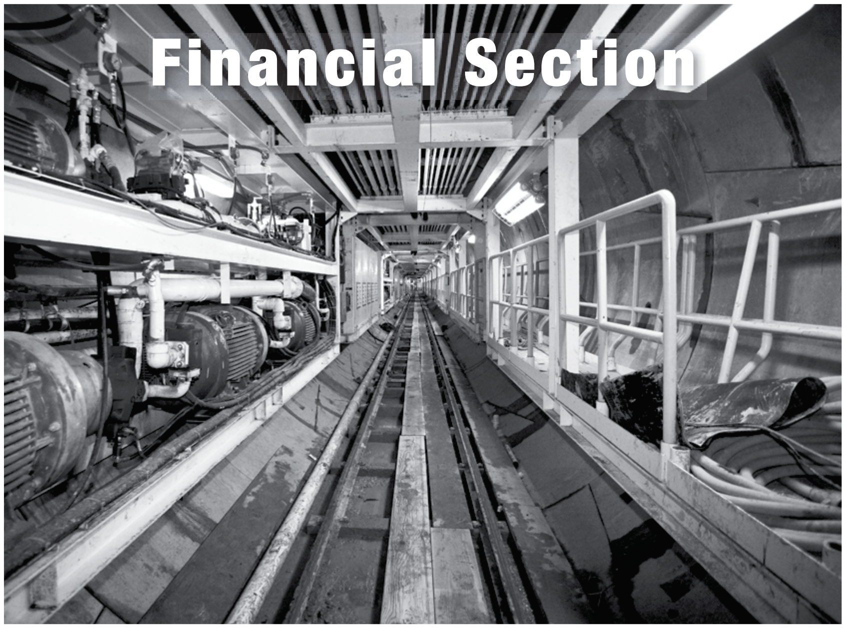
Financial Section



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

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

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

Opinions

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

Emphasis of Matters

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

Other Matters

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of funding progress, and the schedule of employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 28, 2014

CITY AND COUNTY OF SAN FRANCISCO

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

This section of the City and County of San Francisco's (the City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information in our transmittal letter. Certain amounts presented as fiscal year 2012-13 summarized comparative financial information in the basic financial statements have been reclassified to conform to the presentation in the fiscal year 2013-14 basic financial statements.

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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<tr><td rowspan="2">Statement of activities</td><td>Statement of revenues, expenditures, and changes in fund balances</td><td>Statement of revenues, expenses, and changes in fund net position</td><td rowspan="2">Statement of changes in fiduciary net position</td></tr>
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STATISTICAL SECTION</td></tr>
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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 balance information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	Balances of spendable resources	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, short-term and long-term	All resources held in a trustee or agency capacity for others
Type of inflow and outflow information	All inflows and outflows during year, regardless of when cash is received or paid	Near-term inflows and outflows of spendable resources	All inflows and outflows during year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate development authority, the Treasure Island Development Authority (TIDA), for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government. Included within the governmental activities of the government-wide financial statements are the San Francisco County Transportation Authority 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.

<u>Fund Financial Statements</u>

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

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

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

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

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

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

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

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the San Francisco International Airport (SFO or Airport), San Francisco Water Enterprise (Water), Hetch Hetchy Water and Power (Hetch Hetchy), San Francisco Municipal Transportation Agency (SFMTA), San Francisco General Hospital Medical Center (SFGH), San Francisco Wastewater Enterprise (Wastewater), Port of San Francisco (Port), and the Laguna Honda Hospital (LHH), all of which are considered to be major funds of the City.

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

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

<u>Notes to the Basic Financial Statements</u>

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.

<u>Required Supplementary Information</u>

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.

<u>Combining Statements and Schedules</u>

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

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

Analysis of Net Position

The City's total net position, which may serve as a useful indicator of the government's financial position, was $8.36 billion at the end of fiscal year 2013-14, a 12.9 percent increase over the prior year. The City's governmental activities account for $2.34 billion of this total and $6.02 billion stem from its business-type activities.

The largest portion of the City's net position is the 84.1 percent or $7.03 billion in net investment in capital assets (e.g. land, buildings, and equipment). This reflects a $382.7 million or 5.8 percent increase over the prior year, and is due to the growth seen in the governmental activities and increases in all business-type activities, except Laguna Honda Hospital. Since the City uses capital assets to provide services, these assets are not available for future spending. Further, the resources required to pay the outstanding debt must come from other sources since the capital assets themselves cannot be liquidated to pay that liability.

Another portion of the City's net position is the $1.26 billion or 15.1 percent that represents restricted resources that are subject to external limitations regarding their use. The remaining portion of total net position is an unrestricted position of $67.8 million which consists of a $1.00 billion deficit in governmental activities offset by a positive $732.7 million unrestricted position for the business-type activities. The governmental activities deficit is largely due to transfers to business type activities, recognition of other postemployment benefit expenses, and the $339.2 million in long-term bonds liabilities that fund the Laguna Honda Hospital rebuilt project, certain park facilities projects at the Port, improvement projects for reliable emergency water supply for the Water Enterprise, and road paving and street safety in SFMTA (see Note 2(k)).

Changes in Net Position
(in thousands)

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

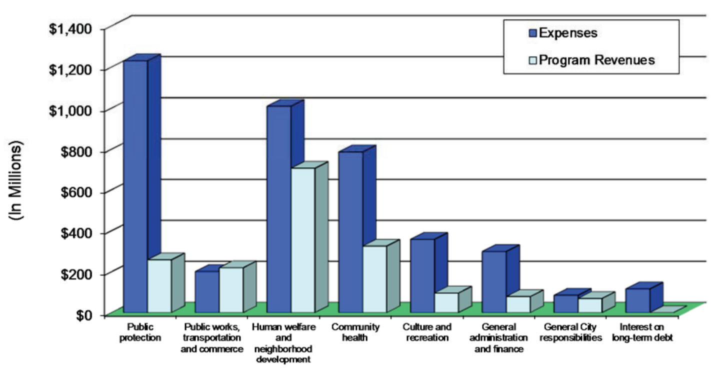
Analysis of Changes in Net Position

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

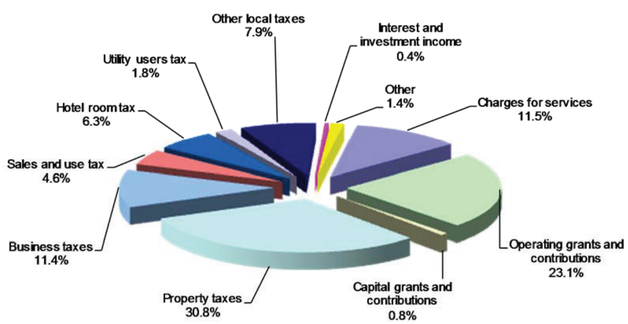
Among the City's business-type activities, SFMTA, General Hospital, Wastewater and the Port all contributed to this growth while the Airport, Water, Hetch Hetchy, Laguna Honda Hospital, and the Market Corporation did not. A discussion of this change is presented in the business-type activities section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

The City's governmental activities experienced a $455.0 million or 10.1 percent growth in total revenues. This included increases in nearly all of the general city revenues: $55.9 million in operating grants and contributions, $106.4 million in property taxes, $50.9 million in charges for services, $71.3 million in hotel room tax, and $83.3 million in business taxes. Sales and use tax and other local taxes also had a combined growth of $51.4 million. These improvements were partly offset by a decline in utility users tax of $5.1 million. The City's governmental activities expenses reported an increase of $179.2 million or 4.6 percent this fiscal year. The net transfer to business-type activities decreased by $171.4 million, a 35.5 percent improvement over the prior year. In addition, there was a one-time extraordinary loss in the prior fiscal year of $201.7 million related to the dissolution of the former Redevelopment Agency. A discussion of these and other changes is presented in the governmental activities and business-type activities sections that follow.

Expenses and Program Revenues - Governmental Activities



Revenues By Source - Governmental Activities



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

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

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

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

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

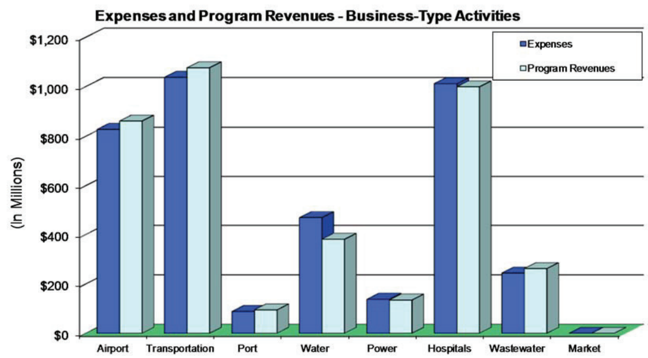
Operating grants and contributions increased $55.9 million. This was largely due to the increases from state sources, including $42.4 million for human welfare programs, $25.2 million for general city responsibilities related to SB90 state funding for various programs, $6.1 million for public works programs,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

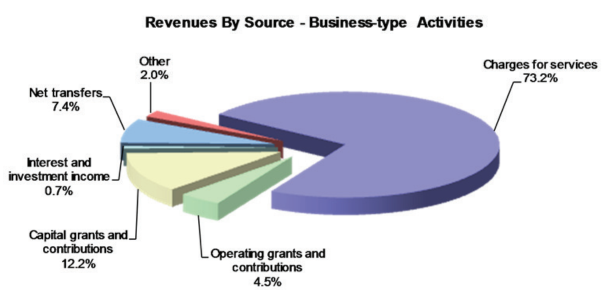
Total charges for services increased $50.9 million, or 9.8 percent, and other revenues increased $17.2 million. The increase in total charges for services is driven by increased fee revenues across various departments, partially due to improved economic conditions and expansion in construction activity.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

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

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

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





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

- The San Francisco International Airport's net position at fiscal year-end was $266.8 million, a $5.5 million or 2.0 percent decrease over the previous fiscal year. Operating revenues totaled $770.7 million for fiscal year 2013-14, an increase of $44.3 million or 6.1 percent over the prior year and included improvements of $27.3 million, $7.0 million, and $6.8 million in aviation, concession and net sales and services revenues, respectively. For the same period, the Airport's operating expenses rose by $66.6 million, or 11.8 percent, for a net operating income of $145.0 million for the period. Net non-operating activities saw a deficit of $203.6 million versus $190.6 million deficit in the prior year, a $13.0 million increase. The increases in both operating and non-operating expenses include a rise in depreciation charges and capital asset valuation changes due to change in useful life estimates. Capital contributions, however, improved by $25.1 million due to federal grants for various Airport improvement programs.

- The City's Water Enterprise, the third largest such entity in California, reported a net position of $654.2 million at the end of fiscal year 2013-14, a $45.4 million or 6.5 percent decrease over the prior year. Revenues totaled $424.1 million, expenses totaled $470.2 million, and the net increase from capital contributions and transfers was $0.7 million. Compared to the prior year, total revenues decreased $337.7 million which included a $344.6 million decrease in water service revenues and a $3.4 million decrease in non-operating revenues. The primary reason for the decrease in water service revenues was due to the one time, early repayment in the prior year of $356.2 million from the Bay Area Water Supply and Conservation Agency (BAWSCA). Within expenses, the enterprise reported a total increase of $18.7 million in fiscal year 2013-14. This included $13.6 million more in depreciation expenses, $11.2 million more in local water conveyance and distribution project expenses, $10.1 million more in claims liability based on actuarial estimate, offset by $12.3 million in net interest expense, and $4.6 million decrease in professional and legal services, lease payment, water assessment fees, and other operational areas.

- Hetch Hetchy Water and Power's net position was $513.6 million at the end of fiscal year 2013-14, a decrease of $4.6 million or 0.9 percent. This change consisted of a $2.2 million increase from activities offset by an extraordinary loss of $6.8 million sustained in the Rim Fire which began in August 2013 in the Stanislaus National Forest and Yosemite National Park. This enterprise consists of two segments: Hetchy Water upcountry operations and water system which reported a $1.2 million net position increase offset by $2.7 million of the extraordinary loss, and Hetchy Power (also known as the Power Enterprise) which reported $1.0 million net position increase offset by $4.1 million of the loss. Hetchy Water operating revenues decreased by $1.8 million due to a $1.8 million decrease in water assessment fee revenue from the Water Enterprise although interest and investment income increased by $0.8 million Total expenses increased by a slight $0.2 million. Hetchy Power's operating revenues increased by $2.3 million due to a $2.3 million increase in power service revenues from City departments from the adopted power rate increase, while interest and investment income also increased by $1.2 million primarily due to the prior year's unrealized loss compared with the current year's unrealized gain. On the operating expenses side, Hetchy Power reported an increase of $7.8 million due primarily to a $4.1 million rise in transmission and power costs, $1.7 million in project costs, $1.2 million in purchased electricity and the remaining amount in personnel, depreciation, supply and other expenses.

- The City's Wastewater Enterprise's net position was $1.18 billion at the end of fiscal year 2013-14, an increase of $33.1 million or 2.9 percent, over the previous year. Operating revenues increased by $7.5 million due mostly to increased sewer service charges as a result of a one-time effect of transition from bi-monthly to monthly billing effective July 1, 2013. Under non-operating revenues, federal grants decreased by $17.3 million due to reduction in grant revenues for flood management projects. In addition, interest and investment income increased by $1.9 million mainly due to the current year's unrealized gain in investments. Operating expenses totaled $216.3 million, an $8.1 million increase over the prior year. Within expenses, increases included a $6.1 million rise in sewer improvement project costs, $2.1 million more in depreciation related to building and structures, $1.1 million more in services of other departments, $2.2 million more in a range of contractual, personnel, and supply expenses offset by a decline in claims liability of $3.4 million.

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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds

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

At the end of fiscal year 2013-14, the City governmental funds reported combined fund balances of $1.94 billion, an increase of $268.4 million or 16.1 percent over the prior year. Of the total fund balances, $559.6 million is assigned and $9.3 million is unassigned. The total of $568.9 million or 29.4 percent of the total fund balances constitutes the fund balances that are accessible to meet the City's needs. Within these fund balance classifications, the General Fund had an assigned fund balance of $508.9 million. The remainder of the governmental funds fund balances includes $24.5 million nonspendable for items that are not expected to be converted to cash such as inventories and long-term loans, $1.20 billion restricted for programs at various levels and $145.1 million committed for other reserves.

The General Fund is the chief operating fund of the City. As a measure of liquidity, both the sum of assigned and unassigned fund balances and total fund balance can be compared to total fund expenditures. As of the end of the fiscal year, assigned and unassigned fund balances totaled $583.2 million while total fund balance reached $835.6 million. Combined assigned and unassigned fund balances represent 19.7 percent of total expenditures, while total fund balance represents 28.3 percent of total expenditures. For the year, the General Fund's total revenues exceeded expenditures by $792.5 million, before transfers and other items of $497.8 million, resulting in total fund balance increasing by $294.7 million. Overall, the significant growth in revenues, particularly in real estate property taxes, business taxes, hotel room taxes, and charges for services were offset by an increased rate of expenditure growth due to growing demand for services and personnel costs across City functions and resulted in an increased fund balance this fiscal year.

Proprietary Funds

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

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

The following table shows actual revenues, expenses and the results of operations for the current fiscal year in the City's proprietary funds (in thousands). This shows that the total net position for these funds increased by approximately $409.6 million due to the current year financial activities. Reasons for this change are discussed in the previous section on the City's business-type activities.

	Operating Revenues	Operating Expenses	Operating Income (Loss)	Non-Operating Revenues (Expense)	Capital Contributions and Others	Interfund Transfers, Net	Extra-ordinary Loss	Change In Net Position
Airport	$ 770,691	$ 625,660	$ 145,031	$ (203,598)	$ 91,024	$ (37,994)	$ -	$ (5,537)
Water	379,882	333,555	46,327	(92,461)	-	715	-	(45,419)
Hetch Hetchy	134,438	136,065	(1,627)	3,513	-	330	(6,843)	(4,627)
Municipal Transportation Agency	521,628	1,032,437	(510,809)	163,973	414,700	353,770	-	421,634
General Hospital	791,360	770,122	21,238	48,885	-	(44,843)	-	25,280
Wastewater Enterprise	260,097	216,340	43,757	(10,666)	-	19	-	33,110
Port	85,019	83,596	1,423	(3,007)	9,721	543	-	8,680
Laguna Honda Hospital	159,678	233,812	(74,134)	23,272	-	39,087	-	(11,775)
Market Corporation	141	120	21	(11,727)	-	-	-	(11,706)
Total	$ 3,102,934	$ 3,431,707	$ (328,773)	$ (81,816)	$ 515,445	$ 311,627	$ (6,843)	$ 409,640

Fiduciary Funds

The City maintains fiduciary funds for the assets of the San Francisco Employees' Retirement System, Health Service System and Retiree Health Care Trust, and manages the investment of monies held in trust to benefit public service employees. At the end of fiscal year 2013-14, the net position of the Retirement System, Health Services System and Retiree Health Care Trust combined totaled $20.06 billion, representing a $2.94 billion increase over the prior year, and 17.2 percent change. This increase is primarily a result of net appreciation in the fair value of investments. The Private Purpose Trust Fund accounts for the Successor Agency, which had a net deficit of $439.6 million at year's end. This 6.5 percent, or $30.8 million, decrease in the net deficit is due to increases in developer payments and Redevelopment property tax revenues. The Investment Trust Fund's net position was $618.6 million at year's end, and the 88.6 percent increase represents the excess of contributions over distributions to external participants.

General Fund Budgetary Highlights

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

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

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

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

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

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

Capital Assets and Debt Administration

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2014, increased by $1.57 billion, 9.3 percent, to $18.46 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, machinery and equipment, park facilities, roads, streets, bridges, and intangible assets. Governmental activities contributed $418.1 million or 26.5 percent to this total while $1.16 billion or 73.5 percent was from business-type activities. Details are shown in the table below.

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

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

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

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

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

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

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

Debt Administration

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

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

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

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

The City's Charter imposes a limit on the amount of general obligation bonds the City can have outstanding at any given time. That limit is three percent of the assessed value of taxable property in the City – estimated at $175.97 billion in value as of the close of the fiscal year. As of June 30, 2014, the City had $2.11 billion in authorized, outstanding general obligation bonds, which is equal to approximately 1.15 percent of gross (1.2 percent of net) taxable assessed value of property. As of June 30, 2014, there were an additional $940.7 million in bonds that were authorized but unissued. If all of these general obligation bonds were issued and outstanding in full, the total debt burden would be approximately 1.66 percent of gross (1.73 percent of net) taxable assessed value of property.

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

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

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

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

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

Economic factors and future budgets and rates

San Francisco has continued to experience improvement in the economy during the fiscal year. The following economic factors were considered in the preparation of the City's budget for fiscal years 2014-15 and 2015-16. This two-year budget was adopted by the Mayor and the Board of Supervisors. It is a rolling budget for all departments, except for the Airport, PUC enterprises, SFMTA, and the Port, which each have a fixed two-year budget.

- Average unemployment for fiscal year 2013-14 was 5.2 percent, a 1.3 percent decrease from fiscal year 2012-13.

- Housing prices, residential and commercial rent, hotel revenues, and retail sales all continued to show strong growth. The average median home price in fiscal year 2013-14 was $884,083, up 15.5 percent from the previous fiscal year average median home price of $765,583. Residential and commercial rents also grew by 9.4 percent and 5.1 percent, respectively, from the prior fiscal year.

- The hotel sector saw significant growth in fiscal year 2013-14 over the prior year. Monthly average hotel room average occupancy improved slightly from 84.2 percent during fiscal year 2012-13 to 85.8 percent in fiscal year 2013-14 while average daily room rates grew by 11.7 percent to $238 per room-night from an average of $213 in the prior year.

- The City's taxable sales have also continued to grow, with fiscal year 2013-14 sales tax revenue up 9.4 percent over fiscal year 2012-13.

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

REQUESTS FOR INFORMATION

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

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

Individual Department Financial Statements

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

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

San Francisco Water Enterprise
Hetch Hetchy Water and Power
San Francisco Wastewater Enterprise
Chief Financial Officer
525 Golden Gate Avenue
San Francisco, CA 94102

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

Municipal Transportation Agency
SFMTA Finance and Information Technology Services
1 South Van Ness Avenue, 8th Floor
San Francisco, CA 94103

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

San Francisco General Hospital Medical Center
Chief Financial Officer
1001 Potrero Avenue, Suite 2A7
San Francisco, CA 94110

San Francisco Employees' Retirement System
Executive Director
1145 Market Street, 5th Floor
San Francisco, CA 94103

Successor Agency to the
San Francisco Redevelopment Agency
1 South Van Ness Avenue, 5th Floor
San Francisco, CA 94103

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, 2014
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position (Continued)
June 30, 2014
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Activities
Year Ended June 30, 2014
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Balance Sheet
Governmental Funds
June 30, 2014
(With comparative financial information as of June 30, 2013)
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2014
(In Thousands)

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

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

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

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

CITY AND COUNTY OF SAN FRANCISCO

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014
(In Thousands)

Net changes in fund balances - total governmental funds	$ 268,418
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation and loss on disposal of capital assets in the current period.	414,708
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount by which the increase in certain liabilities reported in the statement of net position of the previous year exceeded expenses reported in the statement of activities that do not require the use of current financial resources.	(136,301)
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	4,210
Unavailable revenues are reported as deferred inflows of resources in the governmental funds, but are recognized as revenues in the statement of activities.	15,497
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. At the government-wide level, these activities are reported in the statement of net position. This is the net expenditure reported in the governmental funds, which is not reported in the statement of activities.	1,432
Lease payments on the Moscone Convention Center (including both principal and interest) are reported as expenditures in the governmental funds when paid. For the City as a whole, however, the principal portion of the payments serves to reduce the liability in the statement of net position. This is the amount of property rent payments expended in the governmental funds that were reclassified as capital lease principal and interest payments in the current period.	7,348
The issuance of long-term debt and capital leases provides current financial resources to governmental funds, while the repayment of the principal of long-term debt and capital leases consume the current financial resources of governmental funds. These transactions, however, have no effect on net position. This is the amount by which bond and other debt proceeds exceeded principal retirement in the current period.	(26,589)
Bond premiums are reported in the governmental funds when the bonds are issued, and are capitalized and amortized in the statement of net position. This is the amount of bond premiums capitalized during the current period.	(19,773)
Interest expense in the statement of activities differs from the amount reported in the governmental funds because of additional accrued and accreted interest; amortization of bond discounts, premiums and refunding losses and gains.	11,015
The activities of internal service funds are reported with governmental activities.	7,777
Change in net position of governmental activities	$ 547,742

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Schedule - General Fund
Year Ended June 30, 2014
(In Thousands)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2014
(In Thousands)

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

CITY AND COUNTY OF SAN FRANCISCO

Budgetary Comparison Schedule - General Fund (Continued)
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual Budgetary Basis	Variance Positive (Negative)
General Administration and Finance				
Assessor/Recorder	$ 19,077	$ 18,907	$ 18,061	$ 846
Board of Supervisors	12,705	12,963	12,566	397
City Attorney	14,933	11,383	10,550	833
City Planning	27,718	28,739	28,739	-
Civil Service	612	616	615	1
Controller	14,469	13,591	12,610	981
Elections	16,551	16,398	13,557	2,841
Ethics Commission	4,532	2,625	2,294	331
General Services Agency - Administrative Services	59,603	45,567	44,460	1,107
General Services Agency - Technology	1,885	2,085	1,934	151
Health Service System	173	395	395	-
Human Resources	11,226	13,849	13,833	16
Mayor	4,845	4,935	4,935	-
Retirement Services	1,117	1,290	1,290	-
Treasurer/Tax Collector	28,776	26,366	25,966	400
Subtotal - General Administration and Finance	218,222	199,709	191,805	7,904
General City Responsibilities				
General City Responsibilities	96,940	86,516	85,085	1,431
Other financing uses:				
Debt service	2,215	-	-	-
Transfers to other funds	804,777	720,114	719,481	633
Budgetary reserves and designations	69,883	-	-	-
Total charges to appropriations	3,949,764	3,749,634	3,667,601	82,033
Total Sources less Current Year Uses	$ -	$ 757,518	$ 941,702	$ 184,184

Budgetary fund balance, June 30 before reserves and designations	$ 941,702
Reserves and designations made from budgetary fund balance not available for appropriation	(522,062)
Reserves for Litigation and Contingencies and General Reserves	(124,971)
Net Available Budgetary Fund Balance, June 30	$ 294,669

Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation"	$ 4,609,303
Difference - budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current year revenue for financial reporting purposes	(674,637)
Property tax revenue - Teeter Plan net change from prior year	906
Change in unrealized gain/(loss) on investments	2,075
Interest earnings / charges from other funds assigned to General Fund as interest adjustment	(4,341)
Interest earnings from other funds assigned to General Fund as other revenues	1,623
Grants, subventions and other receivables received after 90-day recognition period	27,495
Prepaid lease revenue, Civic Center Garage	(1,416)
Transfers from other funds are inflows of budgetary resources, but are not revenues for financial reporting purposes	(213,647)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 3,747,361
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations"	$ 3,667,601
Difference - budget to GAAP:	
Capital asset purchases funded under capital leases with Finance Corporation and other vendors	6,585
Recognition of expenditures for advances and imprest cash and capital asset acquisition for internal service fund	193
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(719,481)
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance - General Fund	$ 2,954,898

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Net Position - Proprietary Funds (Continued)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds

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

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

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

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CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Cash Flows – Proprietary Funds (Continued)

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

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014
(In Thousands)

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

CITY AND COUNTY OF SAN FRANCISCO

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2014
(In Thousands)

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

(1) THE FINANCIAL REPORTING ENTITY

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

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

Blended Component Units

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

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

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

San Francisco Parking Authority (The Parking Authority) – The Parking Authority was created in October 1949 to provide services exclusively to the City. In accordance with Proposition D authorized by the City's electorate in November 1988, a City Charter amendment created the Parking and Traffic Commission (PTC). The PTC consists of five commissioners appointed by the Mayor. Upon creation of the PTC, the responsibility to oversee the City's off-street parking operations was transferred from the Parking Authority to the PTC. The staff and fiscal operations of the Parking Authority were also incorporated into the PTC. Beginning on July 1, 2002, the responsibility for overseeing the operations of the PTC became the responsibility of the Municipal Transportation Agency (MTA) pursuant to Proposition E, which was passed by the voters in November 1999. Separate financial statements are not prepared for the Parking Authority. Further information about the Parking Authority can be obtained from the MTA Chief Financial Officer at 1 South Van Ness Avenue, 8th 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 1 Avenue of the Palms, Suite 241, Treasure Island, San Francisco, CA 94130.

Fiduciary Component Unit

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

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

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

In general, the Successor Agency's assets can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments). In future fiscal years, the Successor Agency will only be allocated revenues in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former Agency until all enforceable obligations of the former Agency have been paid in full and all assets have been liquidated. Based upon the nature of the Successor Agency's custodial role, the Successor Agency is reported in a fiduciary fund (private-purpose trust fund). Complete financial statements can be obtained from the Successor Agency's finance department at 1 South Van Ness Avenue, 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 90 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.

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

The City reports the following major governmental fund:

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

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

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

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

Additionally, the City reports the following fund types:

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

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

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

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

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

(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 Retirement System are held by trustees (Note 5).

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

Investment Valuation

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

Investment Income

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

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

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

(e) Loans Receivable

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

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

(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.

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

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

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

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

(k) Fund Equity

Governmental Fund Balance

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

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

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

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

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

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

General Fund Stabilization and Other Reserves

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

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

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

Encumbrances

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

Restricted Net Position

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

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

- *Restricted Net Position* – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. At June 30, 2014, the government-wide statement of net position reported restricted net position of $862.7 million in governmental activities and $452.5 million in business-type activities, of which $12.2 million and $22.3 million are restricted by enabling legislation in governmental activities and business-type activities, respectively.

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

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

Deficit Net Position/Fund Balances

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

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

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

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

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

(Dollars in Thousands)

(l) Interfund Transfers

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

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

(m) Refunding of Debt

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

(n) Pollution Remediation Obligations

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

(o) Cash Flows

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

(p) Extraordinary Item

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

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

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

(q) Estimates

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

(r) Reclassifications

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

(s) Effects of New Pronouncements

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

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

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

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

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

(Dollars in Thousands)

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

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

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

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

Key changes include:

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

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

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

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

(t) Restricted Assets

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

(u) Deferred Outflows and Inflows of Resources

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

In governmental fund statements, deferred inflows of resources consist of revenues not collected within the availability period after fiscal year-end. The deferred inflows of resources balance consists as of June 30, 2014 of the following unavailable resources:

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

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

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

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

(Dollars in Thousands)

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

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

Total fund balances of the City's governmental funds, $1,936,979, differs from net position of governmental activities, $2,341,631, reported in the statement of net position. The difference primarily results from the long-term economic focus in the statement of net position versus the current financial resources focus in the governmental funds balance sheets.

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

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

Cost of capital assets	$ 5,785,121
Accumulated depreciation	(1,331,685)
	$ 4,453,436

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

Accrued vacation and sick leave pay	$ (145,502)
Accrued workers' compensation	(220,980)
Other postemployment benefits obligation	(984,352)
Estimated claims payable	(155,851)
Bonds, loans, capital leases, and other payables	(2,681,228)
Unearned revenue and other liabilities	(2,545)
	$ (4,190,458)

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

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

Unamortized loss on refunding of debt	$ 10,451

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

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

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

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

In addition, intrafund receivables and payables among various internal service funds of $85 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, $268,418, differs from the change in net position for governmental activities, $547,742, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The effect of the differences is illustrated below.

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

(3) Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered as available revenues in the governmental funds.	$ 4,210
Some other revenues that do not provide current financial resources are not reported as revenues in the governmental funds but are recognized in the statement of activities.	15,497
	$ 19,707
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.	$ (136,301)
Governmental funds report revenues and expenditures primarily pertaining to long-term loan activities, which are not reported in the statement of activities. These activities are reported at the government-wide level in the statement of net position. This is the net expenditures reported in the governmental funds.	1,432
	$ (134,869)

(4) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year and the loss on disposal of capital assets.

Capital expenditures	$ 509,729
Depreciation expense	(103,089)
Loss on disposal of capital assets	(208)
Transfer of asset to enterprise fund	(678)
Capital assets acquired by other revenues	16,218
Write off construction of progress	(7,264)
Difference	$ 414,708

(5) Internal service funds are used by management to charge the costs of certain activities, such as capital lease financing, equipment maintenance, printing and mailing services, and telecommunications, to individual funds. The adjustments for internal service funds "close" those funds by charging additional amounts to participating governmental activities to completely cover the internal service funds' costs for the year.	$ 7,777

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

Total property rent payments	$ 7,348

(Dollars in Thousands)

Bond premiums are a source of funds in the governmental funds when the bonds are issued, but are capitalized in the statement of net position. This is the amount of premiums capitalized during the current period	$ (19,773)

Repayment of bond principal and payment to escrow for refunding of debt are reported as expenditures in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the City as a whole however, the principal payments reduce the liabilities in the statement of net position and do not result in expenses in the statement of activities. The City's bonded debt was reduced because principal payments were made to bond holders and payments were made to escrow for refunded debt.

Principal payments made	$ 190,266
Payments to escrow for refunded debt	49,055
	239,321

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

General obligation bonds	$ (209,955)
Refunding certificates of participation	(47,220)
Loans	(8,735)
	(265,910)
	$ (26,589)

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

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

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

Budgetary Results Reconciliation

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

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

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

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

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

Not available for appropriations:		
Restricted Fund Balance:		
Rainy Day - Economic Stabilization Reserve	$ 60,289	
Rainy Day - One Time Spending Account	22,905	
Committed Fund Balance:		
Budget Stabilization Reserve	132,264	
Recreation and Parks Expenditure Saving Reserve	12,862	
Assigned Fund Balance:		
Assigned for Encumbrances	92,269	
Assigned for Appropriation Carryforward	159,345	
Assigned for Subsequent Years' Budgets:		
Budget Savings Incentive Program City-wide	32,088	
Salaries and benefits costs (MOU)	10,040	
Subtotal		$ 522,062
Available for appropriations:		
Assigned for Litigation and Contingences	79,223	
Assigned balance subsequently appropriated as part of the General Fund budget for use in fiscal year 2014-15	135,938	
Unassigned for General Reserve	45,748	
Unassigned - Budget for use in fiscal year 2015-16	137,075	
Unassigned - Available for future appropriations	21,656	
Subtotal		419,640
Fund Balance, June 30, 2014 - Budget basis		$ 941,702

(Dollars in Thousands)

(5) Deposits and Investments

(a) Cash, Deposits and Investments Presentation

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

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

Custodial Credit Risk - Deposits

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

(b) Investment Policies

Treasurer's Pool

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

investment report to the Mayor, the Board of Supervisors, members of the Oversight Committee and the investment pool participants every month. The report covers the type of investments in the pool, maturity dates, par value, actual cost, and fair value.

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

The table below identifies the investment types that are authorized by the City's investment policy dated October 2013. The table also identifies certain provisions of the City's investment policy that address interest rate risk and concentration of credit risk.

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

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

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

Other Funds

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

(Dollars in Thousands)

Employees' Retirement System

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

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

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

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

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

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

(c) Investment Risks

Interest Rate Risk

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

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

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

Credit Risk

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

Custodial Credit Risk for Investments

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

Concentration of Credit Risk

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

As of June 30, 2014, the City Treasurer has investments in U.S. Agencies that represent 5% or more of the total Pool in the following:

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

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

Airport:
Federal Home Loan Mortgage Corporation 27.1%
Federal National Mortgage Association 10.0%

Water Enterprise:
Federal Home Loan Mortgage Corporation 21.1%

Hetch Hetchy:
Federal Home Loan Bank 75.1%

Wastewater Enterprise:
Federal Home Loan Mortgage Corporation 27.8%
Federal National Mortgage Association 16.3%
Federal Home Loan Bank 7.6%

Airport's Forward Purchase and Sale Agreements

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

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

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

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

[1] *The final delivery of securities occurred on May 1, 2014.*

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

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

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

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

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

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

(Dollars in Thousands)

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

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

(d) Treasurer's Pool

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

Statement of Net Position

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

Statement of Changes in Net Position

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

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

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

(e) Retirement System's Investments

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

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

Interest Rate Risk

The Retirement System does not have a specific policy to manage interest rate risk. Below is a table depicting the segmented time distribution for fixed income investments based upon the expected maturity (in years) as of June 30, 2014:

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

(Dollars in Thousands)

Credit Risk

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

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

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

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

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

Concentration of Credit Risk

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

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

Custodial Credit Risk

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

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

Foreign Currency Risk

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

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

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

(Dollars in Thousands)

Derivative Instruments

As of June 30, 2014, the derivative instruments held by the Retirement System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the statement of changes in fiduciary net position. All investment derivatives discussed below are included within the investment risk schedules, which precede this subsection. Investment derivative instruments are disclosed separately to provide a comprehensive and distinct view of this activity and its impact on the overall investment portfolio.

The fair value of the exchange traded derivative instruments, such as futures, options, rights and warrants are based on quoted market prices. The fair values of forward foreign currency contracts are determined using a pricing service, which uses published foreign exchange rates as the primary source. The fair values of swaps are determined by the Retirement System's investment managers based on quoted market prices of the underlying investment instruments.

The table below presents the notional amounts, the fair value amounts, and the related net appreciation (depreciation) in the fair value of derivative instruments that were outstanding at June 30, 2014:

Derivative Type / Contracts	Notional Amount	Fair Value	Net Appreciation (Depreciation) in Fair Value
Forwards			
Foreign Exchange Contracts	(a)	$ 829	$ 829
Other Contracts	(a)	(2,123)	(2,123)
Options			
Foreign Exchange Contracts	(1,733)	(16)	2
Swaps			
Credit Contracts	105,435	(4,109)	750
Interest Rate Contracts	385	5	5
Rights/Warrants			
Equity Contracts	1,975 shares	4,746	72
Total		$ (668)	$ (465)

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

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

Counterparty Credit Risk

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

Custodial Credit Risk

The custodial credit risk disclosure for exchange traded derivative instruments is made in accordance with the custodial credit risk disclosure requirements of GASB Statement No. 40. At June 30, 2014, all of the Retirement System's investments in derivative instruments are held in the Retirement System's name and are not exposed to custodial credit risk.

Interest Rate Risk

The table below describes the maturity periods of the derivative instruments exposed to interest rate risk at June 30, 2014.

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

The following table details the reference rate, notional amount, and fair value of interest rate swaps that are highly sensitive to changes in interest rates as of June 30, 2014:

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

(Dollars in Thousands)

Foreign Currency Risk

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

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

Contingent Features

At June 30, 2014, the Retirement System held no positions in derivatives containing contingent features.

Currency Management Program

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

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

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

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

Securities Lending

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

Investments in Real Estate Holdings

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

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

(6) PROPERTY TAXES

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

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

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

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

(Dollars in Thousands)

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

(7) CAPITAL ASSETS

Primary Government

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

Governmental Activities:

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

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

Business-type Activities:

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

San Francisco International Airport

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

San Francisco Water Enterprise

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

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

(Dollars in Thousands)

Hetch Hetchy Water and Power

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

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

Municipal Transportation Agency

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

San Francisco General Hospital Medical Center

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

San Francisco Wastewater Enterprise

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

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

Port of San Francisco

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

Laguna Honda Hospital

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

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

Other Fund - San Francisco Market Corporation

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

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

Total Business-type Activities

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

(Dollars in Thousands)

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

Governmental Activities:	
Public protection	$ 15,329
Public works transportation and commerce	20,770
Human welfare and neighborhood development	530
Community Health	1,167
Culture and recreation	44,696
General administration and finance	20,597
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis	1,957
Total depreciation expense - governmental activities	$ 105,046
Business-type activities:	
Airport	$ 222,815
Water	89,026
Power	15,314
Transportation	120,954
Hospitals	22,072
Wastewater	48,402
Port	20,434
Market	120
Total depreciation expense - business-type activities	$ 539,137

Equipment is generally estimated to have useful lives of 2 to 40 years, except for certain equipment of the Water Enterprise that has an estimated useful life of up to 75 years. Facilities and improvements are generally estimated to have useful lives from 15 to 50 years, except for utility type assets of the Water Enterprise, Hetch Hetchy, the Wastewater Enterprise, the SFMTA, and the Port that have estimated useful lives from 51 to 175 years. These long-lived assets include reservoirs, aqueducts, pumping stations of Hetch Hetchy, Cable Car Barn facilities and structures of SFMTA, and pier substructures of the Port, which totaled $2.68 billion as of June 30, 2014. Hetch Hetchy Water had intangible assets of water rights having estimated useful lives from 51 to 100 years, which totaled $45.6 million as of June 30, 2014. In addition, the Water Enterprise had utility type assets with useful lives over 100 years, which totaled $6.8 million as of June 30, 2014.

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

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

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

Changes in Short-Term Obligations

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

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

San Francisco County Transportation Authority

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

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

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

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

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

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

San Francisco International Airport

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

In addition to the applicable LOC, the CP notes are further secured by a pledge of the Net Revenues of the Airport, subject to the prior payment of the Airports' Second Series Revenue Bonds (the Senior Bonds) outstanding from time to time under Resolution No. 91-0210, adopted by the Airport on December 3, 1991, as amended and supplemented (the Senior Bond Resolution).

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

The CP notes are special, limited obligations of the Airport, and the payment of the principal of and interest on the CP notes is secured by a pledge of, lien on and security interest in the Net Revenues and amounts in the funds and accounts provided in the Note Resolution, subject to the prior payment of principal of and interest on the Senior Bonds. The CP notes are secured on parity with any other bonds or other obligations from time to time outstanding under the Note Resolution. As of June 30, 2014, there were no obligations other than the CP notes outstanding under the Note Resolution.

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

San Francisco Water Enterprise

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

With maturities up to 270 days, the Water Enterprise intends to maintain the program by remarketing the CP upon maturity over the near-to-medium term, at which time outstanding CP will likely be refunded with revenue bonds. This is being done to take advantage of the continued low interest rate environment. If the CP interest rates rise to a level that exceeds these benefits, the Water Enterprise will refinance the CP with long-term, fixed rate debt.

San Francisco Wastewater Enterprise

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

San Francisco Municipal Transportation Agency

In June 2013, pursuant to the City Charter Section 8A.102 (b) 13, the Board of Supervisor authorized the issuance of CP notes in an aggregate principal amount not to exceed $100.0 million. The CP is secured by an irrevocable letter of credit from the State Street Bank and Trust Company issued on September 10, 2013 for a term of five years and interest rate not to exceed 12% per annum. The letter of credit will cover the principal as well as the interest accrued on the 270 days prior to the maturity date. The CP program is jointly administered by the Office of Public Finance (OPF) and San Francisco Municipal Transportation Agency (SFMTA). OPF will be initiating the issuance of CP with the dealers and reporting on the CP program. SFMTA will be requesting drawdowns based on cash flow needs and expenditures schedules.

SFMTA currently plans to repay the CP through grants, which have been previously approved but proceeds have not yet been received. SFMTA may also refinance the debt with the subsequent issuance of CP notes once the original issuance reaches maturity of up to five years. If other sources of revenue are not sufficient to repay the CP, SFMTA could also repay through issuance of revenue bonds. The CP notes will be issued from time to time on a revolving basis to pay for Board-approved project costs in the Capital Improvement Program and other related uses. No CP notes have drawn or outstanding as of June 30, 2014.

(Dollars in Thousands)

Long-Term Obligations

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

GOVERNMENTAL ACTIVITIES

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

Debt service payments are made from the following sources:

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

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

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

BUSINESS-TYPE ACTIVITIES

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

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

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

(Dollars in Thousands)

Debt Compliance

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

Legal Debt Limit and Legal Debt Margin

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

Arbitrage

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

San Francisco Sustainable Financing

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

Assessment District

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

Mortgage Revenue Bonds

The City, through the Mayor's Office of Housing and Community Development and the former San Francisco Redevelopment Agency have issued various mortgage revenue bonds and community district facility bonds for the financing of multifamily rental housing, below-market rate mortgage financing for first time homebuyer in order to facilitate affordable housing and the construction and rehabilitation in the City. These obligations have been issued on behalf of various property owners and developers who retain full responsibility for the payment of the debt and are secured by the related mortgage indebtedness and special assessment taxes and are not considered obligations of the City. As of June 30, 2014, the total obligation outstanding was $672.1 million.

Changes in Long-Term Obligations

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

(Dollars in Thousands)

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

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

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

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

(Dollars in Thousands)

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

Governmental Activities [1]

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

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

(2) The interest is before federal subsidy for the General Obligation Bonds Series 2010 C and Series 2010 D, approximately $38.9 million and $8.0 million, respectively, through the year ending 2030. The payment of subsidy by the IRS from October 1 2013 to September 30, 2014 was reduced by 7.2% due to federal sequestration. Future interest subsidy may be reduced as well.

(3) Includes the Moscone Center Expansion Project Lease Revenue Refunding Bonds Series 2008-1 & 2, which bears interest at a weekly rate. An assumed rate of 0.06%, together with liquidity fee of 0.710% and remarketing fee of 0.0725%, were used to project the interest payment in this table.

(4) Includes approximately $3.1 million in lease payments to the Successor Agency for the Moscone Convention Center through fiscal year 2018.

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

San Francisco International Airport [1]

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

(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.

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

San Francisco Water Enterprise [1]

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

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

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

(Dollars in Thousands)

Hetch Hetchy Water and Power [1]

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

Municipal Transportation Agency [1]

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

San Francisco General Hospital [1]

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

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

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

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

San Francisco Wastewater Enterprise [1]

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

Port of San Francisco [1]

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

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

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

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

(Dollars in Thousands)

Laguna Honda Hospital [1]

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

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

Governmental Activities Long-term Liabilities

General Obligation Bonds

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

Governmental Activities - General Obligation Bonds

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

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

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

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

Certificates of Participation

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

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

(Dollars in Thousands)

Lease Revenue Bonds

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

Governmental Activities - Lease Revenue Bonds

Authorized and unissued as of June 30, 2013	$ 137,425
Increase in authorization in this fiscal year:	
Current year annual increase in Finance Corporation's equipment program	2,925
Current year maturities in Finance Corporation's equipment program	10,865
Net authorized and unissued as of June 30, 2014	$ 151,215

Finance Corporation

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

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

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

Equipment Lease Program

In the June 5, 1990 election, the voters of the City approved Proposition C, which amended the City Charter to allow the City to lease-purchase up to $20.0 million of equipment through a non-profit corporation using tax-exempt obligations. Beginning July 1, 1991, the Finance Corporation was authorized to issue lease revenue bonds up to $20.0 million in aggregate principal amount outstanding plus 5% annual adjustment each July 1. As of June 30, 2014, the cumulative amount authorized, repaid and outstanding was $61.4 million, $10.9 million and $24.4 million, respectively.

San Francisco Marina West Harbor Loan

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

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

Business-Type Activities Long-Term Liabilities

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

San Francisco International Airport

Second Series Revenue Bonds (Capital Plan Bonds)
Pursuant to resolutions approved in fiscal years 2008, 2012 and 2014, the Airport Commission has authorized the issuance of up to $4.8 billion of San Francisco International Airport Second Series Revenue Bonds to finance and refinance the construction, acquisition, equipping, and development of capital projects undertaken by the Airport, including retiring all or a portion of the Airport's outstanding subordinate commercial paper notes (CP) issued for capital projects, funding debt service reserves, and for paying costs of issuance. As of June 30, 2014, $3.7 billion of the authorized capital plan bonds remained unissued.

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

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

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

#	Current Bonds	Counterparty/guarantor *	Counterparty 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%	$ (8,554)
2	36AB	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.445%	(8,554)
3	36C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.444%	(3,666)
4	2010A	Merrill Lynch Capital Services, Inc./ Merrill Lynch Derivative Products AG	A+/Aa3/NR	3.773%	(13,918)
5	37C	J.P. Morgan Chase Bank, N.A.	A+/Aa3/A+	3.898%	(16,777)
6	2010A	Goldman Sachs Group, Inc.	A-/Baa1/A	3.925%	(28,481)
		Total			$ (79,950)

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

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

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

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

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

June 30, 2014, the Airport paid a total of $1.8 million less in interest on its variable rate bonds than the floating rate payments it received from the swap counterparties, resulting in a decrease in the effective synthetic interest rates on the associated bonds.

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

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

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

#	Swap	Swap Insurer	Insurer credit ratings June 30, 2014 (S&P/Moody's/Fitch)
1	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
2	Issue 36AB	FGIC/National Public Finance Guarantee Corporation	AA-/A3/NR
3	Issue 36C	Assured Guaranty Municipal Corp.	AA/A2/NR
4	Series 2010A	None	N/A
5	Issue 37C	Assured Guaranty Municipal Corp.	AA/A2/NR
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 or its guarantor include a rating downgrade below A3/A1/A1 (Moody's/S&P/Fitch), followed by a failure of the counterparty to assign its rights and obligations under the swap documents to another entity acceptable to the applicable insurer within 15 business days.

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

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

Municipal Transportation Agency

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

Port of San Francisco

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

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

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

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

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

(9) Employee Benefit Programs

(a) Retirement Plan

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

(Dollars in Thousands)

Employees' Retirement System

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

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

Funding Policy – Contributions are made to the basic plan by both the City and the participating employees. Employee contributions are mandatory as required by the Charter. Employee contribution rates for fiscal year 2013-14 varied from 7.5% to 13.0% as a percentage of gross covered salary. For fiscal year ended June 30, 2014, most employee groups agreed through collective bargaining for employees to contribute the full amount of the employee contributions on a pretax basis. The City is required to contribute at an actuarially determined rate. Based on the July 1, 2012 actuarial report, the required employer contribution rate for fiscal year 2013-14 was 20.32% to 24.32%.

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

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

Three-year trend information is as follows:

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

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

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

California Public Employees' Retirement System

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

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

Miscellaneous Plan

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

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

Three-year payment trend information is as follows:

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

Safety Plan

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

(Dollars in Thousands)

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

Three-year trend information is as follows:

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

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

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

(b) Deferred Compensation Plan

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

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

(c) Health Service System

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

District, San Francisco Unified School District and the San Francisco Superior Court, amounted to approximately $644.1 million in fiscal year 2013-14. The employers' contribution is mandated and determined by Charter provision based on similar contributions made by the ten most populous counties in California. Included in this amount is $198.9 million to provide postemployment health care benefits for 25,940 retired participants, of which $160.7 million related to City employees. The City's liability for postemployment health care benefits is enumerated below. The City's contribution is paid out of current available resources and funded on a pay-as-you-go basis. The Health Service System issues a publicly available financial report that includes financial statements. That report may be obtained by writing to the San Francisco Health Service System, 1145 Market Street, Suite 300, San Francisco, CA 94103 or by calling (800) 541-2266.

(d) Postemployment Health Care Benefits

City (excluding the Transportation Authority and the Successor Agency)

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

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

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

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

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

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

(Dollars in Thousands)

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

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

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

Three-year trend information is as follows:

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

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

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

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

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

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

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

San Francisco County Transportation Authority

The Transportation Authority maintains a separate single-employer defined benefit OPEB plan and reported a net OPEB obligation of $0 as of June 30, 2014. The Transportation Authority's most recent actuarial valuation was performed as of June 30, 2013, covering the fiscal year ended June 30, 2014. The Transportation Authority's OPEB plan is for retiree healthcare benefits and was 67.6% funded and the unfunded actuarial accrued liability was $0.4 million. Details of the Transportation Authority's OPEB plan may be found in its financial statements for the year ended June 30, 2014. Financial statements for the Transportation Authority can be obtained from their finance and administrative offices at 1455 Market Street, 22nd Floor, San Francisco, CA 94103.

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

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

Successor Agency

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

The Successor Agency participates in the California Employers' Retiree Benefit Trust (CERBT) Fund. CERBT is administered by PERS and is an agent multiple-employer trust. Copies of PERS' financial report may be obtained from PERS website at www.calpers.ca.gov 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, 2014, the Successor Agency contributed $1.3 million to this Plan.

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

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

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

Three-year trend information is as follows:

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

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

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

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

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

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

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

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

(10) San Francisco County Transportation Authority

The Transportation Authority was created in 1989 by a vote of the San Francisco electorate. The vote approved Proposition B, which imposed a sales tax of one-half of one percent (0.5%), for a period not to exceed 20 years, to fund essential transportation projects. The types of projects to be funded with the proceeds from the sales tax are set forth in the San Francisco County Transportation Expenditure Plan (Plan), which was approved as part of Proposition B. The Transportation Authority was organized pursuant to Sections 131000 et seq. of the Public Utilities Code. Collection of the voter-approved sales tax began on April 1, 1990. On November 4, 2003, the San Francisco voters approved Proposition K with a 74.7% affirmative vote, amending the City Business and Tax Code to extend the county-wide one-half of one percent sales tax, and to replace the 1989 Proposition B Plan with a new 30-year Expenditure Plan. The new Expenditure Plan includes investments in four major categories: 1) Transit; 2) Streets and Traffic Safety (including street resurfacing, and bicycle and pedestrian improvements); 3) Paratransit services for seniors and disabled people; and 4) Transportation System Management/Strategic Initiatives (including funds for neighborhood parking management, transportation/land use coordination, and travel demand management efforts). Major capital projects to be funded by the Proposition K Expenditure Plan include: A) development of the Bus Rapid Transit and MTA Metro Network; B) construction of the MUNI Central Subway (Third Street Light Rail Project– Phase 2); C) construction of the Caltrain Downtown Extension to a rebuilt Transbay Terminal; and D) South Approach to the Golden Gate Bridge: Doyle Drive Replacement Project (re-envisioned as the Presidio Parkway). After 20 years of the effective date of the adoption of the Proposition K Expenditure Plan, the Transportation Authority may modify the Expenditure Plan with voter approval. Pursuant to the provisions of Division 12.5 of the California Public Utilities Code, the Transportation Authority Board may adopt an updated Expenditure Plan any time after 20 years from the effective date of adoption of the Proposition K Expenditure Plan but no later than the last general election in which the Proposition K Expenditure Plan is in effect. The Sales Tax would continue as long as a new or modified plan is in effect. Under Proposition K legislation, the Transportation Authority directs the use of the Sales Tax and may spend up to $485.2 million per year and may issue up to $1.88 billion in bonds secured by the Sales Tax. In addition to the sales tax program, the Transportation Authority also administers the following programs:

Congestion Management Agency Programs. On November 6, 1990, the Transportation Authority was designated under State law as the Congestion Management Agency (CMA) for the City. Responsibilities resulting from this designation include developing a Congestion Management Program, which provides evidence of the integration of land use, transportation programming and air quality goals; preparing a long-range countywide transportation plan to guide the City's future transportation investment decisions; monitoring and measuring traffic congestion levels in the City; measuring the performance of all modes of transportation; and developing a computerized travel demand forecasting model and supporting databases. As the CMA, the Transportation Authority is responsible for establishing the City's priorities for state and federal transportation funds and works with the Metropolitan Transportation Commission (MTC) to program those funds to San Francisco projects.

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

Proposition AA (Prop AA) Administrator of County Vehicle Registration Fee Program. On November 2, 2010, San Francisco voters approved Prop AA with a 59.6% affirmative vote, authorizing the Transportation Authority to collect an additional $10 annual vehicle registration fee on motor vehicles registered in San Francisco and to use the proceeds to fund transportation projects identified in the Expenditure Plan. Revenue collection began in May 2011. Prop AA revenues must be used to fund projects from the following three programmatic categories. The percentage allocation of revenues designated for each category over the 30-year Expenditure Plan period is shown in parenthesis for the following category name: 1) Street Repair and Reconstruction (50%); 2) Pedestrian Safety (25%); and 3) Transit Reliability & Mobility Improvements (25%). In December 2012, the Transportation Authority Board approved the first Prop AA Strategic Plan, including the specific projects that could be funded within the first five years (i.e., Fiscal Years 2012-13 to 2016-17). The Prop AA program is a pay-as-you-go program. The Transportation Authority could use up to 5% of the funds for administrative costs.

(11) Detailed Information for Enterprise Funds

(a) San Francisco International Airport

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

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

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

During fiscal year 2014, the original principal amount of the Senior Bonds and Commercial Paper Notes issued, principal and interest remaining due on outstanding Senior Bonds and Commercial Paper Notes, principal and interest paid on such obligations, and applicable Net Revenues are as set forth in the table below. There are no unreimbursed drawings under any letter of credit or interest rate swap termination payments due.

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

Debt Service Requirement – Under the terms of the 1991 Master Bond Resolution, for a Series of Second Series Revenue Bonds to be secured by the Airport's parity common account (the Issue 1 Reserve Account), the Airport is required to deposit, with the trustee, an amount equal to the maximum debt service accruing in any year during the life of all Second Series Revenue Bonds secured by the Issue 1 Reserve Account or substitute a credit facility meeting those requirements. Alternatively, the Airport may establish a separate reserve account with a different reserve requirement to secure an individual series of bonds. While revenue bonds are outstanding, the Airport may not create liens on its property essential to operations, may not dispose of any property essential to maintaining revenues or operating the Airport, and must maintain specified insurance.

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

(a) Net revenues in each fiscal year will be at least sufficient (i) to make all required debt service payments and deposits in such fiscal year with respect to the bonds, any subordinate bonds, and any general obligation bonds issued by the City for the benefit of the Airport and (ii) to make the annual service payment to the City, and

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

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

Passenger Facility Charges – The Airport, as authorized by the Federal Aviation Administration (FAA) pursuant to the Aviation Safety and Capacity Expansion Act of 1990 (the Act), as amended, imposes a Passenger Facility Charge (PFC) of $4.50 for each enplaning passenger at the Airport. Under the Act, air carriers are responsible for the collection of PFC charges and are required to remit PFC revenues to the Airport in the following month after they are recorded by the air carrier. The Airport's most recent application amendment of $610.5 million was approved by the FAA in October 2013. The current authority to impose PFCs is estimated to end June 1, 2023. For the year ended June 30, 2014, the Airport reported approximately $87.0 million of PFC revenue, which is included in other nonoperating revenues in the accompanying basic financial statements.

(Dollars in Thousands)

Commitments and Contingencies – In addition to the long-term obligations discussed in Note 8, there were $82.6 million of Special Facilities Lease Revenue Bonds outstanding as of June 30, 2014, which financed improvements to the Airport's aviation fuel storage and delivery system that is leased to SFO Fuel Company LLC (SFO Fuel). SFO Fuel agreed to pay facilities rent to the Airport in an amount equal to debt service payments and required bond reserve account deposits on the bonds. The principal and interest on the bonds will be paid solely from the facilities rent payable by SFO Fuel to the Airport. The Airport assigned its right to receive the facilities rent to the bond trustee to pay and secure the payment of the bonds. Neither the Airport nor the City is obligated in any manner for the repayment of these obligations, and as such, they are not reported in the accompanying financial statements. Rent from Fuel System Lease with SFO Fuel is pledged until the maturity of the SFO Fuel bonds on January 1, 2027, unless additional bonds (including refunding bonds) with a later maturity are issued.

Purchase commitments for construction, material and services as of June 30, 2014 are as follows:

Construction	$ 68,336
Operating	8,907
Total	$ 77,243

Transactions with Other Funds – Pursuant to the Lease and Use Agreement between the Airport and most of the airlines operating at the Airport, the Airport makes an annual service payment, to the City's General Fund, equal to 15% of concession revenue (net of certain adjustments), but not less than $5.0 million per fiscal year, in order to compensate the City for all indirect services provided to the Airport. The annual service payment for the year ended June 30, 2014 was $38.0 million and was recorded as a transfer. In addition, the Airport compensates the City's General Fund for the cost of certain direct services provided by the City to the Airport, including those provided by the Police Department, the Fire Department, the City Attorney, the City Treasurer, the City Controller, the City Purchasing Agent, and other City departments. The cost of direct services paid for by the Airport for the year ended June 30, 2014 was $131.3 million.

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

United Airlines	23.6%

(b) Port of San Francisco

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

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

The Port pledged future net revenues to repay its Revenue Bonds. Annual principal and interest payments through 2044 are expected to require less than 17% of net pledged revenues as calculated in accordance with the bond indenture. The total principal and interest remaining to be paid on the

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

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

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

Commitments and Contingencies – The Port is presently planning various development and capital projects that involve a commitment to expend significant funds. As of June 30, 2014, the Port had purchase commitments for construction-related services, materials and supplies, and other services were $17.0 million for capital projects and $3.1 million for general operations.

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

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

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

South Beach Harbor revenues are pledged to a 1986 revenue bond issue that pre-dates the Port's 2010 Revenue Bonds. South Beach Harbor project funds, including certain tax increments, are available to pay current debt service, but additional berthing rate increases are likely required to cover future debt service and to meet the required level of debt service coverage specified in the bond indenture. Under BCDC Permit Amendment No. 17 for the South Beach Harbor Project, certain public access and other improvements must be completed by December 31, 2017. Construction estimates prepared by a Port consultant in 2014 indicate that this uncompleted work would cost approximately $7.9 million, including certain structural repairs, soft costs and recommended contingencies.

Pollution Remediation Obligations – The Port's financial statements include liabilities, established and adjusted periodically, based on new information, in accordance with applicable GAAP, for the estimated costs of compliance with environmental laws and regulations and remediation of known 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.

(Dollars in Thousands)

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

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

Investigation work completed in 2011 reduced the uncertainty regarding the nature and extent of contamination, potential need for remediation, and costs associated with implementation of a risk management plan. In 2012, the Port completed a feasibility study to evaluate potential remedial actions, and developed a Remedial Action Plan (RAP), for implementing the recommended alternative. The RAP consists of capping site soils and establishing institutional controls to reduce or eliminate human health risks related to contamination to be managed on-site. The Port subsequently developed a Risk Management Plan, which establishes institutional controls (e.g. use restrictions, health and safety plans) and engineering controls (e.g. capping contaminated soil) to protect current and future users and prevent adverse impact to the environment. The Risk Management Plan specifies how future development, operation, and maintenance will implement the remedy, by covering existing site soil with buildings, streets, plazas, hardscape or new landscaping, thereby minimizing or eliminating exposure to contaminants in soil. The Regional Water Quality Control Board approved the Risk Management Plan in January 2014.

Previous investigation of the northeast shoreline of Pier 70, in an area for development as the future "Crane Cove Park", found that near-shore sediment is contaminated with metals, petroleum hydrocarbons and PCBs at concentrations that pose a potential risk to human health or the environment, and will likely require removal or capping of sediment before development of the area for public access and recreation. The accrued cost for pollution remediation at Pier 70, including Crane Cove Park, is estimated at $10.6 million at June 30, 2014.

Other environmental conditions on Port property include asbestos and lead paint removal and oil contamination. The Port may be required to perform certain clean-up work if it intends to develop or lease such property, or at such time as may be required by the City or State.

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

	Environmental Remediation	Monitoring and Compliance	Total
Environmental liabilities at July 1, 2013	$ 10,670	$ 163	$ 10,833
Current year claims and changes in estimates	(45)	37	(8)
Vendor payments	-	(71)	(71)
Environmental liabilities at June 30, 2014	$ 10,625	$ 129	$ 10,754

(c) San Francisco Water Enterprise

The San Francisco Water Enterprise (Water Enterprise) was established in 1930. The Water Enterprise, which consists of a system of reservoirs, storage tanks, water treatment plants, pump stations, and pipelines, is engaged in the collection, transmission and distribution of water to the City and certain suburban areas. In fiscal year 2014, the Water Enterprise sold water, approximately 79,205 million gallons annually, to a total population of approximately 2.6 million people who reside primarily in four Bay Area counties (San Francisco, San Mateo, Santa Clara and Alameda).

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

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

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

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

During fiscal year 2014, the wholesale revenue requirement, net of adjustments, charged to wholesale customers was $177.6 million. Such amounts are subject to final review by wholesale customers, along with a trailing wholesale balancing account compliance audit of the wholesale revenue requirement calculation. As of June 30, 2014, the City owed the Wholesale Customers $29.4 million under the Water Supply Agreement.

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

(Dollars in Thousands)

Environmental Issue – As of June 30, 2014, the total pollution remediation liability was $20.1 million, consisting of $19.4 million for the excavation of contaminated soil that contained polycyclic aromatic hydrocarbons from a gun club site in the Lake Merced area and $1.2 million for the 17th and Folsom site.

Transactions with Other Funds – The Water Enterprise purchases water from Hetch Hetchy Water and electricity from Hetch Hetchy Power at market rates. These amounts, totaling approximately $33.3 million and $8.7 million, respectively, for the year ended June 30, 2014, are included in the operating expenses for services provided by other departments in the Water Enterprise's financial statements.

A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Water Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $12.9 million for the year ended June 30, 2014 and have been included in services provided by other departments.

(d) Hetch Hetchy Water and Power Enterprise

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

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

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

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

(Dollars in Thousands)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Dollars in Thousands)

(e) San Francisco Municipal Transportation Agency

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

The SFMTA was established by voter approval of the addition of Article VIIIA to the Charter of the City (the "Charter") in 1999 (Proposition E). The purpose of the Charter amendment was to consolidate all transportation functions within a single City department, and to provide the Transportation System with the resources, independence and focus necessary to improve transit service and the City's transportation system. The voters approved an additional Charter amendment in 2007 (Proposition A), which increased the autonomy of and revenues to the SFMTA, and another Charter amendment in 2010 (Proposition G), which increased management flexibility related to labor contracts. Muni is one of America's oldest public transit agencies, the largest in the Bay Area and seventh largest system in the United States. It currently carries more than 223 million boardings annually. Operating historic streetcars, modern light rail vehicles, diesel buses, alternative fuel vehicles, electric trolley coaches, and the world famous cable cars, Muni's fleet is among the most diverse in the world.

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

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

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

Annual principal and interest payments for fiscal year 2014 was 7.2% of funds available for revenue bond debt service. The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during 2014 and applicable revenues for 2014 are as follows:

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

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

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

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

The SFMTA also receives operating assistance from various federal, state, and local sources, including Transit Development Act funds, diesel fuel, and sales tax allocations. As of June 30, 2014, the SFMTA had various operating grants receivable of $28.2 million. In fiscal year 2014, the SFMTA's operating assistance from BART's Americans with Disability Act (ADA) related support of $1.2 million and other federal, state and local grants of $7.5 million to fund project expenses that are operating in nature.

Proposition 1B is a ten-year $20 billion transportation infrastructure bond that was approved by state voters in November 2006. The bond measure was composed of several funding programs including the Public Transportation Modernization, Improvement and Service Enhancement Account program (PTMISEA) that is funding solely for public transit projects. The SFMTA received cash totaling $7.1 million in fiscal year 2014 for different projects. Proposition 1B funds do not require matching funds. The original legislation required funds to be obligated within three years of the date awarded. SB87 extended the date to June 30, 2016 for funds awarded between fiscal years 2008 and 2010. The eligibility requirements for the PTMISEA program include rehabilitation of infrastructure, procurement of equipment and rolling stock, and investment in expansion projects. During fiscal year 2014, $74.9 million in drawdowns were made from the funds for various eligible projects costs.

Commitments and Contingencies – The SFMTA has outstanding contract commitments of approximately $283.6 million with third parties, for various capital projects. Grant funding is available for a majority of this amount. The SFMTA also has outstanding commitments of approximately $66.0 million with third parties for non-capital expenditures. Various local funding sources are used to finance these expenditures. The SFMTA is also committed to numerous capital projects for which it anticipates that federal and state grants will be the primary source of funding.

Leveraged Lease-Leaseback of BREDA Vehicles – Tranches 1 and 2
In April 2002 and in September 2003, following the approval of the Federal Transit Administration, SFMTA Board of Directors, and the City's Board of Supervisors, Muni entered into separate leveraged lease leaseback transactions for over 118 and 21 Breda light rail vehicles (the Tranche 1 and Tranche 2 Equipment, respectively, and collectively, the "Equipment"). Each transaction, also referred to as a "sale in lease out" or "SILO", was structured as a head lease of the Equipment to a special purpose trust and a sublease of the Equipment back from such trust. Under the respective sublease, Muni may exercise an option to purchase the Tranche 1 Equipment on specified dates between November 2026 through January 2030 and Tranche 2 Equipment in January 2030, in each case, following the scheduled sublease expiration dates. During the terms of the subleases, Muni maintains custody of the Equipment and is obligated to insure and maintain the Equipment.

Muni received an aggregate of $388.2 million and $72.6 million, respectively in 2002 and 2003, from the equity investors in full prepayment of the head leases. Muni deposited a portion of the prepaid head lease payments into separate escrows that were invested in U.S. agency securities with maturities that correspond to the purchase option dates for the Equipment as specified in each sublease. Muni also deposited a portion of the head lease payments with a debt payment undertaker whose repayment obligations are guaranteed by Assured Guaranty Municipal Corp. (AGM) as successor to Financial Security Assurance (FSA), a bond insurance company, that was rated "AAA" by Standard & Poor's ("S&P") and "Aaa" by Moody's Investor Services ("Moody's") at the time the Tranche 1 and Tranche 2 Equipment transactions were entered into. Although these escrows do not represent a legal defeasance of Muni's obligations under the subleases, management believes that these transactions are structured in such a way that it is not probable that Muni will need to access other monies to make sublease payments. Therefore, the assets and the sublease obligations are not recorded on the financial statements of the SFMTA as of June 30, 2014.

On March 17, 2014, Muni executed, with one of the equity investors, termination agreements (the "Termination Agreements") that (a) constituted the exercise of Muni's purchase option with respect to 30 items of Tranche 1 Equipment having an initial transaction value of $99.3 million, (b) amended the purchase option dates to the date of the Termination Agreements, and (c) amended the purchase option price to an amount that was funded in full from the sale proceeds of the U.S. Agency securities held in the applicable escrow accounts.

The terms of the SILO documents require Muni to replace AGM, as successor to FSA, if its ratings are downgraded below BBB+" by S&P or "Baa1" by Moody's. AGM's current ratings of "AA" from S&P and "A2" from Moody's satisfy this requirement. In addition, AGM, as successor to FSA, provides a surety policy with respect to each Equipment transaction to guarantee potential payments in the event such transaction were terminated in whole or in part prior to such sublease expiration date. The terms of the Equipment transaction documents require Muni to replace AGM, as surety provider, if its ratings are downgraded below "AA-" by S&P or "Aa3" by Moody's. On January 17, 2013, Moody's downgraded AGM's rating to A2. Failure of Muni to replace AGM following a downgrade by either Moody's or S&P to below the applicable rating threshold within a specified period of time following demand by an equity investor could allow such equity investor, in effect, to issue a default notice to Muni. Because replacement of AGM in either of its roles as debt payment undertaker guarantor or surety may not be practicable, Muni could become liable to pay termination costs as provided in certain schedules of the Equipment transaction documents. These early termination costs are in the nature of liquidated damages. The scheduled termination costs as of June 30, 2014 after giving effect to the market value of the securities in the escrow accounts, would approximate $62.4 million. The scheduled termination costs increase over the next several years. As of June 30, 2014, no investor has demanded Muni to replace AGM as the surety provider.

As a result of the cash transactions above, Muni recorded $35.5 million and $4.4 million in fiscal year 2002 and 2003 respectively, for the difference between the amounts received of $388.2 million and $72.6 million, and the amounts paid to the escrows and the debt payment undertaker of $352.7 million and $67.5 million, respectively. These amounts are classified as deferred inflows of resources and will be amortized over the life of the sublease unless the purchase option is executed. As mentioned above SFMTA exercised the purchase option with respect to 30 items of Tranche 1 Equipment on March 17, 2014. Revenue of $5.4 million was recognized for the remaining unamortized deferred inflows of resources for these items in fiscal year 2014. The deferred inflows of resources amortized amounts were $1.0 million and $0.2 million for remaining 88 items of Tranche 1 Equipment and 21 items of Tranche 2 Equipment in fiscal year 2014, respectively.

As of June 30, 2014, no outstanding payments remain on the sublease through the end of the sublease term. Payments to be made on the purchase options, if exercised, would be $441.4 million for the remaining Tranche 1 Equipment and $154.2 million for the Tranche 2 Equipment. These payments are to be funded from the amounts in escrow and by the payment undertaker. If Muni does not exercise the purchase option, Muni would be required to either: 1) pay service and maintenance costs related to the continued operation and use of the vehicles beyond the term of the sublease; or 2) arrange for another party to be the "service recipient," under a "service contract," and to perhaps guarantee the obligations of that party under the service contract if the replacement service recipient does not meet specified credit or net worth criteria.

(f) Laguna Honda Hospital

General Fund Subsidy - The Laguna Honda Hospital (LHH) is a skilled nursing facility which specializes in serving elderly and disabled residents. The operations of LHH are subsidized by the City's General Fund. It is the City's policy to fund operating deficits of the enterprise on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the

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City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2014, the subsidy for LHH was $36.9 million.

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

Third-Party Payor Agreements - LHH has agreements with third-party payors that provide for reimbursement to LHH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the hospital's established rate for services and amounts reimbursed by third-party payors. Medicare and Medi-Cal are the major third-party payors with whom such agreements have been established. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. LHH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2014, LHH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 54,247	$ 3,644	$ 1,929	$ 59,820
Less:				
Provision for Contractual Allowances	(33,523)	(2,252)	(1,192)	(36,967)
Total, net	$ 20,724	$ 1,392	$ 737	$ 22,853

Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 314,576	$ 18,884	$ 9,996	$ 343,456
Less:				
Provision for Contractual Allowances	(163,576)	(12,889)	(8,482)	(184,947)
Total, net	$ 151,000	$ 5,995	$ 1,514	$ 158,509

Because Medi-Cal reimbursement rates are less that LHH's established charges rates, LHH is eligible to receive supplemental federal funding. For the year ended June 30, 2014, LHH accrued and recognized $41 million of revenue as a result of matching federal funds to local funds.

Unearned Credits and Other Liabilities - As of June 30, 2014, LHH recorded approximately $51.1 million in other liabilities for third-party payor settlements payable.

Commitments and Contingencies – As of June 30, 2014, LHH has entered into various purchase contracts totaling approximately $4.9 million that are related to the old building remodel phase of the Replacement Project.

(g) San Francisco General Hospital Medical Center

General Fund Subsidy - San Francisco General Hospital Medical Center (SFGH) is an acute care hospital. The operations of SFGH are subsidized by the City's General Fund. It is the City's policy to fully fund enterprise operations on a budgetary basis; however, the amount of operating subsidy provided is limited to the amount budgeted by the City. Any amount not required for the purpose of meeting an enterprise fund deficit shall be transferred back to the General Fund at the end of each fiscal year, unless otherwise approved by the Board of Supervisors. For the year ended June 30, 2014, the subsidy for SFGH was $121.4 million.

Net Patient Services Revenue - Net patient services revenues are recorded at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including a provision for doubtful accounts and estimated retroactive adjustments under reimbursement agreements with federal and state government programs and other third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Patient accounts receivable are recorded net of estimated allowances, which include allowances for contractuals, bad debt, and administrative write-offs. These allowances are based on current payment rates, including per diems, DRG amounts and payment received as a percentage of gross charges.

Third Party Payor Agreements - SFGH has agreements with third-party payors that provide for reimbursement to SFGH at amounts different from its established rates. Contractual adjustments under third-party reimbursement programs represent the difference between SFGH's established rates and amounts reimbursed by third-party payors. Major third-party payors with whom such agreements have been established are Medicare, Medi-Cal, and the State of California through the Medi-Cal Hospital/Section 1115 Medicaid Waiver and Short-Doyle mental health programs. Laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. SFGH believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigation involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties and exclusion from the Medicare and Medi-Cal programs.

During the year ended June 30, 2014, SFGH's patient receivables and charges for services were as follows:

Patient Receivables, net

	Medi-Cal	Medicare	Other	Total
Gross Accounts Receivable	$ 200,093	$ 115,961	$ 120,186	$ 436,240
Less:				
Provision for Contractual Allowances	(178,807)	(102,622)	(58,646)	(340,075)
Provision for Bad Debts	-	-	(32,492)	(32,492)
Total, net	$ 21,286	$ 13,339	$ 29,048	$ 63,673

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Net Patient Service Revenue

	Medi-Cal	Medicare	Other	Total
Gross Revenue	$ 781,296	$ 513,455	$ 1,575,919	$ 2,870,670
Less:				
Provision for Contractual Allowances	(672,468)	(416,444)	(917,173)	(2,006,085)
Provision for Bad Debt	-	-	(79,333)	(79,333)
Total, net	$ 108,828	$ 97,011	$ 579,413	$ 785,252

California's Section 1115 Medicaid Waiver (Waiver), titled the "Bridge to Health Care Reform" began in November 2010. The Waiver is intended to help sustain the state's Medicaid Program (known as Medi-Cal), test new innovations to help improve care and reduce costs, and to support the safety net in advance of health reform.

Under the Waiver, payments for public hospitals are comprised of: 1) fee-for-service cost-based reimbursements for inpatient hospital services; 2) Disproportionate Share Hospital payments; 3) distribution from a pool of federal funding for uninsured care, known as the Safety Net Care Pool (SNCP); 4) Delivery System Reform Incentive Program (DSRIP); and 5) the Low Income Health Program. The non-federal share of these payments will be provided by the public hospitals, primarily through certified public expenditures, whereby the hospital would expend its local funding for services to draw down the federal financial participation. Revenues recognized under the Waiver approximated $278.0 million for the year ended June 30, 2014.

The DSRIP is a pay-for-performance initiative that challenges public hospital systems to meet specific benchmarks related to improving health care access, quality and safety and outcomes.

The Low income Health Program (LIHP) is a coverage program for low-income uninsured adults that was included as part of California's Section 1115 Medicaid Waiver. The program builds off and expands the previous Health Care Coverage Initiative (HCCI). Revenues recognized under the LIHP approximated $18.0 million for the year ended June 30, 2014. The LIHP covers a subset of the Healthy San Francisco population, primarily those individuals at or below 200% of the federal poverty level and who meet citizenship requirements as further discussed in the Healthy San Francisco Program section below. The LIHP program ended on December 31, 2013 when the participants transitioned automatically to the Medi-Cal Program or purchased health insurance through California's health benefit exchange (Covered California).

In addition, SFGH was reimbursed by the State of California, under the Short-Doyle Program, for mental health services provided to qualifying residents based on an established rate per unit of service not to exceed an annual negotiated contract amount. During the year ended June 30, 2014, reimbursement under the Short-Doyle Program amounted to approximately $5.4 million and is included in net patient service revenue.

Unearned Credits and Other Liabilities - As of June 30, 2014, SFGH recorded approximately $112.9 million in unearned credits and other liabilities, which was comprised of $78.1 million in unearned credits related to receipts under Safety Net Care Pool and AB915 programs, and $34.8 million in Third Party Settlements payable.

Charity Care - SFGH provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Charges foregone based on established rates were $401.0 million and estimated costs and expenses to provide charity care were $115.3 million in fiscal year 2014.

(Dollars in Thousands)

Other Revenues - The State of California provides support to SFGH through a realignment of funding provided from vehicle license fees and sales tax allocated to California's counties. SFGH recognized $44.3 million as other operating revenue for the year ended June 30, 2014, for realignment funding.

With California electing to implement a state-run Medicaid Expansion afforded by the Affordable Care Act, the State anticipates that counties' costs and responsibilities for the health care services for the indigent population will decrease as much of the population becomes eligible for coverage through Medi-Cal or Covered California. Starting July 1, 2013, there is a mechanism that provides for the State to redirect health realignment funds to fund social service programs. The redirected amount will be determined according to a formula that takes into account a county's cost and revenue experience and redirects 80% (70% for fiscal year 2013-2014) of the savings realized by the county. The State predetermined an amount of health realignment to be redirected in fiscal year 2013-2014 of $16.7 million for the City and County of San Francisco. SFGH recognized $9.7 million of this amount. A reconciliation using actual experience for fiscal year 2013-2014 will be concluded within two years after June 30, 2014.

Contracts with the University of California San Francisco – The City contracts on a year-to-year basis on behalf of SFGH with the University of California (UC). Under the contract, SFGH serves as a teaching facility for UC professional staff, medical students, residents, and interns who, in return, provide medical and surgical specialty services to SFGH's patients. The total amount for services rendered under the contract for the year ended June 30, 2014, was approximately $149.8 million.

SFGH Rebuild – In 1994, California passed Senate Bill 1953, mandating that all California acute care hospitals meet new seismic safety standards by 2008 (subsequent legislation has extended the final date to January 1, 2020). In January 2001, the San Francisco Health Commission approved a resolution to support a rebuild effort for the hospitals, and the Department of Public Health conducted a series of planning meetings to review its options. It became evident that rebuilding rather than retrofitting was required, and that rebuilding SFGH presented a unique opportunity for the Department of Public Health to make system-wide as well as structural improvements in its delivery of care for patients.

In October 2005, The San Francisco Health Commission accepted the Mayor's Blue Ribbon Committee recommendation to rebuild the hospital at its current Potrero Avenue location. A site feasibility study was concluded in September 2006 and showed a compliant hospital can be built on the west lawn without demolishing the historic buildings or other buildings. An institutional master plan, a hazardous materials assessment, a geotechnical analysis and rebuild space program have all been completed in the fiscal year 2007. Schematic design of the new building was completed and the project cost was estimated at $887.4 million.

The majority of the funding would be through issuance of bonds. In November 2008, San Francisco voters approved Proposition A, a ballot measure that authorized the City to issue general obligation bonds for the rebuild of the hospital. As of June 30, 2014, General Obligation Bonds in the amount of $887.4 million have been sold to fund the hospital rebuild. The General Obligation Bonds are accounted for as governmental activity and transactions are accounted for in the City's Governmental Capital Projects Funds. Upon completion of the new facility, it will be contributed to the SFGH enterprise fund.

Healthy San Francisco Program – In July 2007, the City and County of San Francisco Department of Public Health implemented Healthy San Francisco (HSF). HSF is a program to provide health care for the uninsured residents using a medical home model, with an emphasis on wellness and preventive care. Uninsured San Francisco residents between the ages of 18-64 with incomes at or below 500% of the federal poverty level (FPL) are eligible for the HSF. Participants with household income above 100% FPL pay a quarterly fee based on their income. As of June 30, 2014, 31,965 uninsured adult residents were enrolled in HSF. Enrollment in HSF dropped in the past year due to participants moving to new health insurance options due to the federal Patient Protection and Affordable Care Act (ACA). These options included expanded Medi-Cal and California's health insurance exchange, Covered California.

Effective July 1, 2011, over 10,000 HSF participants were transitioned to a new program called San Francisco Provides Access to Healthcare (SF PATH). SF PATH was a federally-supported health access program that provided affordable health care services for some low income people living in San Francisco. The program was created in preparation for the implementation of federal health reform. On January 1, 2014, enrolled participants transitioned automatically to Medi-Cal or had the opportunity to purchase health insurance through Covered California. The Department was informed by the State Department of Health Care Services that 13,680 individuals had transitioned to Medi-Cal effective January 1, 2014. Another 756 enrollees appeared to be eligible to purchase health insurance through Covered California. Healthy San Francisco will still be needed for those San Francisco residents who do not qualify for new health insurance options under the ACA and will continue to enroll participants.

Commitments and Contingencies – As of June 30, 2014, SFGH had outstanding commitments with third parties for capital projects totaling $4.7 million.

(h) San Francisco Wastewater Enterprise

The San Francisco Wastewater Enterprise (Wastewater Enterprise) was established in 1977, following the transfer of all sewage-system-related assets and liabilities of the City to the Wastewater Enterprise pursuant to bond resolution, to account for the City's municipal sewage treatment and disposal system.

The Wastewater Enterprise collects, transmits, treats, and discharges sanitary and stormwater flows, generated within the City, for the protection of public health and environmental safety. In addition, the Wastewater Enterprise serves, on a contractual basis, certain municipal customers located outside of the City limits, including the North San Mateo County Sanitation District No. 3, Bayshore Sanitary District, and the City of Brisbane. The Wastewater Enterprise recovers, cost of service, through user fees based on the volume and strength of sanitary flow. The Wastewater Enterprise serves approximately 147,373 residential accounts, which discharge about 18.2 million units of sanitary flow per year (measured in hundreds of cubic feet, or ccf) and approximately 16,164 non-residential accounts, which discharge about 8.6 million units of sanitary flow per year.

Pledged Revenues – Wastewater Enterprise's revenues, which consist mainly of sewer service charges, are pledged for the payment of principal and interest on various revenue bonds. Proceeds, from the bonds, provided financing for various capital construction projects and to refund previously issued bonds. These bonds are payable solely from net revenues of Wastewater Enterprise and are payable through fiscal year ending 2043.

The original amount of revenue bonds issued, total principal and interest remaining, principal and interest paid during fiscal year 2014, applicable net revenues, and funds available for bond debt service are as follows:

Bonds issued with revenue pledge	$ 731,745
Principal and interest remaining due at the end of the year	1,271,023
Principal and interest paid during the year	64,852
Net revenues for the year	109,181
Funds available for bond debt service	218,988

Commitments and Contingencies – As of June 30, 2014, Wastewater Enterprise had outstanding commitments, with third parties, for capital projects and for materials and services totaling $116.3 million.

Pollution Remediation Obligations – The City and the Wastewater Enterprise have been listed as potentially responsible parties in the clean-up effort of Yosemite Creek. Yosemite Creek has been identified as having toxic sediments, primarily polychlorinated biphenyls, in the drainage areas to the creek; contaminated flows emanating from a local industrial discharger as the likely responsible source of the contamination. The pollution remediation obligation reported in the accompanying statements of net position is based on estimated contractual costs. The liability balance remained at $571 as of June 30, 2014.

Transactions with Other Funds –The Wastewater Enterprise purchases power from Hetch Hetchy Power totaling $9.2 million for the year ended June 30, 2014. A variety of other City departments provide services such as engineering, purchasing, legal, data processing, telecommunications, and human resources to the Wastewater Enterprise and charge amounts designed to recover those departments' costs. These charges total approximately $26.1 million for the year ended June 30, 2014 and have been included in services provided by other departments.

(i) San Francisco Market Corporation

The City of San Francisco Market Corporation (Corporation) was a non-profit corporation organized to acquired, construct, finance, and operate a produce market. The information about this non-profit corporation was presented in the financial statements of the proprietary funds as a nonmajor fund.

During the year, the City of San Francisco Market Corporation transferred operations of the San Francisco Wholesale Produce Market (SFWPM) to a different corporation created in 2012 by existing SFWPM stakeholders separate from the City. As such, the Corporation transferred all of its assets to the San Francisco Market Corporation, its successor corporation.

(12) Successor Agency to the Redevelopment agency of the city and county of San Francisco

As discussed in Note 1, the financial statements present the Successor Agency and its component unit, an entity for which the Successor Agency is considered to be financially accountable. The City and County of San Francisco Redevelopment Financing Authority (Financing Authority) is a joint powers authority formed between the former Agency and the City to facilitate the long-term financing of the former Agency activities. The Financing Authority is included as a blended component unit in the Successor Agency's financial statements because the Financing Authority provides services entirely to the Successor Agency.

Pursuant to the Redevelopment Dissolution Law, funds that would have been distributed to the former Agency as tax increment, hereafter referred to as redevelopment property tax revenues, are deposited into the Successor Agency's Redevelopment Property Tax Trust Fund (Trust Fund) administered by the City's Controller for the benefit of holders of the former Agency's enforceable obligations and the taxing entities that receive pass-through payments. Any remaining funds in the Trust Fund, plus any unencumbered redevelopment cash and funds from asset sales are distributed by the City to the local agencies in the project area unless needed to pay enforceable obligations.

On May 29, 2013, the DOF granted a Finding of Completion for the Successor Agency. Pursuant to Health and Safety Code (HSC) section 34179.7, the DOF has verified that the Successor Agency does not owe any amounts to the taxing entities as determined under HSC section 34179.6, subdivisions (d) or (e) and HSC section 34183.5. With a Finding of Completion, the Successor Agency may proceed with (1) placing loan agreements between the former Agency and the City on the ROPS, as enforceable obligations, provided the Oversight Board makes a finding that the loan was for legitimate redevelopment purposes per HSC, and (2) utilize proceeds derived from bonds issued prior to January 1, 2011 in a manner consistent with the original bond covenants.

In addition, the receipt of the Finding of Completion allows the Successor Agency to submit a Long Range Property Management Plan (LRPMP) to the Oversight Board and the DOF for approval. The LRPMP addresses the disposition and use of real properties held by the Successor Agency and must be submitted within six months of receipt of the Finding of Completion. Part 1 of the LRPMP was approved by the DOF on October 4, 2013. The Oversight Board approved Part 2 of the LRPMP on November 25, 2013 and submitted it to DOF. The DOF is in the process of reviewing the submission.

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

(a) Capital Assets Held by the Successor Agency

For the year ended June 30, 2014, a summary of changes in capital assets was as follows:

	Balance July 1, 2013	Additions	Balance June 30, 2014
Capital assets not being depreciated:			
Land held for lease	$ 59,381	$ -	$ 59,381
Construction in progress	1,292	1,530	2,822
Total capital assets not being depreciated	60,673	1,530	62,203
Capital assets being depreciated:			
Furniture and equipment	8,144	-	8,144
Building and improvements	225,022	-	225,022
Total capital assets being depreciated	233,166	-	233,166
Less accumulated depreciation for:			
Furniture and equipment	(8,056)	(20)	(8,076)
Building and improvements	(84,100)	(5,479)	(89,579)
Total accumulated depreciation	(92,156)	(5,499)	(97,655)
Total capital assets being depreciated, net	141,010	(5,499)	135,511
Total capital assets, net	$ 201,683	$ (3,969)	$ 197,714

(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%	$ 1,426
Hotel tax revenue bonds [(b)]	2025	2.00% - 5.00%	40,635
Tax allocation revenue bonds [(c)]	2044	2.92% - 9.00%	902,603
South Beach Harbor Variable Rate Refunding bonds [(d)]	2017	3.50%	3,270
California Department of Boating and Waterways Loan [(e)]	2037	4.50%	7,283
Total long-term bonds and loans			$ 955,217

Debt service payments are made from the following sources:

(a) Hotel taxes and operating revenues recorded in the Convention Facilities Special Revenue Fund and existing debt service/escrow trust funds.
(b) Hotel taxes from the occupancy of guest rooms in the hotels located in the Redevelopment Project Areas.
(c) Redevelopment property tax revenues and existing debt service/escrow trust funds.
(d) South Beach Harbor Project cash reserves, redevelopment property tax revenues and project revenues.
(e) South Beach Harbor Project revenues (subordinated to Refunding Bonds).

Issuance of Successor Agency Bonds – On December 24, 2013, the DOF released its letter approving the issuance of Successor Agency bonds. On March 11, 2014, the Successor Agency issued $56.2 million of Tax Allocation Revenue Bonds, Mission Bay South Series 2014 A to finance certain redevelopment activities of the Successor Agency within or of benefit to the Mission Bay South Redevelopment Project Area. These bonds bear fixed interest rates ranging from 4.00% to 5.00% and have a final maturity date of August 1, 2043.

Pledged Revenues for Bonds – The Tax Allocation Bonds are equally and ratably secured by the pledge and lien of the redevelopment property tax revenues (i.e. former tax increment). These revenues have been pledged until the year 2044, the final maturity date of the bonds. The total principal and interest remaining on these bonds is approximately $1.68 billion. The redevelopment property tax revenues recognized during the year ended June 30, 2014 was $131.7 million as against the total debt service payment of $95.2 million.

The Moscone Convention Center Lease Revenue Bonds are secured by the pledge of the capital lease revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2015, the final maturity date of the remaining bonds. The total principal and interest remaining on these bonds is approximately $6.7 million. The Successor Agency received $12.8 million in advance during the year ended June 30, 2013, which equaled the total debt service payment of $12.8 million. The lease payments received during the year ended June 30, 2014 were $6.7 million which equaled fiscal year 2015's total debt service payment.

The Hotel Tax Revenue Bonds are secured by the pledge and lien of the hotel tax revenue received by the Successor Agency from the City. These revenues have been pledged until the year 2026, the final maturity date of the bonds. The total principal and interest remaining on the Hotel Tax Revenue Bonds is approximately $53.2 million. The hotel tax revenue recognized during the year ended June 30, 2014 was $3.1 million which equaled the total debt service payment.

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

	July 1, 2013 (as restated)	Additional Obligations, Interest Accretion and Net Increases	Current Maturities, Retirements, and Net Decreases	June 30, 2014
Bonds payable:				
Tax revenue bonds	$ 936,229	$ 56,245	$ (45,966)	$ 946,508
Lease revenue bonds	4,347	-	(2,921)	1,426
Less unamortized amounts:				
For issuance premiums	6,323	1,868	(858)	7,333
For issuance discounts	(5,206)	-	255	(4,951)
Total bonds payable	941,693	58,113	(49,490)	950,316
Accreted interest payable	46,282	5,286	(12,183)	39,385 (1)
Notes, loans, and other payables	7,482	-	(199)	7,283
Accrued vacation and sick leave pay	1,242	666	(583)	1,325
Other postemployment benefits obligation	1,221	912	(1,266)	867
Successor Agency - long term obligations	$ 997,920	$ 64,977	$ (63,721)	$ 999,176

(1) Amounts represents interest accretion Capital Appreciation Bonds.

(2) The June 30, 2013 balance was restated to reflect the impact of GASB Statement No. 65 implementation. The unamortized loss on refunding of debt of $3,388 was reclassified to deferred outflows of resources.

As of June 30, 2014, the debt service requirements to maturity for the Successor Agency, excluding accrued vacation and sick leave, are as follows (in thousands):

Fiscal Year Ending June 30	Tax Revenue Bonds Principal	Tax Revenue Bonds Interest	Lease Revenue Bonds Principal	Lease Revenue Bonds Interest	Other Long-Term Obligations Principal	Other Long-Term Obligations Interest	Total Principal	Total Interest
2015	$ 51,875	$ 52,977	$ 1,426	$ 5,279	$ 208	$ 328	$ 53,509	$ 58,584
2016	54,070	49,374	-	-	218	318	54,288	49,692
2017	55,100	46,639	-	-	227	309	55,327	46,948
2018	57,505	43,816	-	-	238	298	57,743	44,114
2019	67,850	40,622	-	-	248	288	68,098	40,910
2020-2024	175,498	209,895	-	-	1,419	1,260	176,917	211,155
2025-2029	127,306	162,389	-	-	1,769	911	129,075	163,300
2030-2034	137,767	114,162	-	-	2,205	475	139,972	114,637
2035-2039	135,782	62,507	-	-	751	46	136,533	62,553
2040-2044	83,755	10,457	-	-	-	-	83,755	10,457
Total	$ 946,508	$ 792,838	$ 1,426	$ 5,279	$ 7,283	$ 4,233	$ 955,217	$ 802,350

Due to/Advances from the Primary Government – In January 2003, the City and the former Agency entered into a Cooperation and Tax Increment Reimbursement Agreement. The City agreed to advance tax increment revenues to the former Agency for the debt service payments on the Tax Allocation Revenue Bonds, San Francisco Redevelopment Projects Series 2003 B and C. The former Agency agreed to make reimbursement payments related to the Jessie Square Parking Garage and fully repay the advances by fiscal year 2018. As of June 30, 2014, the long-term balance due to the City's General Fund was $21.7 million. Interest will be accrued at the State of California Local Agency Investment Fund (LAIF) rate based on the balance due to the City. During the year ended June 30, 2014, the City advanced $3.7 million in property tax revenues to the Successor Agency for debt service payments. In addition, interest in the amount of $0.05 million was accrued based on the balance due to the City and the Successor Agency has made payments in the amount of $2.1 million to the City.

The short-term balance of $1.1 million consists of $0.9 million in Jessie Square reimbursement payments due to the City's General Fund and $0.2 million due to nonmajor governmental funds for services provided.

(c) Commitments and Contingencies Related to the Successor Agency

Encumbrances - At June 30, 2014, the Successor Agency had outstanding encumbrances totaling approximately $78.9 million.

Risk Management - For the period July 1, 2013 through July 18, 2013, the Successor Agency did not carry liability insurance. Effective July 19, 2013, the Successor Agency obtained coverage for personal injury, automobile liability, public official errors and omissions and employment practices liability with limits of $10.0 million per occurrence ($5.0 million for employment practices liability) and a $0.03 million deductible per occurrence.

Operating Lease - The Successor Agency has noncancelable operating leases for its office sites and a Master Lease Option Agreement with the San Francisco Port Commission, which are enforceable obligations of the Successor Agency. The leases require the following minimum annual payments:

Fiscal Years		Fiscal Years	
2015	$ 1,311	2025-2029	$ 4,351
2016	870	2030-2034	4,351
2017	870	2035-2039	4,351
2018	870	2040-2044	4,351
2019	870	2045-2049	4,351
2020-2024	4,351	2050	1,088
		Total	$ 31,985

Rent payments totaling $1.3 million are included in the Successor Agency's financial statements for the year ended June 30, 2014.

The Successor Agency has noncancelable operating leases on various facilities within project areas. The minimum future rental income are as follows (in thousands):

Fiscal Years			Fiscal Years		
2015………………	$	4,644	2025-2029……….	$	21,787
2016………………		4,660	2030-2034……….		23,659
2017………………		4,362	2035-2039……….		20,260
2018………………		4,287	2040-2044……….		20,804
2019………………		4,178	2045-2049……….		10,392
2020-2024……….		20,408	2050-2051……….		494
			Total………………	$	139,935

For the year ended June 30, 2014, operating lease rental income for noncancelable operating leases was $10.9 million. Within the operating lease rental income, $6.5 million represents contingent rental income received. At June 30, 2014, the leased assets had a net book value of $40.8 million.

Conduit Debt - Various community facility district bonds and mortgage revenue bonds have been issued by the former Agency on behalf of various developers and property owners who retain full responsibility for the repayment of the debt. When these obligations are issued, they are secured by the related mortgage indebtedness and special assessment taxes, and, in the opinion of management, are not considered obligations of the Successor Agency or the City and are therefore not included in the financial statements. Debt service payments will be made by developers or property owners. All of the mortgage revenue bonds issued by the former Agency were transferred to the City upon the dissolution of the former Agency. As of June 30, 2014, the Successor Agency had outstanding community facility district bonds totaling $198.4 million.

Transbay Transit Center Agreements - In July 2003, the City, the Transbay Joint Powers Authority (TJPA), and the State of California acting through its Department of Transportation (Caltrans) entered into the Transbay Transit Terminal Cooperative Agreement (Cooperative Agreement) in which Caltrans agreed to transfer approximately 10 acres of State-owned property in and around the then-existing Transbay Terminal to the City and the TJPA to help fund the development of the Transbay Transit Center (TTC). The Cooperative Agreement requires that the TJPA sell certain State-owned parcels and use the revenues from the sales and the net tax increments to finance the TTC.

In 2008, the City and the former Agency entered into a binding agreement with the TJPA that irrevocably pledges all sales proceeds and net tax increments from the State-owned parcels to the TJPA for a period of 45 years (Pledge Agreement). At the same time, the City, the TJPA and the former Agency entered into an Option Agreement which grants options to the former Agency to acquire the State-owned parcels, arrange for development of the parcels, and distribute the net tax increments to the TJPA to use for the TTC. During the year ended June 30, 2014, the Successor Agency completed the Rene Cazenave Apartments project, the first residential project on the State-owned parcels for the construction of 120 units of affordable housing for formerly homeless individuals. The Successor Agency also received impact fees in the amount of $21.6 million from developers for the future development of 564 residential units including 155 affordable units at Transbay Blocks 6 and 7 and is recorded as additions – developer payments on the financial statements.

(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.

(Dollars in Thousands)

In July 2008, amended in November 2011 and later in July 2013, the Transportation Authority entered into a loan agreement with TIDA in the amount of $11.0 million for the repayment of costs related to the Yerba Buena Island (YBI) Interchange Improvement Project. Under the terms of the agreement, TIDA will repay the Transportation Authority for all project costs incurred by the Transportation Authority and accrued interest, less federal government reimbursements to the Transportation Authority. If the federal grant funds do not become available for some or all of the project costs, or if the federal agency disallows the Transportation Authority's reimbursement claims on some or all of the project costs, then TIDA bears the responsibility to repay the Transportation Authority for all costs incurred on the YBI Interchange Improvement Project for a total loan obligation amount not-to-exceed $18.8 million. The repayment to the Transportation Authority may be paid by TIDA in four annual installment payments on the earlier of 30 days after the first close of escrow for transfer of the Naval Station Treasure Island from TIDA to Treasure Island Community Development, LLC or December 31, 2014. Interest shall accrue on all outstanding unpaid project costs until TIDA and federal agencies fully reimburse the Transportation Authority for all costs related to the project. Interest will be compounded quarterly, at the City Treasurer's Pooled Investment Fund rate or the Transportation Authority's borrowing rate, whichever is applicable, beginning on the date of the Transportation Authority's reimbursement claim to Caltrans until the Transportation Authority costs and all accrued interest has been repaid.

This loan is collateralized by the senior security interest in TIDA's right, title and interest in and to 1) the rents accruing under the Sublease, Development, Marketing and Property Management Agreement between TIDA and The John Stewart Company, related to the subleasing of existing residential units at the Naval Station Treasure Island; and 2) any and all other TIDA revenue, except revenue prohibited by applicable laws from being used for this purpose or is necessary for repayment of the annual amount of TIDA's pre-existing Hetch Hetchy utility obligation under the Memorandum of Understanding (MOU) between TIDA and Hetch Hetchy.

As of June 30, 2014, TIDA has drawn down $10.1 million on the loan with the Transportation Authority and accrued $0.5 million in interest. At June 30, 2014, TIDA has the following payables to other City departments:

Payable to	Purpose	Current	Noncurrent	Total
SFCTA	YBI Loan Agreement	$ -	$ 10,606	$ 10,606
SFCTA	YBI expenses	348	-	348
Hetch Hetchy	Utility operations under MOU	200	628	828
Hetch Hetchy	Energy efficiency project	-	2,599	2,599
		$ 548	$ 13,833	$ 14,381

(14) Interfund Receivables, Payables, and Transfers

"Due to" and "due from" balances have primarily been recorded when funds overdraw their share of pooled cash or when there are transactions between entities where one or both entities do not participate in the City's pooled cash or when there are short-term loans between funds. The composition of interfund balances as of June 30, 2014 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 5,538
	San Francisco Water Enterprise	9
	Hetch Hetchy Water and Power Enterprise	4
	San Francisco Wastewater Enterprise	5
	Port of San Francisco	42
	Laguna Honda Hospital	6,913
		12,511
Nonmajor Governmental Funds	General Fund	249
	Nonmajor Governmental Funds	586
	Hetch Hetchy Water and Power Enterprise	4
	Internal Service Funds	2,502
	Municipal Transportation Agency	2,500
	Laguna Honda Hospital	32
		5,873
General Hospital Medical Center	Nonmajor Governmental Funds	155
Laguna Honda Hospital	Internal Service Funds	5
San Francisco Water Enterprise	General Fund	124
	Nonmajor Governmental Funds	136
		260
Hetch Hetchy Water and Power Enterprise	General Fund	328
	Nonmajor Governmental Funds	8,099
	Port of San Francisco	276
	General Hospital Medical Center	946
	San Francisco Wastewater Enterprise	1,768
		11,417
Municipal Transportation Agency	Nonmajor Governmental Funds	6,286
San Francisco Wastewater Enterprise	Nonmajor Governmental Funds	110
Total		$ 36,617

In addition to routine short-term loans, Hetch Hetchy serves as the City's agency for energy efficiency projects and maintains the Sustainable Energy Account to sponsor and financially support such projects at various City departments. In this role, Hetch Hetchy may secure low-interest financing to supplement funds available in the SEA fund. At June 30, 2014, Hetch Hetchy loaned $9.9 million to other City funds. Hetch Hetchy is also due $1.5 million from the Wastewater Enterprise for its share of costs relating to 525 Golden Gate Headquarters project for equipment.

The SFMTA has a receivable from nonmajor governmental fund of $6.3 million for capital and operating grants.

Due from component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 200	(1)
Primary government – Nonmajor Fund	Component unit – TIDA	348	(1)
Primary government – General Fund	Successor Agency	878	(2)
Primary government – Nonmajor Fund	Successor Agency	197	(2)

Advance to component units:

Receivable Entity	Payable Entity	Amount	
Hetch Hetchy Water and Power Enterprise	Component unit – TIDA	$ 3,227	(1)
Primary government – Nonmajor Fund	Component unit – TIDA	10,606	(1)
Primary government – General Fund	Successor Agency	21,670	(2)

(1) See discussion at Note 13.
(2) See discussion at Note 12(b) related to the Due to/Advances from the Primary Government.

Transfers Out:	Transfers In: Funds										
Funds	General Fund	Nonmajor Govern-mental	Internal Service Funds	Water Enterprise	Hetch Hetchy Water and Power Enterprise	Municipal Transporta-tion Agency	San Francisco General Hospital Medical Center	Wastewater Enterprise	Port of San Francisco	Laguna Honda Hospital	Total
General Fund	$ -	$ 247,075	$ 1,242	$ 4	$ -	$ 311,255	$ 121,407	$ -	$ 720	$ 39,103	$ 720,806
Nonmajor governmental funds	11,676	66,949	-	1,700	-	47,092	-	51	27,022	-	154,490
Internal Service Funds	178	-	-	-	-	-	-	-	-	-	178
San Francisco International Airport	37,994	-	-	-	-	-	-	-	-	-	37,994
Water Enterprise	-	1,299	-	-	-	-	-	-	-	-	1,299
Hetch Hetchy Water and Power Enterprise	-	32	-	-	-	6	-	-	-	-	38
Municipal Transportation Agency	335	4,248	-	-	-	-	-	-	-	-	4,583
San Francisco General Hospital Medical Center	166,147	-	-	-	-	-	-	-	-	103	166,250
Wastewater Enterprise	-	32	-	-	-	-	-	-	-	-	32
Port of San Francisco	-	27,199	-	-	-	-	-	-	-	-	27,199
Laguna Honda Hospital	119	-	-	-	-	-	-	-	-	-	119
Governmental Activites	-	-	-	310	368	-	-	-	-	-	678
Total transfers out	$ 216,449	$ 346,834	$ 1,242	$ 2,014	$ 368	$ 358,353	$ 121,407	$ 51	$ 27,742	$ 39,206	$ 1,113,666

The $720.8 million General Fund transfer out includes a total of $471.8 million in operating subsidies to Municipal Transportation Agency, San Francisco General Hospital Medical Center (SFGH), and Laguna Honda Hospital (note 11). The transfer of $247.1 million from the General Fund to the nonmajor governmental funds is to provide support to various City programs such as the Public Library and Children and Families Funds, as well as to provide resources for the payment of debt service. The transfers between the nonmajor governmental funds are to provide support for various City programs and to provide resources for the payment of debt service.

In connection with a memorandum of understanding, the General Fund reimbursed the Port $0.7 million for certain lost revenues (payment in lieu of rents) during the America's Cup events. Also, Port received $27.0 million, which represents the amount of commercial paper draws used to fund the expenditures incurred to date on authorized Port projects and related costs. COP proceeds of $27.2 million were used by the Port to repay the City commercial paper program and related fees.

San Francisco International Airport transferred $38.0 million to the General Fund, representing a portion of concession revenues (note 11(a)). The General Fund received transfers in of $139.0 million from SFGH for the Safety Net Care Pool (SNCP) and Delivery System Reform Incentive Program intergovernmental transfers matching program reimbursement, $5.1 million for Low Income Health Program reimbursement for Primary Care clinics, $19.9 million for Healthy San Francisco reimbursement, $0.7 million for Child Health Initiative reimbursement, and $1.4 million for interest earned by the San Francisco General Fund but credited to the General Fund (note 11(g)).

SFMTA received $47.1 million transfers, of which $31.2 million was for capital activities and $12.4 million was for operating activities from nonmajor governmental funds. Nonmajor governmental funds also transferred $3.5 million to SFMTA to fund various street improvement projects and in turn the SFMTA transferred $4.2 million to pay for various street improvement projects.

The Water Enterprise received $1.7 million from transfers in, of which $1.3 million for partial payment of the 17th and Folsom property with the remaining balance of $1.0 million will be paid over a period of four years and $0.4 million from the San Francisco Recreation and Parks Department for the Lake Merced boat house renovation. On the other hand, the Water Enterprise transferred $1.3 million to the San Francisco Recreation and Parks Department and Public Health Department for landscape and irrigation project and Hetch Hetchy Water and Power Enterprise transferred $32 to a nonmajor special revenue fund for the City Surety Bond Program.

Internal Service Funds received $1.2 million from General Fund for the Systems Recovery Project. Governmental Activities transferred equipment with a book value of $310 and $368 to the Water Enterprise and the Hetch Hetchy Water and Power Enterprise, respectively.

(15) COMMITMENTS AND CONTINGENT LIABILITIES

(a) Grants and Subventions

Receipts from federal and state grants and other similar programs are subject to audit to determine if the monies were expended in accordance with appropriate statutes, grant terms and regulations. The City believes that the Airport subsequent to an initial audit by the U.S. Department of Transportation Office of Inspector General Office of Investigations began and is continuing a review of the American Recovery and Reinvestment Act and other Airport and Improvement grants received by the Airport and has to date identified approximately $1.0 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

(b) Operating Leases

The City has noncancelable operating leases for certain buildings and data processing equipment, which require the following minimum annual payments (in thousands):

Primary Government

Governmental Activities

Fiscal Years		
2015	$	28,592
2016		24,730
2017		23,249
2018		19,224
2019		12,205
2020-2014		29,321
	$	137,321

Operating leases expense incurred for fiscal year 2013-14 was approximately $28.3 million.

(Dollars in Thousands)

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	Municipal Transportation Agency	Total Business-type Activities
2015..............	$ 146	$ 2,879	$ 12,981	$ 16,006
2016..............	-	2,813	12,081	14,894
2017..............	-	2,720	11,976	14,696
2018..............	-	2,720	12,241	14,961
2019..............	-	2,720	12,668	15,388
2020-2024.......	-	13,601	66,263	79,864
2025-2029.......	-	13,601	75,296	88,897
2030-2034.......	-	13,601	83,638	97,239
2035-2039.......	-	13,601	79,748	93,349
2040-2044.......	-	13,601	-	13,601
2045-2049.......	-	13,601	-	13,601
2050..............	-	227	-	227
Total..............	$ 146	$ 95,685	$ 366,892	$ 462,723

Operating lease expense incurred for the Airport, Port, and SFMTA for fiscal year 2013-14 was $0.2 million, $2.9 million, and $13.9 million, respectively.

Several City departments lease land and various facilities to tenants and concessionaires who will provide the following minimum annual payments:

Primary Government

Governmental Activities

Fiscal Years	
2015..........	$ 2,564
2016..........	2,462
2017..........	2,366
2018..........	1,715
2019..........	684
2020-2024..	1,665
2025-2029..	600
2030-2034..	150
Total..........	$ 12,206

Business-type Activities

Fiscal Years	San Francisco International Airport	Port of San Francisco	San Francisco General Hospital	Municipal Transportation Agency	Total Business-type Activities
2015............	$ 90,789	$ 40,485	$ 1,321	$ 3,257	$ 135,852
2016............	87,717	34,847	1,361	2,187	126,112
2017............	84,480	27,414	1,402	1,669	114,965
2018............	67,978	24,493	1,444	1,512	95,427
2019............	47,722	22,355	1,487	1,329	72,893
2020-2024.....	-	96,528	8,133	7,244	111,905
2025-2029.....	-	74,615	-	6,288	80,903
2030-2034.....	-	68,426	-	6,250	74,676
2035-2039.....	-	50,215	-	6,250	56,465
2040-2044.....	-	36,598	-	6,250	42,848
2045-2049.....	-	30,591	-	6,250	36,841
2050-2054.....	-	17,098	-	6,250	23,348
2055-2059.....	-	16,273	-	2,083	18,356
2060-2064.....	-	11,944	-	-	11,944
2065-2069.....	-	7,021	-	-	7,021
2070-2074.....	-	4,522	-	-	4,522
2075-2079.....	-	1,214	-	-	1,214
Total............	$ 378,686	$ 564,639	$ 15,148	$ 56,819	$ 1,015,292

The Airport and Port have certain rental agreements with concessionaires, which specify that rental payments are to be based on a percentage of tenant sales, subject to a minimum amount. Concession percentage rents in excess of minimum guarantees for the Airport and Port were approximately $25.2 million and $17.5 million, respectively, in fiscal year 2013-14. A new five-year car rental lease agreement option was exercised effective January 1, 2014. Under this agreement the rental car companies will pay 10% of gross revenues or a minimum guaranteed rent whichever is higher; also in accordance with the terms of their concession agreement, the minimum annual guarantee (MAG) for the rental car operators does not apply if the actual enplanements achieved during a one-month period is less than 80% of the actual enplanements of the same reference month in the reference year, and such shortfall continues for three consecutive months. The MAG attributable to the rental car companies was approximately $41.5 million for fiscal year 2013-14.

Other Commitments

The Retirement System has commitments to contribute capital for real estate and alternative investments in the aggregate amount of approximately $1.7 billion at June 30, 2014.

In February 2011, the Asian Art Museum Foundation (Foundation) entered into an agreement with JP Morgan Chase Bank to refinance its obligations of $97.0 million. To facilitate the refinancing, the City entered into an assurance agreement which, in the event of nonpayment by the Foundation, requires the City to seek an appropriation to make debt payments as they become due. Since the City has not legally guaranteed the debt, and the City believes that the likelihood of nonpayment by the Foundation is remote, no amount is recorded in the City's financial statements related to this agreement.

(Dollars in Thousands)

(16) RISK MANAGEMENT

Risk Retention Program Description

The City is exposed to various risks of losses related to torts, theft of, damage to, and destruction of assets; business interruption; errors and omissions; automobile liability and accident claims (primarily for SFMTA); medical malpractice; natural disasters; employee health benefit claim payments for direct provider care (collectively referred to herein as estimated claims payable); and injuries to employees (workers' compensation). With certain exceptions, it is the policy of the City not to purchase commercial insurance for the risks of losses to which it is exposed. Instead, the City believes it is more economical to manage its risks internally and set aside funds as needed for estimated current claim settlements and unfavorable judgments through annual appropriations and supplemental appropriations.

The Airport carries general liability insurance coverage of $1.0 billion, subject to a deductible of $10 per single occurrence and commercial property insurance coverage for full replacement value on all facilities at the Airport owned by the Airport, subject to a deductible of $500 per single occurrence. The Airport carries public officials liability and employment practices liability coverage of $5.0 million, subject to a deductible of $100 per single occurrence for each wrongful act other than employment practices' violations, and $250 per each occurrence for each employment practices' violation. The Airport also carries insurance for public employee dishonesty, fine arts, electronic data processing equipment and watercraft liability for Airport fire and rescue vessels. The Airport has no liability insurance coverage for losses due to land movement or seismic activity, war, terrorism and hijacking.

The Port carries the following insurance: 1) marine general liability coverage of $100.0 million, subject to a deductible of $100 per occurrence; 2) hull and machinery liability coverage of $3.5 million, subject to a deductible of $100 per occurrence; 3) commercial property insurance for losses up to the insured appraised value of Port facilities, subject to a maximum of $1.0 billion and a deductible of $750 per occurrence; and 4) public officials and employee liability coverage of $5.0 million, subject to a deductible of $50 per occurrence. The Port also carries insurance coverage for employee dishonesty, auto liability, property damage for certain high value Port vehicles, water pollution, and data processing equipment. Tenants whose operations pose a significant environment risk are also required to post an environmental oversight deposit and an environmental performance deposit.

The SFMTA risk treatment program encompasses both self-insured and insured methods. Insurance purchase is generally coordinated through the City's Risk Management Division, and in some specific cases, directly by the agency. Self-insurance is when the City manages risks internally and administers, adjusts, settles, defends, and pays claims from budgeted resources, i.e., pay-as-you-go. SFMTA's general policy is to first evaluate self-insurance for the risks of loss to which it is exposed. When economically more viable or when required by debt financing covenants, SFMTA purchases insurance as necessary or required.

Risks	Coverage
a. General/Transit Liability	Self-Insure
b. Property	Self-Insure and Purchase Insurance
c. Workers' Compensation	Self-Insure
d. Employee (Transit Operators)	Purchase Insurance
e. Directors and Officers	Purchase Insurance

The SFMTA is self-insured on general liability. Through coordination with the Controller and City Attorney's Office, the SFMTA general liability payments are addressed through pay-as-you-go funding as part of the budgetary process as well as a reserve that is increased each year by approximately $4.0 million. As of June 30, 2014, the reserve was $15.4 million. Claim liabilities are actuarially determined anticipated claims and projected timing of disbursement, considering recent claim settlement trends, inflation, and other economic social factors.

The SFMTA purchases property insurance on scheduled facilities, Breda light rail cars, and personal property. Also, insurance is purchased for scheduled City parking garages covering blanket property and business interruptions. Damages to facilities and property outside of the specified schedules are self-insured. SFMTA has purchased group life insurance and a Group Felonious Assault Coverage Insurance on transit operators per a Memorandum of Understanding with the Transport Workers' Union and has purchased insurance to cover errors and omissions of its board members and senior management.

Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Expenditures and liabilities for all workers' compensation claims and other estimated claims payable are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount. Claim liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other legal and economic factors. The recorded liabilities have not been discounted.

Estimated Claims Payable

Numerous lawsuits related to the governmental fund types are pending or threatened against the City. The City's liability as of June 30, 2014 has been actuarially determined and includes an estimate of incurred but not reported losses and allocated loss adjustment expenses.

Changes in the reported estimated claims payable since June 30, 2012, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
2012-2013	$ 169,387	$ 36,851	$ (31,656)	$ 174,582
2013-2014	174,582	121,586	(49,109)	247,059

Breakdown of the estimated claims payable at June 30, 2014 is follows:

Governmental activities:	
Current portion of estimated claims payables	$ 48,932
Long-term portion of estimated claims payables	106,919
Total	$ 155,851
Business-type activities:	
Current portion of estimated claims payables	$ 39,491
Long-term portion of estimated claims payables	51,717
Total	$ 91,208

Workers' Compensation

The City self-insures for workers' compensation coverage. The City's liability as of June 30, 2014 has been actuarially determined and includes an estimate of incurred but not reported losses. The total amount estimated to be payable for claims incurred as of June 30, 2014 was $383.9 million which is reported in the appropriate individual funds in accordance with the City's accounting policies.

(Dollars in Thousands)

Changes in the reported accrued workers' compensation since June 30, 2012, resulted from the following activity:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Ending Fiscal Year Liability
2012-2013	$ 370,884	$ 76,308	$ (69,416)	$ 377,776
2013-2014	377,776	78,663	(72,563)	383,876

Breakdown of the accrued workers' compensation liability at June 30, 2014 is as follows:

Governmental activities:	
Current portion of accrued workers' compensation liability.....................	$ 37,467
Long-term portion of accrued workers' compensation liability................	185,280
Total..	$ 222,747
Business-type activities:	
Current portion of accrued workers' compensation liability.....................	$ 25,774
Long-term portion of accrued workers' compensation liability................	135,355
Total..	$ 161,129

(17) SUBSEQUENT EVENTS

(a) Long-term Debt Issuance

The Series 2014 Revenue Bonds will be issued by the San Francisco Municipal Transportation Agency (SFMTA) with the U.S. Bank as trustee as approved by the SFMTA Board and concurred by the Board of Supervisors under resolution adopted on September 24, 2013. The total Series 2014 Bonds will result in project funding of $75.0 million and are being issued (a) to finance a portion of the costs of various capital projects for SFMTA; (b) to make a deposit to the Series 2014 Reserve Account of the Reserve Fund established under the Indenture for the Series 2014 Bonds; and (c) to pay a portion of the costs of issuance of the Series 2014 Bonds.

In July 2014, the City issued $17.1 million taxable and $41.4 million tax-exempt commercial paper (CP) to refund maturing $12.6 million taxable and $28.2 million tax-exempt CP and to provide $17.5 million interim funding for the War Memorial Veterans Building Seismic Retrofit project. The taxable notes bear interest rates at 0.13% and the tax-exempt CP at 0.08% and 0.07%. The taxable and tax-exempt notes are scheduled to mature on November 5, 2014.

In August 2014, the City issued $8.2 million tax-exempt CP to provide $4.8 million and $3.4 million interim funding for the Moscone Expansion project and acquisition of real property at 900 Innes Avenue, respectively. The notes bear interest rates at 0.08% and scheduled to mature on November 5, 2014.

In August 2014, the City has requested an extension on the stated expiration date of the irrevocable direct pay letter of credits related to the Series 2008-1 Bonds and 2008-2 Bonds until October 2014 for the City and County of San Francisco Finance Corporation (Corporation). Subsequently the Corporation adopted an ordinance approving the amended and restated reimbursement agreements with State Street Bank and Trust Company for 2008-01 Bonds and 2008-2 Bonds, respectively. The agreements are effective as of October 8, 2014 and the stated expiration date is October 7, 2019 or such later date or dates as may be extended.

In September 2014, the Airport issued its Second Series Revenue Bonds, Series 2014A/B in the aggregate principal amount of $473.6 million to finance and refinance (through the repayment of subordinate commercial paper notes) a portion of the Airport's Capital Plan. The Series 2014A/B Bonds are uninsured long-term fixed-rate bonds maturing between 2039 and 2044 with an interest rate of 5.0%.

In October 2014, the City issued $4.0 million taxable and $12.3 million tax-exempt CP to provide funding for the War Memorial Veterans Building Seismic Retrofit project. The taxable notes bear interest rates at 0.10% and the tax-exempt notes at 0.06% and are all scheduled to mature on November 5, 2014.

In October 2014, the City issued General Obligation Bonds Series 2014C (Earthquake Safety and Emergency Response) in the amount of $55.0 million and Series 2014D (Earthquake Safety and Emergency Response) in the amount of $100.7 million. Both series bear interest rates ranging from 2.0% to 5.0% and mature from June 2015 through June 2034. The proceeds of the Series 2014C and 2014D bonds will be used to finance improvements to earthquake safety and emergency responsiveness facilities and infrastructures and to pay certain costs related to the issuance of the respective series.

In November 2014, the City issued $57.5 million tax-exempt and $22.4 million taxable commercial paper (CP) to refund maturing $53.7 million tax-exempt and $21.1 million taxable CP and to provide $5.1 million interim financing for the War Memorial Veterans Building Seismic Retrofit project. The tax-exempt and taxable CP are scheduled to mature on February 4, 2015 and bear interest rates of 0.05% and 0.13% respectively. In addition, the City issued $17.7 million tax-exempt CP to refinance $8.2 million maturing CP and provide $9.4 million interim funding for the Moscone Expansion District project. The CP bears interest rates of 0.06% and 0.08% and scheduled to mature on January 7, 2015 and February 2, 2015, respectively.

(b) Credit Rating Changes

During fiscal year 2014, Moody's upgraded the credit rating of National Public Finance Guarantee Corporation, the reinsurer of swap insurance for the interest rate swaps associated with the Airport's Second Series Variable Rate Revenue Refunding Bonds, Issues 36AB, from "Baa1" to "A3" with a "Stable" outlook. The outlook was subsequently changed to "negative" on July 2, 2014.

(c) Post-Issuance Compliance with Federal Tax Law

The Airport follows certain federal tax law post-issuance compliance procedures that are intended to ensure that proceeds of its tax-exempt bonds are invested and expended consistent with applicable federal tax law, including the Internal Revenue Code of 1986 (Code), the Regulations promulgated thereunder, and other applicable guidance from the U.S. Treasury Department and the Internal Revenue Service (IRS). As a result, the Airport from time to time identifies and addresses relatively minor tax law compliance issues. As part of its tax diligence procedures, the Airport determined in August 2012 that small portions of the proceeds of a number of outstanding series of bonds were applied for purposes that present tax law compliance issues. In particular, a small portion of the Airport's passenger terminal facilities financed from proceeds of those bonds (less than 0.1%) were used for retail locations where wine was sold for consumption off-Airport. Such uses of proceeds are prohibited by the Code. If not addressed with the IRS, the failure to observe such limitation could cause the interest on such bonds to be includable in gross income for federal income tax purposes retroactively to the date of their issuance. In November 2013, the Airport finalized a closing agreement with the IRS under its Tax Exempt Bond Voluntary Closing Agreement Program ("VCAP") with respect to the Airport's Series 2009 C/D Bonds pursuant to which the Airport made a payment to the IRS of approximately $5 and retired a small portion ($200) of the Series 2009D Bonds allocable to such use of bond proceeds. In September 2014, the Airport approved and expects to execute in the near future, a second closing agreement with the IRS with respect to the other bonds affected by this compliance issue, pursuant to which the Airport will make a payment to the IRS of approximately $67 and retire $1.1 million of the Airports Series 2010A Bonds.

(d) Audit of FAA Grants
In 2013, the Airport resolved an initial audit by the U.S. Department of Transportation (DOT) Office of Inspector General (OIG) of two ARRA grants totaling $14.5 million for runway improvements. The Airport resolved the audit by repaying approximately $0.9 million of grant funds and voluntarily reduced other AIP grant reimbursement requests by $1.2 million. Subsequent to the initial audit, the DOT OIG Office of Investigations began and is continuing a review of the ARRA and other AIP grants received by the Airport and have identified approximately $1.0 million of additional non-qualifying expenditures that the Airport will repay. The review and audit with respect to these and other grants continues and the Airport may need to repay additional grant amounts it has received.

(e) Jurisdictional Transfer of the Francisco Reservoir Tract to the San Francisco Recreation and Parks
In July 2014, Board of Supervisors approved the jurisdictional transfer of the Francisco Reservoir Tract located in San Francisco at fair market value of $9.9 million from the San Francisco Public Utilities Commission (SFPUC) to the San Francisco Recreation and Parks Department (SFRPD). The Francisco Reservoir Tract is included in property that the City purchased from the Spring Valley Water Company in 1930 for the Water Enterprise. The Memorandum of Understanding (MOU) provides that SFRPD shall pay the appraised fair market value of $9.9 million to the SFPUC in installments over 12 years, together with interest on the unpaid principal balance. SFRPD shall take possession of the Francisco Reservoir Tract upon full approval of the MOU by the Board of Supervisors and the Mayor and after the initial installment payment to the SFPUC. However, SFPUC shall not transfer jurisdiction over the Francisco Reservoir Tract until after SFRPD makes its final principal payment and all outstanding interest. Commencement date is September 30, 2014, or within 30 days after the Board of Supervisors and the Mayor approve the MOU, whichever is later. Initial installment payment plus accrued interest of $219 was received on September 29, 2014.

(f) Mandatory Restrictions on Retail Outdoor Irrigation as Required by the State Water Resources Control Board
In July 2014, the State Water Resources Control Board adopted drought emergency regulations, which require urban water utilities to impose mandatory restrictions on irrigation of ornamental landscapes and turf with potable water. It further provided for fines of up to five hundred dollars for certain water waste activity and required that agencies implement plans to reduce wasteful outdoor water use. In August 2014, SFPUC approved the 10 percent mandatory outdoor irrigation reduction for turf and ornamental plants for the period October 1, 2014 through June 30, 2015. Excess use charges were adopted and the procedures for administering those charges applied to approximately 1,600 customers with dedicated irrigation accounts using potable water - about half of which are municipal agencies retail potable water irrigation accounts. This action represents the first charges for excess water use in the City since 1988.

(g) Elections
On November 4, 2014 the San Francisco voters approved the following propositions that will have a fiscal impact on the City:

Proposition A – An ordinance that would allow the City to borrow up to $500.0 million by issuing general obligation bonds to implement many of the infrastructure repairs and improvements identified by the Transportation Task Force.

Proposition B – A Charter amendment that would require the City to increase the Base Amount provided to the San Francisco Municipal Transportation Agency (SFMTA) by a percentage equal to the City's annual population increase, taking into account daytime and nighttime populations, as determined by the Controller's Office. In 2015, the City would increase the Base Amount based on population increases over the previous ten years. In future years, the City would increase the Base Amount based on population increases over the previous year. Proposition B would also require the SFMTA to use 75% of any population-based increases in the Base Amount to improve Muni's reliability, frequency of service, and capacity to pay for Muni repairs. The other 25% would be used for capital

expenditures to improve street safety. Proposition B would also authorize the Mayor to discontinue the Base Amount increases required by this measure if the voters enact a vehicle license fee in the future.

The amendment would set aside funds for transit system improvement and capital expenditures that would otherwise be available for any public purpose. The amendment does not identify new revenue sources for this set-aside and other City spending would therefore have to be reduced or new sources of funding identified to maintain current service levels. This charter amendment is not in compliance with a non-binding, voter approved City policy which states that any new set-aside shall identify adequate new revenue sources to cover its cost and shall expire after ten years.

Proposition C – A Charter amendment that would change the way the City funds and administers services to children, youth, and their families.

Children's Fund – Proposition C would extend the Children's Fund and the property tax set-aside for 25 years, until June 30, 2041. Proposition C would increase the property tax set-aside gradually over the next four years to 4 cents for each $100 of assessed property value. Proposition C would not increase or otherwise change property taxes; it would only affect the amount of property tax revenues set aside for the Fund. Proposition C would also extend the age group served by the Children's Fund to include youth aged 18 through 24 years old.

Public Education Enrichment Fund – Proposition C would extend Public Education Enrichment Fund (PEEF) for 26 years, until June 30, 2041. It would also extend funding for universal pre-school to include 3-, 4- and 5-year-olds, but would still give priority to 4-year-olds. The City could also use these funds to develop services for children from birth to 3 years old.

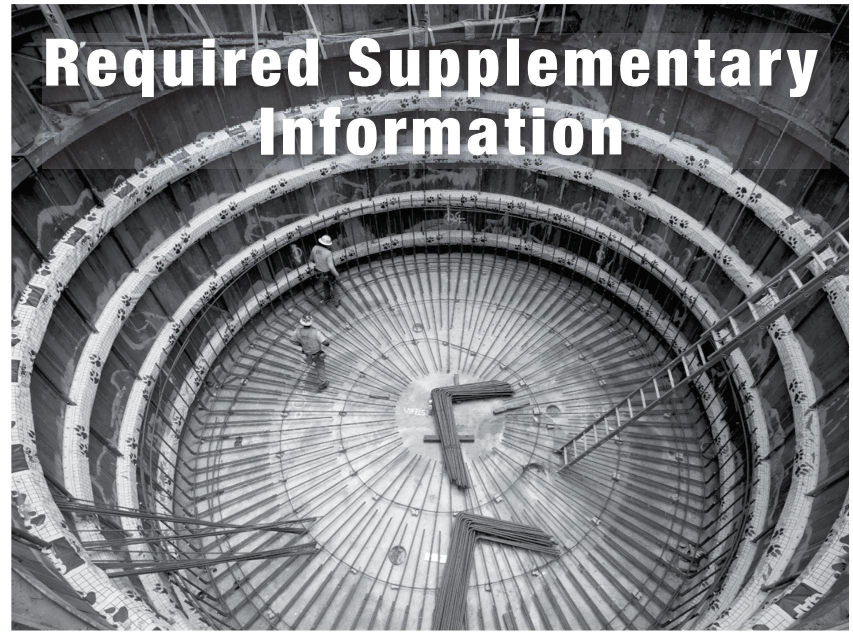
Our Children, Our Families Council – Proposition C would create an Our Children, Our Families Council (Council) to advise the City and School District on the needs of children and families in San Francisco and on priorities, goals, and best practices for addressing those needs.

Rainy Day Reserve - Proposition C would divide the existing Rainy Day Reserve into a City Rainy Day Reserve (City Reserve) and a School Rainy Day Reserve (School Reserve). Under the amendment, 25% of the future Rainy Day deposits would go the School Reserve and 75% would go to the City Reserve. Under Proposition C, the School District could withdraw up to half the money in School Reserve in years when it expects to collect less money per student than in the previous fiscal year and would have to lay off a significant number of employees. The School Board could, by a two-thirds' vote, override those limits and withdraw any amount in the School Reserve in any year.

The amendment does not identify new revenue sources for this set-aside and other City spending would therefore have to be reduced or new sources of funding identified to maintain current service levels. This Charter amendment is not in compliance with a non-binding, voter adopted City policy which states that any set-aside shall identify adequate new revenue sources to cover its costs and shall expire after ten years.

Proposition D – A Charter amendment that would grant certain former Redevelopment Agency and Successor Agency employees the same health benefits as City employees hired during the same period. Under Proposition D, employees who started working for the Redevelopment Agency before January 10, 2009, and later started working for the City between February 1, 2012 and February 28, 2015, without a break in service, would be eligible for full retiree health care coverage after five years of employment with the City, the Redevelopment Agency, and/or the Successor Agency combined. For employees who started working for the Redevelopment Agency between January 10, 2009 and August 31, 2010, and later started working for the City between February 1, 2012, and February 28, 2015, without a break in service, Proposition D would credit the employees' years working for the former Redevelopment Agency and the Successor Agency toward the 20-year vesting period for retiree health care benefits. Under Proposition D, employees who started working for the Redevelopment Agency before January 10, 2009 and then started working for the City before March 1, 2015 without a break in service would pay 0.25% of compensation into the Retiree Health Care Trust Fund after July 1, 2016, increasing to 1% of compensation after July 1, 2019, rather than 2% of compensation.

Proposition J – An ordinance that would increase the minimum wage to $15.00 per hour by July 1, 2018 with further increases based on inflation. The ordinance would increase the minimum wage for employees who perform work in San Francisco as follow: 1) on May 1, 2015, the minimum wage would increase to $12.25 per hour; 2) on July 1, 2016 the minimum wage would increase to $13.00 per hour; 3) on July 1, 2017, the minimum wage would increase to $14.00 per hour; 4) on July 1, 2018, the minimum wage would increase to $15.00 per hour; and 5) beginning July 1, 2019, the minimum wage would increase annually based on inflation. Proposition J would apply to City employees and to employees of the In-Home Support Services Public Authority. Two types of employees would receive a limited increase: employees under the age of 18 working in a government-subsidized training or apprenticeship program; and employees over age 55 working for non-profits that provide social welfare services and whose positions are government-subsidized. These employees would receive a minimum wage of $12.25 per hour starting on May 1, 2015 with annual increases starting on July 1, 2016 based on inflation.



One of many new cisterns under construction. The new cisterns will enhance firefighting capacity throughout San Francisco.

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (Unaudited)
June 30, 2014
(Dollars in Thousands)

The schedules of funding progress presented below provide consolidated snapshots of the entity's ability to meet current and future liabilities with plan assets. Of particular interest to most is the funded status ratio. This ratio conveys a plan's level of assets to liabilities, an important indicator to determine the financial health of the pension or OPEB plans. The closer the plan is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

Employees' Retirement System – Pension Plan [(1)]

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	O/UAAL as a % of Covered Payroll
07/01/11	$ 16,313,120	$ 18,598,728	$ (2,285,608)	87.7%	$ 2,360,413	96.8%
07/01/12	16,027,683	19,393,854	(3,366,171)	82.6%	2,393,842	140.6%
07/01/13	16,303,397	20,224,777	(3,921,380)	80.6%	2,535,963	154.6%

(1) The July 1, 2012 valuation results incorporate the following significant assumption changes from the previous valuation:

- Investment Rate of Return Assumption – phase-in reduction from 7.75% to 7.50% over three years (fiscal year 2011-12 to 7.66%; fiscal year 2012-13 to 7.58%; and fiscal year 2013-14 to 7.50%)
- Wage inflation Assumption – phase in reduction from 4.00% to 3.75% over three years (fiscal year 2011-12 to 3.91%; fiscal year 2012-13 to 3.83%; fiscal year 2013-14 to 3.75%)
- Long-term Consumer Price Index Assumption – phase in reduction from 3.50% to 3.25% over three years (fiscal year 2011-12 to 3.41%; fiscal year 2012-13 to 3.33%; fiscal year 2013-14 to 3.25%)

Experience losses related to changes in economic and demographic assumptions and the recognition of investment losses from fiscal year 2008-09 over five years contributed to the $1.08 billion increase in UAAL from July 1, 2011.

In January 2014, the Retirement Board adopted to use the same assumptions from the July 1, 2012 actuarial valuation, instead of continuing the three-year phase-in of actuarial assumptions, in the July 1, 2013 actuarial valuation. The assumed investment rate of return remained at 7.58%, wage inflation at 3.83%, and price inflation at 3.33%. As of July 1, 2013, the most recent actuarial valuation date, the Pension Plan's UAAL increased by $0.6 billion. The primary cause of this increase is the smoothing of investment losses from the year ended June 30, 2009 that are being recognized over five years, which mitigates the impact of investment performance volatility on employer contribution rates.

California Public Employees' Retirement System – Pension Plan (Safety Members)

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/11	$ 788,580	$ 836,171	$ (47,591)	94.3%	$ 105,575	45.1%
06/30/12	834,822	892,396	(57,574)	93.5%	104,239	55.2%
06/30/13	785,150	962,208	(177,058)	81.6%	108,070	163.8%

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (Unaudited) (continued)
June 30, 2014
(Dollars in Thousands)

Schedule of Funding Progress – City and County of San Francisco – Other Postemployment Health Care Benefits

Actuarial Valuation Date	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/08	$ -	$ 4,364,273	$ (4,364,273)	0.0%	$ 2,296,336	190.1%
07/01/10[(1)]	-	4,420,146	(4,420,146)	0.0%	2,393,930	184.6%
07/01/12	17,852	3,997,762	(3,979,910)	0.4%	2,457,633	161.9%

(1) As of July 1, 2010, the City set-aside approximately $3.2 million in assets for the OPEB plan. However, the Retiree Health Care Trust Fund was not established until December 2010.

Schedule of Employer Contributions – City and County of San Francisco – Other Postemployment Health Care Benefits

Year ended June 30,	Annual Required Contribution	Percentage Contributed
2012	$ 397,862	39.2%
2013	408,735	39.2%
2014	341,377	48.8%

Schedule of Funding Progress – San Francisco County Transportation Authority – Other Postemployment Health Care Benefits

Actuarial Valuation Date [(1)]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
01/01/10	$ 173	$ 374	$ (201)	46.3%	$ 2,858	7.0%
06/30/11[(2)]	405	671	(266)	60.4%	3,251	8.2%
06/30/13	760	1,124	(364)	67.6%	3,253	11.2%

(1) The actuarial valuation report is conducted once every two years. The SFCTA's next valuation is scheduled to be performed in fiscal year 2014/2015.

(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, 2013.

CITY AND COUNTY OF SAN FRANCISCO

Required Supplementary Information –
Schedules of Funding Progress and Employer Contributions (Unaudited) (continued)
June 30, 2014
(Dollars in Thousands)

Schedule of Funding Progress – Successor Agency – Other Postemployment Health Care Benefits

Actuarial Valuation Date [1]	Actuarial Asset Value	Actuarial Accrued Liability (AAL) Entry Age	(Under) funded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
06/30/09	$ 493	$ 13,790	$ (13,297)	3.6%	$ 10,515	126.5%
06/30/11	1,856	14,390	(12,534)	12.9%	4,185	299.5%
06/30/13	2,154	11,378	(9,224)	18.9%	4,048	227.9%

(1) The actuarial valuation report is conducted once every two years.

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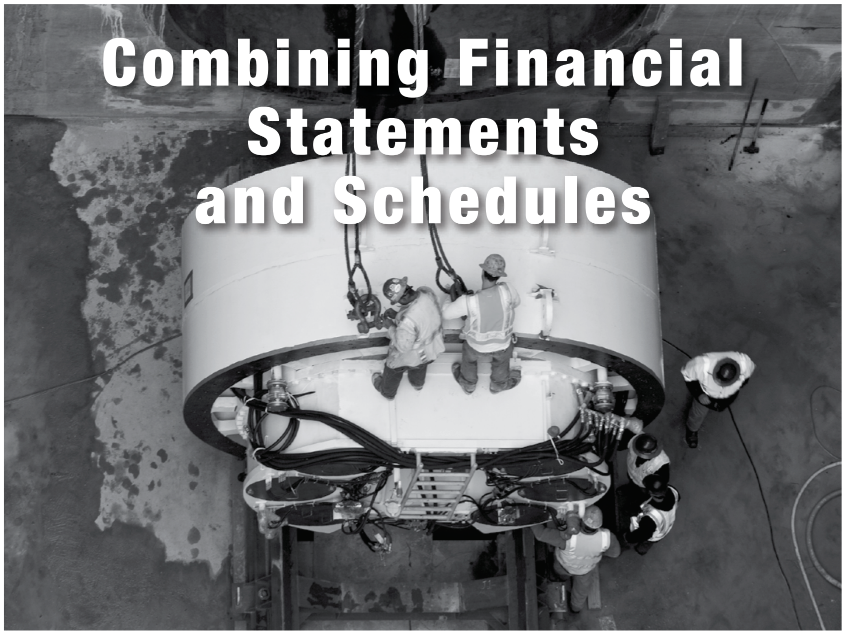

Bay Tunnel – Tunnel Boring Machine Assembly and Launch.

CITY AND COUNTY OF SAN FRANCISCO

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Building Inspection Fund – Accounts for the revenues and expenditures of the Bureau of Building Inspection which provides enforcement and implementation of laws regulating the use, occupancy, location and maintenance of buildings. This fund shall be used by the Department of Building Inspection to defray the costs of the Bureau of Building Inspection in processing and reviewing permits applications and plans, filed inspections, code enforcement and reproduction of documents.

Children and Families Fund – Accounts for property tax revenues, tobacco tax funding from Proposition 10 and interest earnings designated by Charter provision. Monies in this fund are used as specified in the Charter and Proposition 10 to provide services to children less than eighteen years old, and to promote, support and improve the early development of children from the prenatal stage to five years of age.

Community/Neighborhood Development Fund – Accounts for various grants primarily from the Department of Housing and Urban Development including federal grants administered by the former Redevelopment Agency to provide for community development of rundown areas; to promote new housing, child care centers and public recreation areas; to provide a variety of social programs for the underprivileged and provide loans for various community development activities. This fund also includes proceeds from a bond issuance to benefit the Seismic Safety Loan Program which provides loans for seismic strengthening of privately-owned unreinforced masonry buildings in the City.

Community Health Services Fund – Accounts for state and federal grants used to promote public health and mental health programs.

Convention Facilities Fund – Accounts for operating revenues of the convention facilities: Moscone Center, Brooks Hall and Civic Auditorium. In addition to transfers for lease payments of the Moscone Center, this fund provides for operating costs of the various convention facilities and the San Francisco Convention and Visitors Bureau.

Court's Fund – Accounts for a portion of revenues from court filing fees that are specifically dedicated for Courthouse costs.

Culture and Recreation Fund – Accounts for revenues received from a variety of cultural and recreational funds such as Public Arts, Youth Arts and Yacht Harbor with revenues used for certain specified operating costs.

Environmental Protection Fund – Accounts for revenues received from state, federal and other sources for the preservation of the environment, recycling, and reduction of toxic waste from the City's waste stream.

Gasoline Tax Fund – Accounts for the subventions received from state gas taxes under the provision of the Streets and Highways Code and for operating transfers from other funds which are used for the same purposes. State subventions are restricted to uses related to local streets and highways, acquisitions of real property, construction and improvements, and maintenance and repairs.

General Services Fund – Accounts for the activities of several non-grant activities, generally established by administrative action.

Gift Fund – Accounts for certain cash gifts which have been accepted by the Board of Supervisors on behalf of the City and the operations of two smaller funds that cannot properly be grouped into the Gift Fund because of their specific terms. Disbursements are made by departments, boards and commissions in accordance with the purposes, if any, specified by the donor. Activities are controlled by project accounting procedures maintained by the Controller.

Golf Fund – Accounts for the revenue and expenditures related to the City's six golf courses.

Human Welfare Fund – Accounts for state and federal grants used to promote education and discourage domestic violence.

Low and Moderate Income Housing Asset Fund – Accounts for the former Redevelopment Agency's affordable housing assets upon its dissolution on January 31, 2012.

SPECIAL REVENUE FUNDS (Continued)

Open Space and Park Fund – Accounts for property tax revenues designated by Charter provision, interest earnings and miscellaneous service charges and gifts. Monies in this fund are used as specified in the Charter for acquisition and development of parks and open space parcels, for renovation of existing parks and recreation facilities, for maintenance of properties acquired and for after-school recreation programs.

Public Library Fund – Accounts for property tax revenues and interest earnings designated by Charter provision. Monies in this fund are to be expended or used exclusively by the library department to provide library services and materials and to operate library facilities.

Public Protection Fund – Accounts for grants received and revenues and expenditures of 21 special revenue funds including fingerprinting, vehicle theft crimes, peace officer training and other activities related to public protection.

Public Works, Transportation and Commerce Fund – Accounts for the revenues and expenditures of 13 special revenue funds including construction inspection, engineering inspection and other activities related to public works projects. In addition, the fund accounts for various grants from federal and state agencies expended for specific purposes, activities or facilities related to transportation and commerce.

Real Property Fund – Accounts for the lease revenue from real property purchased with the proceeds from certificates of participation. The lease revenue is used for operations and to pay for debt service of the certificates of participation. Sales and disposals of real property are also accounted for in this fund.

San Francisco County Transportation Authority Fund – Accounts for the proceeds of a one-half of one percent increase in local sales tax authorized by the voters for mass transit and other traffic and transportation purposes.

Senior Citizens' Program Fund – Accounts for grant revenues from the federal and state government to be used to promote the well-being of San Francisco senior citizens.

War Memorial Fund – Accounts for the costs of maintaining, operating and caring for the War Memorial buildings and grounds.

DEBT SERVICE FUNDS

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

General Obligation Bond Fund – Accounts for property taxes and other revenues, (including the tobacco settlement revenues in excess of the $100 million required to fund the Laguna Honda Hospital construction project) for periodic payment of interest and principal of general obligation bonds and related costs. Provisions are made in the general property tax levy for monies sufficient to meet these requirements in accordance with Article XIII of the State Constitution (Proposition 13).

Certificates of Participation (COP) Funds – Accounts for Base Rental payments from the various Special Revenue Funds and General Fund which provide for periodic payments of interest and principal. The COPs are being sold to provide funds to finance the acquisition of existing office buildings and certain improvements thereto, or the construction of City buildings such as the Courthouse, to be leased to the City for use of certain City departments as office space.

Other Bond Funds – Accounts for funds and debt service for the revolving fund loans operated and managed by the Mayor's Office of Community Development to assist with economic development efforts in low income neighborhoods (Facade Improvement Program) and for loans under the U.S. Department of Housing and Urban Development section 108 of the Housing and Community Development Act of 1974 (Fillmore Renaissance Center and Boys and Girls Club Hunters' Point Clubhouse) and the Asphalt Plant Expansion Loan.

CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources that are restricted, committed or assigned to expenditures for the acquisition of land or acquisition and construction of major facilities other than those financed in the proprietary fund types.

City Facilities Improvement Fund – Accounts for bond proceeds, capital lease financing, federal and local funds and transfers from other funds which are designated for various buildings and general improvements. Expenditures for acquisition and construction of public buildings and improvements are made in accordance with bond requirements and appropriation ordinances.

Earthquake Safety Improvement Fund – Accounts for bond proceeds, Federal/State grants and private gifts which are designated for earthquake facilities improvements to various City buildings and facilities. Expenditures for construction are made in accordance with bond requirements and grant regulations.

Fire Protection Systems Improvement Fund – Accounts for bond proceeds which are designated for improvements in fire protection facilities. Expenditures for construction are made in accordance with bond requirements.

Moscone Convention Center Fund – Accounts for proceeds from Moscone Convention Center Lease Revenue Bonds and transfers from the General Fund and Convention Facilities Special Revenue Fund. Expenditures are for construction of the George R. Moscone Convention Center and for related administrative costs.

Public Library Improvement Fund – Accounts for bond proceeds and private gifts which are designated for construction of public library facilities. Expenditures for construction are made in accordance with bond requirements and private funds agreements.

Recreation and Park Projects Fund – Accounts for bond proceeds, Federal and state grants, gifts and transfers from other funds which are designated for various recreation and park additions and development. Expenditures for acquisition and construction of recreation and park facilities are made in accordance with bond requirements and appropriation ordinances.

Street Improvement Fund – Accounts for gas tax subventions, bond fund proceeds and other revenues which are designated for general street improvements. Expenditures for land acquisition and construction of designated improvements are made in accordance with applicable state codes, City charter provisions and bond requirements.

PERMANENT FUND

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

Bequest Fund – Accounts for income and disbursements of bequests accepted by the City. Disbursements are made in accordance with terms of the bequests.

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Assets:					
Deposits and investments with City Treasury	$ 703,258	$ 107,312	$ 514,375	$ 7,678	$ 1,332,623
Deposits and investments outside City Treasury	24,770	31,046	10,175	-	65,991
Receivables					
Property taxes and penalties	4,279	5,949	-	-	10,228
Other local taxes	17,704	-	-	-	17,704
Federal and state grants and subventions	113,128	-	7,168	-	120,296
Charges for services	13,517	-	-	-	13,517
Interest and other	2,836	310	675	8	3,829
Due from other funds	3,138	-	2,735	-	5,873
Due from component unit	509	-	36	-	545
Advance to component unit	10,606	-	-	-	10,606
Loans receivable (net of allowance for uncollectible)	70,747	-	-	-	70,747
Other assets	13,638	-	-	-	13,638
Total assets	$ 978,130	$ 144,617	$ 535,164	$ 7,686	$ 1,665,597
Liabilities:					
Accounts payable	$ 83,787	$ 3	$ 67,927	$ 91	$ 151,808
Accrued payroll	22,661	-	2,520	-	25,181
Unearned grant and subvention revenue	8,216	-	104	13	8,333
Due to other funds	12,694	30	8,186	-	20,910
Unearned revenues and other liabilities	40,406	12,828	2,138	40	55,412
Bonds, loans, capital leases, and other payables	138,334	-	37,426	-	175,760
Total liabilities	306,098	12,861	118,301	144	437,404
Deferred inflows of resources	119,524	5,252	2,000	-	126,776
Fund balances:					
Nonspendable	441	-	-	-	441
Restricted	558,673	126,504	422,507	7,542	1,115,226
Assigned	50,733	-	-	-	50,733
Unassigned	(57,339)	-	(7,644)	-	(64,983)
Total fund balances	552,508	126,504	414,863	7,542	1,101,417
Total liabilities, deferred inflows of resources and fund balances	$ 978,130	$ 144,617	$ 535,164	$ 7,686	$ 1,665,597

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2014
(In Thousands)

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund Bequest Fund	Total Nonmajor Governmental Funds
Revenues:					
Property taxes	$ 130,445	$ 208,539	$ -	$ -	$ 338,984
Business taxes	510	-	-	-	510
Sales and use tax	93,931	-	-	-	93,931
Licenses, permits, and franchises	15,396	-	-	-	15,396
Fines, forfeitures, and penalties	7,941	15,203	-	-	23,144
Interest and investment income	7,527	1,431	4,790	64	13,812
Rents and concessions	63,473	733	152	853	65,211
Intergovernmental:					
Federal	201,779	-	8,853	-	210,632
State	106,312	801	4,745	-	111,858
Other	6,930	-	287	-	7,217
Charges for services	153,054	-	-	-	153,054
Other	107,283	3,734	14,048	98	125,163
Total revenues	894,581	230,441	32,875	1,015	1,158,912
Expenditures:					
Current:					
Public protection	75,658	-	-	-	75,658
Public works, transportation and commerce	153,756	-	-	-	153,756
Human welfare and neighborhood development	274,405	-	-	-	274,405
Community health	92,738	-	-	-	92,738
Culture and recreation	218,007	-	-	888	218,895
General administration and finance	43,642	-	-	-	43,642
General City responsibilities	28	-	-	-	28
Debt service:					
Principal retirement	-	190,266	-	-	190,266
Interest and other fiscal charges	1,966	116,579	597	-	119,142
Bond issuance costs	-	1,007	1,178	-	2,185
Capital outlay	-	-	449,726	-	449,726
Total expenditures	860,200	307,852	451,501	888	1,620,441
Excess (deficiency) of revenues over (under) expenditures	34,381	(77,411)	(418,626)	127	(461,529)
Other financing sources (uses):					
Transfers in	236,879	68,759	41,196	-	346,834
Transfers out	(110,292)	-	(44,190)	(8)	(154,490)
Issuance of bonds and loans:					
Face value of bonds issued	-	47,220	209,955	-	257,175
Face value of loans issued	8,735	-	-	-	8,735
Premium on issuance of bonds	-	3,265	16,508	-	19,773
Payment to refunded bond escrow agent	-	(49,055)	-	-	(49,055)
Other financing sources-capital leases	1,417	-	4,867	-	6,284
Total other financing sources (uses)	136,739	70,189	228,336	(8)	435,256
Net changes in fund balances	171,120	(7,222)	(190,290)	119	(26,273)
Fund balances at beginning of year	381,388	133,726	605,153	7,423	1,127,690
Fund balances at end of year	$ 552,508	$ 126,504	$ 414,863	$ 7,542	$ 1,101,417

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds
June 30, 2014
(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	$ 121,701	$ 75,800	$ 172,314	$ 27,904	$ 35,097	$ 17
Deposits and investments outside City Treasury	5	-	4,343	-	-	-
Receivables						
Property taxes and penalties	-	1,605	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	-	7,628	21,770	20,480	-	-
Charges for services	374	-	22	14	4,301	147
Interest and other	131	103	191	29	-	-
Due from other funds	-	-	2,870	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible)	256	-	70,045	-	-	-
Other assets	-	1,044	-	-	-	-
Total assets	$ 122,467	$ 86,180	$ 271,555	$ 48,427	$ 39,398	$ 164
Liabilities:						
Accounts payable	$ 1,593	$ 20,583	$ 11,823	$ 13,455	$ 1,150	$ 6
Accrued payroll	2,289	997	997	2,117	107	-
Unearned grant and subvention revenues	-	203	794	382	-	-
Due to other funds	-	-	-	648	-	-
Unearned revenues and other liabilities	20,401	3,407	226	782	1,420	-
Bonds, loans, capital leases, and other payables	-	-	3,126	-	-	-
Total liabilities	24,283	25,190	16,966	17,384	2,677	6
Deferred inflows of resources	256	7,244	75,871	9,092	-	-
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	97,928	53,746	175,865	21,951	36,721	158
Assigned	-	-	2,853	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	97,928	53,746	178,718	21,951	36,721	158
Total liabilities, deferred inflows of resources and fund balances	$ 122,467	$ 86,180	$ 271,555	$ 48,427	$ 39,398	$ 164

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2014
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Assets:						
Deposits and investments with City Treasury	$ 9,927	$ 973	$ 24,019	$ 15,686	$ 7,280	$ 2,885
Deposits and investments outside City Treasury	235	1,307	-	-	192	-
Receivables						
Property taxes and penalties	-	-	-	-	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	30	1,434	3,743	624	105	-
Charges for services	110	-	142	1,682	-	382
Interest and other	-	124	21	724	3	3
Due from other funds	-	202	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible)	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	$ 10,302	$ 4,040	$ 27,925	$ 18,716	$ 7,580	$ 3,270
Liabilities:						
Accounts payable	$ 1,607	$ 488	$ 3,843	$ 1,175	$ 133	$ 345
Accrued payroll	263	240	1,793	473	30	285
Unearned grant and subvention revenues	335	1,993	-	207	182	-
Due to other funds	-	-	-	-	-	-
Unearned revenues and other liabilities	4	-	-	125	-	-
Bonds, loans, capital leases, and other payables	-	-	-	-	-	-
Total liabilities	2,209	2,721	5,636	1,980	345	630
Deferred inflows of resources	14	689	-	612	64	-
Fund balances:						
Nonspendable	-	-	-	-	192	-
Restricted	5,557	630	22,289	7,012	6,979	-
Assigned	2,522	-	-	9,112	-	2,640
Unassigned	-	-	-	-	-	-
Total fund balances	8,079	630	22,289	16,124	7,171	2,640
Total liabilities, deferred inflows of resources and fund balances	$ 10,302	$ 4,040	$ 27,925	$ 18,716	$ 7,580	$ 3,270

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2014
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Assets:						
Deposits and investments with City Treasury	$ -	$ 23,012	$ 27,712	$ 40,735	$ 13,929	$ 35,293
Deposits and investments outside City Treasury	-	-	-	-	100	130
Receivables						
Property taxes and penalties	-	-	1,337	1,337	-	-
Other local taxes	-	-	-	-	-	-
Federal and state grants and subventions	7,566	-	-	7	30,027	226
Charges for services	200	31	-	8	2,013	4,090
Interest and other	-	270	29	45	174	-
Due from other funds	-	-	-	-	-	-
Due from component unit	-	-	-	-	-	-
Advance to component unit	-	-	-	-	-	-
Loans receivable (net of allowance for uncollectible)	-	446	-	-	-	-
Other assets	91	6,251	-	-	950	5,053
Total assets	$ 7,857	$ 30,010	$ 29,078	$ 42,132	$ 47,193	$ 44,792
Liabilities:						
Accounts payable	$ 2,265	$ -	$ 185	$ 2,987	$ 5,279	$ 1,311
Accrued payroll	53	50	1,376	4,410	1,473	3,798
Unearned grant and subvention revenues	15	-	-	-	3,956	-
Due to other funds	4,219	-	60	-	-	276
Unearned revenues and other liabilities	-	2,701	2,841	2,839	-	5,637
Bonds, loans, capital leases, and other payables	-	-	-	-	-	208
Total liabilities	6,552	2,751	4,462	10,236	10,708	11,230
Deferred inflows of resources	1,745	446	1,182	1,182	9,900	2,617
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	26,813	23,434	29,574	24,781	283
Assigned	-	-	-	1,140	1,804	30,662
Unassigned	(440)	-	-	-	-	-
Total fund balances	(440)	26,813	23,434	30,714	26,585	30,945
Total liabilities, deferred inflows of resources and fund balances	$ 7,857	$ 30,010	$ 29,078	$ 42,132	$ 47,193	$ 44,792

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
June 30, 2014
(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	$ 4,479	$ 52,945	$ -	$ 11,550	$ 703,258
Deposits and investments outside City Treasury	419	18,039	-	-	24,770
Receivables					
Property taxes and penalties	-	-	-	-	4,279
Other local taxes	-	17,704	-	-	17,704
Federal and state grants and subventions	-	18,054	1,434	-	113,128
Charges for services	1	-	-	-	13,517
Interest and other	-	989	-	-	2,836
Due from other funds	42	24	-	-	3,138
Due from component unit	-	509	-	-	509
Advance to component unit	-	10,606	-	-	10,606
Loans receivable (net of allowance for uncollectible)	-	-	-	-	70,747
Other assets	-	249	-	-	13,638
Total assets	$ 4,941	$ 119,119	$ 1,434	$ 11,550	$ 978,130
Liabilities:					
Accounts payable	$ 1,844	$ 13,058	$ 617	$ 40	$ 83,787
Accrued payroll	1,339	106	47	418	22,661
Unearned grant and subvention revenues	-	-	149	-	8,216
Due to other funds	-	6,870	621	-	12,694
Unearned revenues and other liabilities	-	-	-	23	40,406
Bonds, loans, capital leases, and other payables	-	135,000	-	-	138,334
Total liabilities	3,183	155,034	1,434	481	306,098
Deferred inflows of resources	-	8,477	133	-	119,524
Fund balances:					
Nonspendable	-	249	-	-	441
Restricted	1,758	12,125	-	11,069	558,673
Assigned	-	-	-	-	50,733
Unassigned	-	(56,766)	(133)	-	(57,339)
Total fund balances	1,758	(44,392)	(133)	11,069	552,508
Total liabilities, deferred inflows of resources and fund balances	$ 4,941	$ 119,119	$ 1,434	$ 11,550	$ 978,130

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2014
(In Thousands)

	Building Inspection Fund	Children and Families Fund	Community / Neighborhood Development Fund	Community Health Services Fund	Convention Facilities Fund	Court's Fund
Revenues:						
Property taxes	$ -	$ 48,917	$ -	$ -	$ -	$ -
Business taxes	-	-	510	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	6,665	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	164	2,735	-	29
Interest and investment income	852	555	3,153	218	294	-
Rents and concessions	-	-	37	-	27,669	-
Intergovernmental:						
Federal	-	9,180	49,064	52,527	-	-
State	-	12,700	12,409	24,276	-	-
Other	-	-	3	-	-	-
Charges for services	70,259	-	7,185	4,593	-	2,731
Other	1	632	98,642	674	-	-
Total revenues	77,777	71,984	171,167	85,023	27,963	2,760
Expenditures:						
Current:						
Public protection	-	-	-	-	-	378
Public works, transportation and commerce	50,941	-	12,259	246	1,062	-
Human welfare and neighborhood development	-	155,381	65,351	-	206	-
Community health	-	-	-	92,735	-	-
Culture and recreation	-	-	99	-	47,625	-
General administration and finance	-	-	2,309	-	404	-
General City responsibilities	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges	-	-	98	-	-	-
Total expenditures	50,941	155,381	80,116	92,981	49,297	378
Excess (deficiency) of revenues over (under) expenditures	26,836	(83,397)	91,051	(7,958)	(21,334)	2,382
Other financing sources (uses):						
Transfers in	3	83,141	279	-	47,314	6,208
Transfers out	(42)	(5)	(7,843)	(23)	(22,549)	(4,188)
Issuance of bonds and loans						
Face value of loans issued	-	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-
Total other financing sources (uses)	(39)	83,136	(7,564)	(23)	24,765	2,020
Net changes in fund balances	26,797	(261)	83,487	(7,981)	3,431	4,402
Fund balances at beginning of year	71,131	54,007	95,231	29,932	33,290	(4,244)
Fund balances at end of year	$ 97,928	$ 53,746	$ 178,718	$ 21,951	$ 36,721	$ 158

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Culture and Recreation Fund	Environmental Protection Fund	Gasoline Tax Fund	General Services Fund	Gift and Other Expendable Trusts Fund	Golf Fund
Revenues:						
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	211	-	-	2,834	-	-
Fines, forfeitures, and penalties	-	1	-	-	258	-
Interest and investment income	16	4	130	59	81	21
Rents and concessions	404	-	-	849	-	3,131
Intergovernmental:						
Federal	96	439	-	1,925	-	-
State	463	5,833	36,936	19	-	-
Other	40	258	-	-	-	-
Charges for services	7,914	23	666	2,020	19	6,893
Other	238	376	29	631	1,833	-
Total revenues	9,382	6,934	37,761	8,337	2,191	10,045
Expenditures:						
Current:						
Public protection	-	-	-	246	25	-
Public works, transportation and commerce	1,655	-	28,977	32	175	-
Human welfare and neighborhood development	-	7,670	-	-	570	-
Community health	-	-	-	-	3	-
Culture and recreation	10,247	-	-	806	1,691	12,911
General administration and finance	11,944	17	-	5,424	60	-
General City responsibilities	-	-	-	23	5	-
Debt service:						
Interest and other fiscal charges	514	-	-	-	-	-
Total expenditures	24,360	7,687	28,977	6,531	2,529	12,911
Excess (deficiency) of revenues over (under) expenditures	(14,978)	(753)	8,784	1,806	(338)	(2,866)
Other financing sources (uses):						
Transfers in	17,918	530	1,345	118	-	4,771
Transfers out	(255)	(193)	(2,633)	-	(1,408)	(1,180)
Issuance of bonds and loans						
Face value of loans issued	8,735	-	-	-	-	-
Other financing sources-capital leases	-	-	1,417	-	-	-
Total other financing sources (uses)	26,398	337	129	118	(1,408)	3,591
Net changes in fund balances	11,420	(416)	8,913	1,924	(1,746)	725
Fund balances at beginning of year	(3,341)	1,046	13,376	14,200	8,917	1,915
Fund balances at end of year	$ 8,079	$ 630	$ 22,289	$ 16,124	$ 7,171	$ 2,640

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Human Welfare Fund	Low and Moderate Income Housing Asset Fund	Open Space and Park Fund	Public Library Fund	Public Protection Fund	Public Works, Transportation and Commerce Fund
Revenues:						
Property taxes	$ -	$ -	$ 40,764	$ 40,764	$ -	$ -
Business taxes	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-
Licenses, permits, and franchises	298	-	-	-	506	-
Fines, forfeitures, and penalties	10	-	-	-	4,625	119
Interest and investment income	-	636	118	273	97	253
Rents and concessions	-	1,855	-	16	-	-
Intergovernmental:						
Federal	18,222	-	-	28	55,682	-
State	219	-	167	207	10,846	126
Other	16	716	-	-	4	761
Charges for services	518	-	-	797	13,757	35,435
Other	28	2,997	-	-	69	704
Total revenues	19,311	6,204	41,049	42,085	85,586	37,398
Expenditures:						
Current:						
Public protection	-	-	-	-	75,009	-
Public works, transportation and commerce	-	-	-	6,865	-	12,413
Human welfare and neighborhood development	22,709	1,988	-	-	3,118	11,087
Community health	-	-	-	-	-	-
Culture and recreation	-	-	38,345	94,781	-	29
General administration and finance	-	-	35	145	3,136	1
General City responsibilities	-	-	-	-	-	-
Debt service:						
Interest and other fiscal charges	-	-	-	-	-	-
Total expenditures	22,709	1,988	38,380	101,791	81,263	23,530
Excess (deficiency) of revenues over (under) expenditures	(3,398)	4,216	2,669	(59,706)	4,323	13,868
Other financing sources (uses):						
Transfers in	2,708	-	1,180	60,680	-	1,296
Transfers out	-	-	-	(1,676)	(2,092)	(253)
Issuance of bonds and loans						
Face value of loans issued	-	-	-	-	-	-
Other financing sources-capital leases	-	-	-	-	-	-
Total other financing sources (uses)	2,708	-	1,180	59,004	(2,092)	1,043
Net changes in fund balances	(690)	4,216	3,849	(702)	2,231	14,911
Fund balances at beginning of year	250	22,597	19,585	31,416	24,354	16,034
Fund balances at end of year	$ (440)	$ 26,813	$ 23,434	$ 30,714	$ 26,585	$ 30,945

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Real Property Fund	San Francisco County Transportation Authority Fund	Senior Citizens' Program Fund	War Memorial Fund	Total
Revenues:					
Property taxes	$ -	$ -	$ -	$ -	$ 130,445
Business taxes	-	-	-	-	510
Sales and use tax	-	93,931	-	-	93,931
Licenses, permits, and franchises	-	4,882	-	-	15,396
Fines, forfeitures, and penalties	-	-	-	-	7,941
Interest and investment income	28	638	-	101	7,527
Rents and concessions	27,379	-	-	2,133	63,473
Intergovernmental:					
Federal	-	9,496	5,120	-	201,779
State	-	1,279	832	-	106,312
Other	440	4,692	-	-	6,930
Charges for services	3	-	-	241	153,054
Other	-	169	260	-	107,283
Total revenues	27,850	115,087	6,212	2,475	894,581
Expenditures:					
Current:					
Public protection	-	-	-	-	75,658
Public works, transportation and commerce	1,133	37,998	-	-	153,756
Human welfare and neighborhood development	-	-	6,325	-	274,405
Community health	-	-	-	-	92,738
Culture and recreation	-	-	-	11,473	218,007
General administration and finance	20,167	-	-	-	43,642
General City responsibilities	-	-	-	-	28
Debt service:					
Interest and other fiscal charges	-	1,354	-	-	1,966
Total expenditures	21,300	39,352	6,325	11,473	860,200
Excess (deficiency) of revenues over (under) expenditures	6,550	75,735	(113)	(8,998)	34,381
Other financing sources (uses):					
Transfers in	-	-	8	9,380	236,879
Transfers out	(13,612)	(52,240)	-	(100)	(110,292)
Issuance of bonds and loans					
Face value of loans issued	-	-	-	-	8,735
Other financing sources-capital leases	-	-	-	-	1,417
Total other financing sources (uses)	(13,612)	(52,240)	8	9,280	136,739
Net changes in fund balances	(7,062)	23,495	(105)	282	171,120
Fund balances at beginning of year	8,820	(67,887)	(28)	10,787	381,388
Fund balances at end of year	$ 1,758	$ (44,392)	$ (133)	$ 11,069	$ 552,508

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds

Year Ended June 30, 2014
(In Thousands)

	Building Inspection Fund				Children and Families Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ 47,950	$ 47,950	$ 48,917	$ 967
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	6,761	6,761	6,665	(96)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	459	459	648	189	429	429	429	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	10,190	9,796	9,180	(616)
State	-	-	-	-	15,083	16,571	16,362	(209)
Other	-	-	-	-	-	-	-	-
Charges for services	49,795	49,795	70,259	20,464	-	-	-	-
Other	-	-	1	1	110	632	632	-
Total revenues	57,015	57,015	77,573	20,558	73,762	75,378	75,520	142
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	63,855	58,027	50,944	7,083	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	168,364	155,905	155,383	522
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	63,855	58,027	50,944	7,083	168,364	155,905	155,383	522
Excess (deficiency) of revenues over (under) expenditures	(6,840)	(1,012)	26,629	27,641	(94,602)	(80,527)	(79,863)	664
Other financing sources (uses):								
Transfers in	-	3	3	-	82,660	83,141	83,141	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	(14,738)	-	-	-	(1,026)	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(14,738)	3	3	-	81,634	83,141	83,141	-
Net changes in fund balances	(21,578)	(1,009)	26,632	27,641	(12,968)	2,614	3,278	664
Budgetary fund balances, July 1	21,578	71,195	71,195	-	12,968	56,203	56,203	-
Budgetary fund balances, June 30	$ -	$ 70,186	$ 97,827	$ 27,641	$ -	$ 58,817	$ 59,481	$ 664

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Community / Neighborhood Development Fund				Community Health Services Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	1,000	1,000	510	(490)	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	650	650	164	(486)	2,324	2,324	2,735	411
Interest and investment income	9	2,353	2,789	436	220	216	153	(63)
Rents and concessions	-	269	37	(232)	-	-	-	-
Intergovernmental:								
Federal	6,454	51,516	51,516	-	65,638	56,218	56,218	-
State	523	15,172	15,172	-	33,506	24,222	24,222	-
Other	-	287	287	-	-	-	-	-
Charges for services	5,435	5,435	7,185	1,750	242	6,614	4,593	(2,021)
Other	3,415	79,847	98,642	18,795	448	674	674	-
Total revenues	17,486	156,529	176,302	19,773	102,378	90,268	88,595	(1,673)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	6,162	12,259	12,259	-	-	246	246	-
Human welfare and neighborhood development	7,850	65,965	65,350	615	-	-	-	-
Community health	-	-	-	-	102,406	92,735	92,735	-
Culture and recreation	1,312	99	99	-	-	-	-	-
General administration and finance	3,279	2,310	2,310	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	18,603	80,633	80,018	615	102,406	92,981	92,981	-
Excess (deficiency) of revenues over (under) expenditures	(1,117)	75,896	96,284	20,388	(28)	(2,713)	(4,386)	(1,673)
Other financing sources (uses):								
Transfers in	1	279	279	-	-	-	-	-
Transfers out	(10)	(10,142)	(10,142)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	1,631	1,631	-	-	-	-	-
Budget reserves and designations	(1,420)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	(98)	(98)	-	-	-	-	-
Total other financing sources (uses)	(1,429)	(8,330)	(8,330)	-	-	-	-	-
Net changes in fund balances	(2,546)	67,566	87,954	20,388	(28)	(2,713)	(4,386)	(1,673)
Budgetary fund balances, July 1	2,546	104,527	104,527	-	28	35,413	35,413	-
Budgetary fund balances, June 30	$ -	$ 172,093	$ 192,481	$ 20,388	$ -	$ 32,700	$ 31,027	$ (1,673)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Convention Facilities Fund				Court's Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	35	35	29	(6)
Interest and investment income	-	2	4	2	-	-	-	-
Rents and concessions	25,024	25,024	27,669	2,645	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	3,500	3,500	2,736	(764)
Other	-	-	-	-	-	-	-	-
Total revenues	25,024	25,026	27,673	2,647	3,535	3,535	2,765	(770)
Expenditures:								
Current:								
Public protection	-	-	-	-	4,616	428	365	63
Public works, transportation and commerce	-	1,062	1,062	-	-	-	-	-
Human welfare and neighborhood development	560	206	206	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	76,339	53,673	47,625	6,048	-	-	-	-
General administration and finance	-	404	404	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	76,899	55,345	49,297	6,048	4,616	428	365	63
Excess (deficiency) of revenues over (under) expenditures	(51,875)	(30,319)	(21,624)	8,695	(1,081)	3,107	2,400	(707)
Other financing sources (uses):								
Transfers in	42,287	47,314	47,314	-	-	6,196	6,196	-
Transfers out	-	(21,752)	(21,752)	-	-	(4,188)	(4,188)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	(506)	(506)	(506)	-	-	-	-	-
Total other financing sources (uses)	41,781	25,056	25,056	-	-	2,008	2,008	-
Net changes in fund balances	(10,094)	(5,263)	3,432	8,695	(1,081)	5,115	4,408	(707)
Budgetary fund balances, July 1	10,094	38,055	38,055	-	1,081	(4,241)	(4,241)	-
Budgetary fund balances, June 30	$ -	$ 32,792	$ 41,487	$ 8,695	$ -	$ 874	$ 167	$ (707)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Culture and Recreation Fund				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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	312	312	211	(101)	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	1	1
Interest and investment income	25	25	-	(25)	-	-	-	-
Rents and concessions	343	343	404	61	-	-	-	-
Intergovernmental:								
Federal	-	96	96	-	-	434	434	-
State	-	368	368	-	536	6,414	6,414	-
Other	60	-	-	-	673	256	258	2
Charges for services	7,646	7,890	7,888	(2)	-	-	23	23
Other	-	238	238	-	1,521	520	376	(144)
Total revenues	8,386	9,272	9,205	(67)	2,730	7,624	7,506	(118)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	925	1,655	1,655	-	-	-	-	-
Human welfare and neighborhood development	-	-	-	-	2,747	8,548	7,670	878
Community health	-	-	-	-	-	-	-	-
Culture and recreation	11,211	10,790	10,246	544	-	-	-	-
General administration and finance	12,733	11,944	11,944	-	-	17	17	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	24,869	24,389	23,845	544	2,747	8,565	7,687	878
Excess (deficiency) of revenues over (under) expenditures	(16,483)	(15,117)	(14,640)	477	(17)	(941)	(181)	760
Other financing sources (uses):								
Transfers in	16,990	17,918	17,918	-	-	530	530	-
Transfers out	-	(210)	(210)	-	-	(189)	(189)	-
Issuance of loans	-	8,735	8,735	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	(4)	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	(2,329)	(2,329)	(743)	1,586	-	-	-	-
Total other financing sources (uses)	14,657	24,114	25,700	1,586	-	341	341	-
Net changes in fund balances	(1,826)	8,997	11,060	2,063	(17)	(600)	160	760
Budgetary fund balances, July 1	1,826	1,684	1,684	-	17	1,158	1,158	-
Budgetary fund balances, June 30	$ -	$ 10,681	$ 12,744	$ 2,063	$ -	$ 558	$ 1,318	$ 760

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Gasoline Tax Fund				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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	2,921	2,921	2,834	(87)
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	42	42	100	58	45	45	45	-
Rents and concessions	-	-	-	-	-	849	849	-
Intergovernmental:								
Federal	-	-	-	-	-	1,926	1,926	-
State	35,138	35,138	36,935	1,797	-	19	19	-
Other	-	-	-	-	-	-	-	-
Charges for services	800	800	666	(134)	2,807	2,807	2,020	(787)
Other	-	-	29	29	466	1,162	1,162	-
Total revenues	35,980	35,980	37,730	1,750	6,239	9,729	8,855	(874)
Expenditures:								
Current:								
Public protection	-	-	-	-	280	246	246	-
Public works, transportation and commerce	37,325	27,842	27,559	283	-	32	32	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	806	806	-
General administration and finance	-	-	-	-	6,138	5,424	5,424	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	37,325	27,842	27,559	283	6,418	6,508	6,508	-
Excess (deficiency) of revenues over (under) expenditures	(1,345)	8,138	10,171	2,033	(179)	3,221	2,347	(874)
Other financing sources (uses):								
Transfers in	1,345	1,345	1,345	-	159	95	95	-
Transfers out	-	(2,633)	(2,633)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	(13)	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,345	(1,288)	(1,288)	-	146	95	95	-
Net changes in fund balances	-	6,850	8,883	2,033	(33)	3,316	2,442	(874)
Budgetary fund balances, July 1	-	13,389	13,389	-	33	14,299	14,299	-
Budgetary fund balances, June 30	$ -	$ 20,239	$ 22,272	$ 2,033	$ -	$ 17,615	$ 16,741	$ (874)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Gift and Other Expendable Trusts Fund				Golf Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	257	257	-	-	-	-
Interest and investment income	-	25	25	-	20	20	17	(3)
Rents and concessions	-	-	-	-	3,157	3,157	3,131	(26)
Intergovernmental:								
Federal	-	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	19	19	-	6,970	6,970	6,893	(77)
Other	1,025	2,153	1,896	(257)	-	-	-	-
Total revenues	1,025	2,197	2,197	-	10,147	10,147	10,041	(106)
Expenditures:								
Current:								
Public protection	-	25	25	-	-	-	-	-
Public works, transportation and commerce	-	175	175	-	-	-	-	-
Human welfare and neighborhood development	544	571	571	-	-	-	-	-
Community health	-	3	3	-	-	-	-	-
Culture and recreation	481	1,691	1,691	-	13,738	13,829	12,911	918
General administration and finance	-	60	60	-	-	-	-	-
General City responsibilities	-	5	5	-	-	-	-	-
Total expenditures	1,025	2,530	2,530	-	13,738	13,829	12,911	918
Excess (deficiency) of revenues over (under) expenditures	-	(333)	(333)	-	(3,591)	(3,682)	(2,870)	812
Other financing sources (uses):								
Transfers in	-	-	-	-	4,771	4,771	4,771	-
Transfers out	-	(1,356)	(1,356)	-	(1,180)	(1,180)	(1,180)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(1,356)	(1,356)	-	3,591	3,591	3,591	-
Net changes in fund balances	-	(1,689)	(1,689)	-	-	(91)	721	812
Budgetary fund balances, July 1	-	8,909	8,909	-	-	1,920	1,920	-
Budgetary fund balances, June 30	$ -	$ 7,220	$ 7,220	$ -	$ -	$ 1,829	$ 2,641	$ 812

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Human Welfare Fund				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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	222	222	298	76	-	-	-	-
Fines, forfeitures, and penalties	8	8	10	2	-	-	-	-
Interest and investment income	-	-	-	-	-	-	602	602
Rents and concessions	-	-	-	-	5,500	5,500	1,854	(3,646)
Intergovernmental:								
Federal	27,046	18,933	18,933	-	-	-	-	-
State	96	227	227	-	-	-	-	-
Other	40	16	16	-	1,368	716	716	-
Charges for services	130	306	518	212	-	-	-	-
Other	235	30	30	-	-	-	2,997	2,997
Total revenues	27,777	19,742	20,032	290	6,868	6,216	6,169	(47)
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	30,267	22,716	22,670	46	6,868	1,988	1,988	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	30,267	22,716	22,670	46	6,868	1,988	1,988	-
Excess (deficiency) of revenues over (under) expenditures	(2,490)	(2,974)	(2,638)	336	-	4,228	4,181	(47)
Other financing sources (uses):								
Transfers in	2,481	2,669	2,669	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	2,481	2,669	2,669	-	-	-	-	-
Net changes in fund balances	(9)	(305)	31	336	-	4,228	4,181	(47)
Budgetary fund balances, July 1	9	1,272	1,272	-	-	22,618	22,618	-
Budgetary fund balances, June 30	$ -	$ 967	$ 1,303	$ 336	$ -	$ 26,846	$ 26,799	$ (47)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Open Space and Park Fund				Public Library Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ 39,956	$ 39,956	$ 40,764	$ 808	$ 39,956	$ 39,956	$ 40,764	$ 808
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	452	452	76	(376)	222	222	151	(71)
Rents and concessions	-	-	-	-	24	24	16	(8)
Intergovernmental:								
Federal	-	-	-	-	-	28	28	-
State	152	152	168	16	216	204	207	3
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	856	856	797	(59)
Other	-	-	-	-	-	-	-	-
Total revenues	40,560	40,560	41,008	448	41,274	41,290	41,963	673
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	6,864	6,864	-
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	43,432	41,532	38,346	3,186	99,913	97,755	94,781	2,974
General administration and finance	-	35	35	-	-	145	145	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	43,432	41,567	38,381	3,186	99,913	104,764	101,790	2,974
Excess (deficiency) of revenues over (under) expenditures	(2,872)	(1,007)	2,627	3,634	(58,639)	(63,474)	(59,827)	3,647
Other financing sources (uses):								
Transfers in	1,180	1,180	1,180	-	57,690	60,680	60,680	-
Transfers out	-	-	-	-	-	(1,610)	(1,610)	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,180	1,180	1,180	-	57,690	59,070	59,070	-
Net changes in fund balances	(1,692)	173	3,807	3,634	(949)	(4,404)	(757)	3,647
Budgetary fund balances, July 1	1,692	19,602	19,602	-	949	34,208	34,208	-
Budgetary fund balances, June 30	$ -	$ 19,775	$ 23,409	$ 3,634	$ -	$ 29,804	$ 33,451	$ 3,647

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Public Protection Fund				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	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	501	501	506	5	-	-	-	-
Fines, forfeitures, and penalties	2,171	4,438	4,625	187	-	85	136	51
Interest and investment income	52	51	59	8	-	-	-	-
Rents and concessions	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	28,939	53,935	53,935	-	-	-	-	-
State	9,369	10,900	10,900	-	-	53	53	-
Other	-	4	4	-	-	761	761	-
Charges for services	2,641	14,111	14,047	(64)	13,423	23,603	37,499	13,896
Other	633	69	69	-	-	729	704	(25)
Total revenues	44,306	84,009	84,145	136	13,423	25,231	39,153	13,922
Expenditures:								
Current:								
Public protection	40,093	74,502	74,502	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	1,616	14,544	12,414	2,130
Human welfare and neighborhood development	3,189	3,118	3,118	-	11,605	11,352	11,087	265
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	29	29	-
General administration and finance	-	3,136	3,136	-	-	1	1	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	43,282	80,756	80,756	-	13,221	25,926	23,531	2,395
Excess (deficiency) of revenues over (under) expenditures	1,024	3,253	3,389	136	202	(695)	15,622	16,317
Other financing sources (uses):								
Transfers in	-	-	-	-	-	1,296	1,296	-
Transfers out	(1,869)	(2,069)	(2,069)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(202)	(212)	(212)	-
Total other financing sources (uses)	(1,869)	(2,069)	(2,069)	-	(202)	1,084	1,084	-
Net changes in fund balances	(845)	1,184	1,320	136	-	389	16,706	16,317
Budgetary fund balances, July 1	845	34,777	34,777	-	-	15,327	15,327	-
Budgetary fund balances, June 30	$ -	$ 35,961	$ 36,097	$ 136	$ -	$ 15,716	$ 32,033	$ 16,317

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Real Property Fund				San Francisco County Transportation Authority Fund			
	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	-	-	-	-	88,294	88,294	93,931	5,637
Licenses, permits, and franchises	-	-	-	-	4,728	4,728	4,882	154
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	948	526	637	111
Rents and concessions	1,251	27,306	27,379	73	-	-	-	-
Intergovernmental:								
Federal	-	-	-	-	10,504	11,207	9,497	(1,710)
State	-	-	-	-	1,209	1,209	1,280	71
Other	481	441	441	-	1,529	6,682	4,692	(1,990)
Charges for services	-	-	3	3	-	-	-	-
Other	-	-	-	-	2,660	132	169	37
Total revenues	1,732	27,747	27,823	76	109,872	112,778	115,088	2,310
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	1,133	1,133	-	245,132	149,204	106,748	42,456
Human welfare and neighborhood development	-	-	-	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
General administration and finance	3,795	20,589	20,589	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	3,795	21,722	21,722	-	245,132	149,204	106,748	42,456
Excess (deficiency) of revenues over (under) expenditures	(2,063)	6,025	6,101	76	(135,260)	(36,426)	8,340	44,766
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(13,584)	(13,584)	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	275,318	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(13,584)	(13,584)	-	275,318	-	-	-
Net changes in fund balances	(2,063)	(7,559)	(7,483)	76	140,058	(36,426)	8,340	44,766
Budgetary fund balances, July 1	2,063	8,824	8,824	-	83,766	83,766	83,766	-
Budgetary fund balances, June 30	$ -	$ 1,265	$ 1,341	$ 76	$ 223,824	$ 47,340	$ 92,106	$ 44,766

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Senior Citizens' Program Fund				War Memorial Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:								
Property taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Business taxes	-	-	-	-	-	-	-	-
Sales and use tax	-	-	-	-	-	-	-	-
Licenses, permits, and franchises	-	-	-	-	-	-	-	-
Fines, forfeitures, and penalties	-	-	-	-	-	-	-	-
Interest and investment income	-	-	-	-	-	-	-	-
Rents and concessions	-	-	-	-	1,520	1,863	2,131	268
Intergovernmental:								
Federal	6,746	5,234	5,234	-	-	-	-	-
State	729	832	832	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	170	206	240	34
Other	1,027	252	252	-	-	-	-	-
Total revenues	8,502	6,318	6,318	-	1,690	2,069	2,371	302
Expenditures:								
Current:								
Public protection	-	-	-	-	-	-	-	-
Public works, transportation and commerce	-	-	-	-	-	-	-	-
Human welfare and neighborhood development	8,502	6,318	6,318	-	-	-	-	-
Community health	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	11,934	12,063	11,473	590
General administration and finance	-	-	-	-	-	-	-	-
General City responsibilities	-	-	-	-	-	-	-	-
Total expenditures	8,502	6,318	6,318	-	11,934	12,063	11,473	590
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-	(10,244)	(9,994)	(9,102)	892
Other financing sources (uses):								
Transfers in	-	-	-	-	9,380	9,380	9,380	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of loans	-	-	-	-	-	-	-	-
Issuance of commercial paper	-	-	-	-	-	-	-	-
Budget reserves and designations	-	-	-	-	-	-	-	-
Loan repayments and other financing sources (uses)	-	-	-	-	(1)	(1)	-	1
Total other financing sources (uses)	-	-	-	-	9,379	9,379	9,380	1
Net changes in fund balances	-	-	-	-	(865)	(615)	278	893
Budgetary fund balances, July 1	-	2	2	-	865	10,750	10,750	-
Budgetary fund balances, June 30	$ -	$ 2	$ 2	$ -	$ -	$ 10,135	$ 11,028	$ 893

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis Nonmajor Governmental Funds – Special Revenue Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Total			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 127,862	$ 127,862	$ 130,445	$ 2,583
Business taxes	1,000	1,000	510	(490)
Sales and use tax	88,294	88,294	93,931	5,637
Licenses, permits, and franchises	15,445	15,445	15,396	(49)
Fines, forfeitures, and penalties	5,188	7,540	7,957	417
Interest and investment income	2,923	4,867	5,735	868
Rents and concessions	36,819	64,335	63,470	(865)
Intergovernmental:				
Federal	155,517	209,323	206,997	(2,326)
State	96,557	111,481	113,159	1,678
Other	4,151	9,163	7,175	(1,988)
Charges for services	94,415	122,912	155,386	32,474
Other	11,540	86,438	107,871	21,433
Total revenues	639,711	848,660	908,032	59,372
Expenditures:				
Current:				
Public protection	44,989	75,201	75,138	63
Public works, transportation and commerce	355,015	273,043	221,091	51,952
Human welfare and neighborhood development	240,496	276,687	274,361	2,326
Community health	102,406	92,738	92,738	-
Culture and recreation	258,360	232,267	218,007	14,260
General administration and finance	25,945	44,065	44,065	-
General City responsibilities	-	5	5	-
Total expenditures	1,027,211	994,006	925,405	68,601
Excess (deficiency) of revenues over (under) expenditures	(387,500)	(145,346)	(17,373)	127,973
Other financing sources (uses):				
Transfers in	218,944	236,797	236,797	-
Transfers out	(3,059)	(58,913)	(58,913)	-
Issuance of loans	-	8,735	8,735	-
Issuance of commercial paper	275,318	1,631	1,631	-
Budget reserves and designations	(17,201)	-	-	-
Loan repayments and other financing sources (uses)	(3,038)	(3,146)	(1,559)	1,587
Total other financing sources (uses)	470,964	185,104	186,691	1,587
Net changes in fund balances	83,464	39,758	169,318	129,560
Budgetary fund balances, July 1	140,360	573,657	573,657	-
Budgetary fund balances, June 30	$ 223,824	$ 613,415	$ 742,975	$ 129,560

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
BUILDING INSPECTION FUND				
Public Works, Transportation and Commerce				
Building Inspection	$ 63,855	$ 57,648	$ 50,565	$ 7,083
Public Utilities Commission	-	137	137	-
Public Works	-	242	242	-
Total Building Inspection Fund	63,855	58,027	50,944	7,083
CHILDREN AND FAMILIES FUND				
Human Welfare and Neighborhood Development				
Child Support Services	13,275	12,966	12,445	521
Children and Families Commission	43,933	31,912	31,911	1
Mayor's Office	111,156	111,027	111,027	-
Total Children and Families Fund	168,364	155,905	155,383	522
COMMUNITY / NEIGHBORHOOD DEVELOPMENT FUND				
Public Works, Transportation and Commerce				
Mayor's Office	6,112	12,208	12,208	-
Public Works	50	51	51	-
	6,162	12,259	12,259	-
Human Welfare and Neighborhood Development				
Children, Youth and Their Families	-	226	226	-
Mayor's Office	1,712	59,591	59,591	-
Rent Arbitration Board	6,138	6,148	5,533	615
	7,850	65,965	65,350	615
Culture and Recreation				
Arts Commission	20	4	4	-
Public Library	52	-	-	-
Recreation and Park Commission	1,240	95	95	-
	1,312	99	99	-
General Administration and Finance				
Administrative Services	1,765	970	970	-
City Planning	1,514	1,340	1,340	-
	3,279	2,310	2,310	-
Total Community / Neighborhood Development Fund	18,603	80,633	80,018	615
COMMUNITY HEALTH SERVICES FUND				
Public Works, Transportation and Commerce				
Public Works	-	246	246	-
Community Health				
Community Health Network	102,406	92,735	92,735	-
Total Community Health Services Fund	102,406	92,981	92,981	-
CONVENTION FACILITIES FUND				
Public Works, Transportation and Commerce				
Mayor's Office	-	48	48	-
Public Utilities Commission	-	7	7	-
Public Works	-	1,007	1,007	-
	-	1,062	1,062	-
Human Welfare and Neighborhood Development				
Mayor's Office	560	206	206	-
Culture and Recreation				
Arts Commission	-	28	28	-
Administrative Services	76,339	53,645	47,597	6,048
	76,339	53,673	47,625	6,048
General Administration and Finance				
City Attorney	-	38	38	-
City Planning	-	366	366	-
	-	404	404	-
Total Convention Facilities Fund	76,899	55,345	49,297	6,048

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
COURT'S FUND				
Public Protection				
Trial Courts	4,616	428	365	63
Total Court's Fund	4,616	428	365	63
CULTURE AND RECREATION FUND				
Public Works, Transportation and Commerce				
Mayor's Office	925	1,008	1,008	-
Public Works	-	647	647	-
	925	1,655	1,655	-
Culture and Recreation				
Arts Commission	4,334	3,600	3,600	-
Asian Art Museum	495	471	471	-
Fine Arts Museums	3,146	3,474	3,474	-
Recreation and Park Commission	3,236	3,245	2,701	544
	11,211	10,790	10,246	544
General Administration and Finance				
Administrative Services	12,733	11,944	11,944	-
Total Culture and Recreation Fund	24,869	24,389	23,845	544
ENVIRONMENTAL PROTECTION FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	2,747	8,548	7,670	878
General Administration and Finance				
City Planning	-	17	17	-
Total Environmental Protection Fund	2,747	8,565	7,687	878
GASOLINE TAX FUND				
Public Works, Transportation and Commerce				
Municipal Transportation Agency	-	1,537	1,536	1
Public Utilities Commission	-	2,625	2,625	-
Public Works	37,325	23,680	23,398	282
Total Gasoline Tax Fund	37,325	27,842	27,559	283
GENERAL SERVICES FUND				
Public Protection				
District Attorney	-	23	23	-
Trial Courts	280	223	223	-
	280	246	246	-
Public Works, Transportation and Commerce				
Public Works	-	32	32	-
Culture and Recreation				
Fine Arts Museum	-	806	806	-
General Administration and Finance				
Administrative Services	333	168	168	-
Assessor/Recorder	2,355	1,360	1,360	-
Board of Supervisors	18	23	23	-
Elections	-	24	24	-
Telecommunications and Information Services	2,966	3,317	3,317	-
Treasurer/Tax Collector	466	532	532	-
	6,138	5,424	5,424	-
Total General Services Fund	6,418	6,508	6,508	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
GIFT AND OTHER EXPENDABLE TRUSTS FUND				
Public Protection				
District Attorney	-	1	1	-
Fire Department	-	15	15	-
Police Department	-	9	9	-
	-	25	25	-
Public Works, Transportation and Commerce				
Mayor's Office	-	1	1	-
Public Works	-	174	174	-
	-	175	175	-
Human Welfare and Neighborhood Development				
Mayor's Office	75	33	33	-
Social Services	469	532	532	-
Commission on Status of Women	-	6	6	-
	544	571	571	-
Community Health				
Community Health Network	-	3	3	-
Culture and Recreation				
Arts Commission	-	55	55	-
Fine Arts Museums	-	657	657	-
Public Library	10	184	184	-
Recreation and Park Commission	471	617	617	-
War Memorial	-	178	178	-
	481	1,691	1,691	-
General Administration and Finance				
Administrative Services	-	58	58	-
Telecommunications and Information Services	-	2	2	-
	-	60	60	-
General City Responsibilities				
Controller	-	5	5	-
Total Gift Fund	1,025	2,530	2,530	-
GOLF FUND				
Culture and Recreation				
Recreation and Park Commission	13,738	13,829	12,911	918
Total Golf Fund	13,738	13,829	12,911	918
HUMAN WELFARE FUND				
Human Welfare and Neighborhood Development				
Commission on Status of Women	238	270	224	46
Social Services	30,029	22,446	22,446	-
Total Human Welfare Fund	30,267	22,716	22,670	46
LOW AND MODERATE INCOME HOUSING ASSET FUND				
Human Welfare and Neighborhood Development				
Mayor's Office	6,868	1,988	1,988	-
Total Low and Moderate Income Housing Asset Fund	6,868	1,988	1,988	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
OPEN SPACE AND PARK FUND				
Culture and Recreation				
Arts Commission	-	100	100	-
Recreation and Park Commission	43,432	41,432	38,246	3,186
	43,432	41,532	38,346	3,186
General Administration and Finance				
City Planning	-	35	35	-
Total Open Space and Park Fund	43,432	41,567	38,381	3,186
PUBLIC LIBRARY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	13	13	-
Public Works	-	6,851	6,851	-
	-	6,864	6,864	-
Culture and Recreation				
Arts Commission	-	1	1	-
Public Library	99,913	97,754	94,780	2,974
	99,913	97,755	94,781	2,974
General Administration and Finance				
Telecommunications and Information Services	-	145	145	-
Total Public Library Fund	99,913	104,764	101,790	2,974
PUBLIC PROTECTION FUND				
Public Protection				
Adult Probation	995	1,453	1,453	-
District Attorney	4,298	4,755	4,755	-
Emergency Communications Department	22,902	42,064	42,064	-
Fire Department	-	2,175	2,175	-
Juvenile Probation	1,264	1,504	1,504	-
Mayor's Office	-	3	3	-
Police Commission	7,225	18,239	18,239	-
Public Defender	97	491	491	-
Sheriff	3,312	3,818	3,818	-
	40,093	74,502	74,502	-
Human Welfare and Neighborhood Development				
Mayor's Office	3,189	3,034	3,034	-
Commission on Status of Women	-	84	84	-
	3,189	3,118	3,118	-
General Administration and Finance				
City Attorney	-	3,136	3,136	-
Total Public Protection Fund	43,282	80,756	80,756	-

CITY AND COUNTY OF SAN FRANCISCO

Schedule of Expenditures by Department
Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Special Revenue Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
PUBLIC WORKS, TRANSPORTATION AND COMMERCE FUND				
Public Works, Transportation and Commerce				
Public Works	1,616	14,544	12,414	2,130
Human Welfare and Neighborhood Development				
Mayor's Office	11,605	11,352	11,087	265
Culture and Recreation				
Arts Commission	-	29	29	-
General Administration and Finance				
City Planning	-	1	1	-
	-	1	1	-
Total Public Works, Transportation and Commerce Fund	13,221	25,926	23,531	2,395
REAL PROPERTY FUND				
Public Works, Transportation and Commerce				
Public Utilities Commission	-	615	615	-
Public Works	-	518	518	-
	-	1,133	1,133	-
General Administration and Finance				
Administrative Services	3,795	20,589	20,589	-
Total Real Property Fund	3,795	21,722	21,722	-
SAN FRANCISCO COUNTY TRANSPORTATION AUTHORITY FUND				
Public Works, Transportation and Commerce				
Board of Supervisors	245,132	149,204	106,748	42,456
Total SF County Transportation Authority Fund	245,132	149,204	106,748	42,456
SENIOR CITIZENS' PROGRAM FUND				
Human Welfare and Neighborhood Development				
Social Services Department	8,502	6,318	6,318	-
Total Senior Citizens' Program Fund	8,502	6,318	6,318	-
WAR MEMORIAL FUND				
Culture and Recreation				
War Memorial	11,934	12,063	11,473	590
Total War Memorial Fund	11,934	12,063	11,473	590
Total Special Revenue Funds With Legally Adopted Budgets	$ 1,027,211	$ 994,006	$ 925,405	$ 68,601

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Debt Service Funds
June 30, 2014
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Assets:				
Deposits and investments with City Treasury	$ 107,309	$ -	$ 3	$ 107,312
Deposits and investments outside City Treasury	-	31,046	-	31,046
Receivables				
Property taxes and penalties	5,949	-	-	5,949
Interest and other	273	37	-	310
Total assets	$ 113,531	$ 31,083	$ 3	$ 144,617
Liabilities:				
Accounts payable	$ -	$ -	$ 3	$ 3
Due to other funds	-	30	-	30
Unearned revenues and other liabilities	12,828	-	-	12,828
Total liabilities	12,828	30	3	12,861
Deferred inflows of resources	5,252	-	-	5,252
Fund balances:				
Restricted	95,451	31,053	-	126,504
Total liabilities, deferred inflows of resources and fund balances	$ 113,531	$ 31,083	$ 3	$ 144,617

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2014
(In Thousands)

	General Obligation Bond Fund	Certificates of Participation Funds	Other Bond Funds	Total
Revenues:				
Property taxes	$ 208,539	$ -	$ -	$ 208,539
Fines, forfeitures, and penalties	15,203	-	-	15,203
Interest and investment income	1,336	95	-	1,431
Rents and concessions	-	733	-	733
Intergovernmental				
State	801	-	-	801
Other	3,734	-	-	3,734
Total revenues	229,613	828	-	230,441
Expenditures:				
Debt service:				
Principal retirement	161,554	28,235	477	190,266
Interest and other fiscal charges	91,813	24,450	316	116,579
Bond issuance costs	-	1,007	-	1,007
Total expenditures	253,367	53,692	793	307,852
Deficiency of revenues under expenditures	(23,754)	(52,864)	(793)	(77,411)
Other financing sources (uses):				
Transfers in	17,017	50,949	793	68,759
Issuance of bonds and loans:				
Face value of bonds issued	-	47,220	-	47,220
Premium on issuance of bonds	-	3,265	-	3,265
Payment to refunded bond escrow agent	-	(49,055)	-	(49,055)
Total other financing sources, net	17,017	52,379	793	70,189
Net changes in fund balances	(6,737)	(485)	-	(7,222)
Fund balances at beginning of year	102,188	31,538	-	133,726
Fund balances at end of year	$ 95,451	$ 31,053	$ -	$ 126,504

CITY AND COUNTY OF SAN FRANCISCO

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis
Nonmajor Governmental Funds – Debt Service Funds
Year Ended June 30, 2014
(In Thousands)

	General Obligation Bond Fund			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues:				
Property taxes	$ 217,451	$ 217,451	$ 208,539	$ (8,912)
Fines, forfeitures, and penalties	-	15,203	15,203	-
Interest and investment income	-	-	1,147	1,147
Intergovernmental				
State	750	750	801	51
Other	-	3,710	3,734	24
Total revenues	218,201	237,114	229,424	(7,690)
Expenditures:				
Debt service:				
Principal retirement	227,341	161,554	161,554	-
Interest and other fiscal charges	11,446	91,813	91,813	-
Total expenditures	238,787	253,367	253,367	-
Deficiency of revenues under expenditures	(20,586)	(16,253)	(23,943)	(7,690)
Other financing sources:				
Transfers in	-	17,017	17,017	-
Total other financing sources	-	17,017	17,017	-
Net changes in fund balances	(20,586)	764	(6,926)	(7,690)
Budgetary fund balance, July 1	20,586	110,463	110,463	-
Budgetary fund balance, June 30	$ -	$ 111,227	$ 103,537	$ (7,690)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds
June 30, 2014
(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	$ 278,539	$ 17	$ 7,384	$ -
Deposits and investments outside City Treasury	5,945	-	-	506
Receivables:				
Federal and state grants and subventions	-	-	-	-
Interest and other	380	-	9	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	36
Total assets	$ 284,864	$ 17	$ 7,393	$ 542
Liabilities:				
Accounts payable	$ 50,328	$ -	$ -	$ -
Accrued payroll	724	-	-	-
Unearned grant and subvention revenue	-	-	-	-
Due to other funds	-	-	-	8,186
Unearned revenues and other liabilities	51	-	-	-
Bonds, loans, capital leases, and other payables	37,426	-	-	-
Total liabilities	88,529	-	-	8,186
Deferred inflows of resources	-	-	-	-
Fund balances:				
Restricted	196,335	17	7,393	-
Unassigned	-	-	-	(7,644)
Total fund balances	196,335	17	7,393	(7,644)
Total liabilities, deferred inflows of resources and fund balances	$ 284,864	$ 17	$ 7,393	$ 542

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Balance Sheet
Nonmajor Governmental Funds – Capital Projects Funds (Continued)
June 30, 2014
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Assets:				
Deposits and investments with City Treasury	$ 1,234	$ 95,454	$ 131,747	$ 514,375
Deposits and investments outside City Treasury	-	-	3,724	10,175
Receivables:				
Federal and state grants and subventions	-	3,524	3,644	7,168
Interest and other	2	120	164	675
Due from other funds	162	2,340	233	2,735
Due from component unit	-	-	-	36
Total assets	$ 1,398	$ 101,438	$ 139,512	$ 535,164
Liabilities:				
Accounts payable	$ 332	$ 6,903	$ 10,364	$ 67,927
Accrued payroll	35	426	1,335	2,520
Unearned grant and subvention revenue	-	104	-	104
Due to other funds	-	-	-	8,186
Unearned revenues and other liabilities	79	122	1,886	2,138
Bonds, loans, capital leases, and other payables	-	-	-	37,426
Total liabilities	446	7,555	13,585	118,301
Deferred inflows of resources	-	1,559	441	2,000
Fund balances:				
Restricted	952	92,324	125,486	422,507
Unassigned	-	-	-	(7,644)
Total fund balances	952	92,324	125,486	414,863
Total liabilities, deferred inflows of resources and fund balances	$ 1,398	$ 101,438	$ 139,512	$ 535,164

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds – Capital Projects Funds

Year Ended June 30, 2014
(In Thousands)

	City Facilities Improvement Fund	Earthquake Safety Improvement Fund	Fire Protection Systems Improvement Fund	Moscone Convention Center Fund
Revenues:				
Interest and investment income	$ 2,577	$ -	$ 54	$ -
Rents and concessions	-	-	-	-
Intergovernmental:				
Federal	-	-	-	-
State	-	-	-	-
Other	-	-	-	-
Other	-	-	-	-
Total revenues	2,577	-	54	-
Expenditures:				
Debt service:				
Interest and other fiscal charges	597	-	-	-
Bond issuance costs	1,178	-	-	-
Capital outlay	333,741	-	45	86
Total expenditures	335,516	-	45	86
Excess (deficiency) of revenues over (under) expenditures	(332,939)	-	9	(86)
Other financing sources (uses):				
Transfers in	28,917	-	-	507
Transfers out	(43,545)	-	-	(39)
Issuance of bonds and loans:				
Face value of bonds issued	209,955	-	-	-
Premium on issuance of bonds	16,508	-	-	-
Other financing sources-capital leases	-	-	-	-
Total other financing sources, net	211,835	-	-	468
Net changes in fund balances	(121,104)	-	9	382
Fund balances at beginning of year	317,439	17	7,384	(8,026)
Fund balances at end of year	$ 196,335	$ 17	$ 7,393	$ (7,644)

(Continued)

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Revenues, Expenditures and Changes in Fund Balances Nonmajor Governmental Funds – Capital Projects Funds (Continued)

Year Ended June 30, 2014
(In Thousands)

	Public Library Improvement Fund	Recreation and Park Projects	Street Improvement Fund	Total
Revenues:				
Interest and investment income	$ 12	$ 910	$ 1,237	$ 4,790
Rents and concessions	-	-	152	152
Intergovernmental:				
Federal	-	118	8,735	8,853
State	-	3,233	1,512	4,745
Other	-	-	287	287
Other	-	238	13,810	14,048
Total revenues	12	4,499	25,733	32,875
Expenditures:				
Debt service:				
Interest and other fiscal charges	-	-	-	597
Bond issuance costs	-	-	-	1,178
Capital outlay	766	36,111	78,977	449,726
Total expenditures	766	36,111	78,977	451,501
Excess (deficiency) of revenues over (under) expenditures	(754)	(31,612)	(53,244)	(418,626)
Other financing sources (uses):				
Transfers in	-	250	11,522	41,196
Transfers out	-	(400)	(206)	(44,190)
Issuance of bonds and loans:				
Face value of bonds issued	-	-	-	209,955
Premium on issuance of bonds	-	-	-	16,508
Other financing sources-capital leases	618	4,249	-	4,867
Total other financing sources, net	618	4,099	11,316	228,336
Net changes in fund balances	(136)	(27,513)	(41,928)	(190,290)
Fund balances at beginning of year	1,088	119,837	167,414	605,153
Fund balances at end of year	$ 952	$ 92,324	$ 125,486	$ 414,863

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CITY AND COUNTY OF SAN FRANCISCO

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

Central Shops Fund – Accounts for Central Shops equipment (primarily vehicle) maintenance service charges and the related billings to various departments.

Finance Corporation – Accounts for the lease financing services provided by the Finance Corporation to City departments. On July 1, 2001 the City established the Finance Corporation Internal Service fund because its sole purpose is to provide lease financing to the City. Previously, the activities of the Finance Corporation were reported within governmental funds.

Reproduction Fund – Accounts for printing, design and mail services required by various City departments and agencies.

Telecommunications and Information Fund – Accounts for centralized telecommunications activities in the City's Wide Area Network, radio communication and telephone systems. In addition, it accounts for application support provided to many department-specific and citywide systems, management of the City's Web site, operations of the City's mainframe computers and technology training provided to city the related billings to various departments for specific services performed and operating support from the General Fund.

Combining Statement of Net Position
Internal Service Funds
June 30, 2014
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Assets:					
Current assets:					
Deposits and investments with City Treasury	$ 3,660	$ -	$ 1,757	$ 32,468	$ 37,885
Receivables:					
Charges for services	34	-	-	-	34
Interest and other	-	27	5	567	599
Due from other funds	-	85	-	-	85 (1)
Capital leases receivable	-	22,128	-	-	22,128
Other assets	225	-	-	-	225
Restricted assets:					
Deposits and investments outside City Treasury	-	40,417	-	-	40,417
Total current assets	3,919	62,657	1,762	33,035	101,373
Noncurrent assets:					
Restricted assets:					
Deposits and investments outside City Treasury	-	4,730	-	-	4,730
Capital leases receivable	-	218,983	-	-	218,983
Capital assets:					
Facilities and equipment, net of depreciation	194	-	86	8,998	9,278
Total noncurrent assets	194	223,713	86	8,998	232,991
Total assets	4,113	286,370	1,848	42,033	334,364
Deferred outflows of resources:					
Unamortized loss on refunding of debt	-	1,250	-	-	1,250
Liabilities:					
Current liabilities:					
Accounts payable	1,608	200	92	7,416	9,316
Accrued payroll	764	-	90	1,881	2,735
Accrued vacation and sick leave pay	416	-	-	1,090	1,506
Accrued workers' compensation	-	-	-	322	322
Bonds, loans, capital leases, and other payables	-	20,440	-	-	20,440
Accrued interest payable	-	1,578	-	-	1,578
Due to other funds	-	2,507	-	85	2,592 (1)
Unearned revenues and other liabilities	-	39,832	-	34	39,866
Total current liabilities	2,788	64,557	182	10,828	78,355
Noncurrent liabilities:					
Accrued vacation and sick leave pay	337	-	-	935	1,272
Accrued workers' compensation	-	-	-	1,445	1,445
Other postemployment benefits obligation	4,611	-	-	15,178	19,789
Bonds, loans, capital leases, and other payables	-	223,063	-	-	223,063
Total noncurrent liabilities	4,948	223,063	-	17,558	245,569
Total liabilities	7,736	287,620	182	28,386	323,924
Net position:					
Net investment in capital assets	194	-	86	8,998	9,278
Unrestricted (deficit)	(3,817)	-	1,580	4,649	2,412
Total net position	$ (3,623)	$ -	$ 1,666	$ 13,647	$ 11,690

Notes:
(1) Intra-entity due to and due from eliminated for presentation in the Statement of Net Position - Proprietary funds on pages 32-33.

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
Year Ended June 30, 2014
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Operating revenues:					
Charges for services	$ 29,528	$ -	$ 7,045	$ 81,851	$ 118,424
Rents and concessions	-	-	-	142	142
Total operating revenues	29,528	-	7,045	81,993	118,566
Operating expenses:					
Personal services	13,062	-	1,610	32,988	47,660
Contractual services	2,781	-	4,343	32,841	39,965
Materials and supplies	12,083	-	257	5,812	18,152
Depreciation and amortization	110	-	48	1,799	1,957
General and administrative	99	-	3	280	382
Services provided by other departments	1,165	-	432	5,701	7,298
Other	-	-	-	1,405	1,405
Total operating expenses	29,300	-	6,693	80,826	116,819
Operating income	228	-	352	1,167	1,747
Nonoperating revenues (expenses):					
Interest and investment income	-	5,101	5	173	5,279
Interest expense	(1)	(5,567)	-	-	(5,568)
Other, net	-	466	9	43	518
Total nonoperating revenues (expenses)	(1)	-	14	216	229
Income before transfers	227	-	366	1,383	1,976
Transfers in	1	-	-	1,241	1,242
Transfers out	-	-	(5)	(173)	(178)
Change in net position	228	-	361	2,451	3,040
Net position at beginning of year	(3,851)	-	1,305	11,196	8,650
Net position at end of year	$ (3,623)	$ -	$ 1,666	$ 13,647	$ 11,690

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2014
(In Thousands)

	Central Shops Fund	Finance Corporation	Reproduction Fund	Telecom-munications & Information Fund	Total
Cash flows from operating activities:					
Cash received from customers	$ 29,493	$ 25,029	$ 7,053	$ 82,117	$ 143,692
Cash paid to employees for services	(12,470)	-	(1,608)	(30,988)	(45,066)
Cash paid to suppliers for goods and services	(15,858)	(13,544)	(5,115)	(42,669)	(77,186)
Net cash provided by operating activities	1,165	11,485	330	8,460	21,440
Cash flows from noncapital financing activities:					
Transfers in	1	-	-	-	1
Transfers out	-	-	(5)	(173)	(178)
Net cash provided by (used in) noncapital financing activities	1	-	(5)	(173)	(177)
Cash flows from capital and related financing activities:					
Transfers in	-	-	-	1,241	1,241
Acquisition of capital assets	(28)	-	(26)	(5,262)	(5,316)
Retirement of capital lease obligation	-	(20,780)	(29)	(334)	(21,143)
Bond issue costs paid	-	(146)	-	-	(146)
Interest paid on long-term debt	-	(5,639)	-	-	(5,639)
Net cash provided by (used in) capital and related financing activities	(28)	(26,565)	(55)	(4,355)	(31,003)
Cash flows from investing activities:					
Purchases of investments with trustees	-	(23)	-	-	(23)
Proceeds from sale of investments with trustees	-	4,870	-	-	4,870
Interest and investment income	-	113	5	173	291
Other investing activities	(1)	-	-	-	(1)
Net cash provided by (used in) investing activities	(1)	4,960	5	173	5,137
Change in cash and cash equivalents	1,137	(10,120)	275	4,105	(4,603)
Cash and cash equivalents at beginning of year	2,523	50,537	1,482	28,363	82,905
Cash and cash equivalents at end of year	$ 3,660	$ 40,417	$ 1,757	$ 32,468	$ 78,302
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	$ 228	$ -	$ 352	$ 1,167	$ 1,747
Adjustments for non-cash and other activities:					
Depreciation and amortization	110	-	48	1,799	1,957
Other	-	-	9	43	52
Changes in assets/liabilities:					
Receivables, net	(34)	20,780	-	82	20,828
Accounts payable	495	-	(80)	3,484	3,899
Accrued payroll	109	-	1	233	343
Accrued vacation and sick leave pay	49	-	-	(2)	47
Accrued workers' compensation	-	-	-	259	259
Other postemployment benefits obligation	433	-	-	1,509	1,942
Due to other funds	-	-	-	(114)	(114)
Unearned revenue and other liabilities	(225)	(9,295)	-	-	(9,520)
Total adjustments	937	11,485	(22)	7,293	19,693
Net cash provided by operating activities	$ 1,165	$ 11,485	$ 330	$ 8,460	$ 21,440
Reconciliation of cash and cash equivalents to the combining statement of net position:					
Deposits and investments with City Treasury:					
Unrestricted	$ 3,660	$ -	$ 1,757	$ 32,468	$ 37,885
Deposits and investments outside City Treasury:					
Restricted	-	45,147	-	-	45,147
Total deposits and investments	3,660	45,147	1,757	32,468	83,032
Less: Investments outside City Treasury not meeting the definition of cash equivalents	-	(4,730)	-	-	(4,730)
Cash and cash equivalents at end of year on statement of cash flows	$ 3,660	$ 40,417	$ 1,757	$ 32,468	$ 78,302
Non-cash capital and related financing activities:					
Acquisition of capital assets on accounts payable and capital lease	$ -	$ 2,703	$ -	$ -	$ 2,703

CITY AND COUNTY OF SAN FRANCISCO

FIDUCIARY FUNDS

Fiduciary Funds include all Trust and Agency Funds which account for assets held by the City as a trustee or as an agent for individuals or other governmental units

Trust Funds

Employees' Retirement System – Accounts for the contributions from employees, City contributions and the earnings and profits from investments of monies. Disbursements are made for retirements, withdrawal, disability, and death benefits of the employees as well as administrative expenses.

Health Service System – Accounts for the contributions from active and retired employees, and surviving spouses, City contributions and the earnings and profits from investment of monies. Disbursements are made for medical expenses and to various health plans of the beneficiaries.

Retiree Health Care Trust - Accounts for the contributions from employees, City contributions and the earnings and profits from investment of monies. Disbursements are to be made for benefits, expenses and other charges properly allocable to the trust fund.

Agency Funds

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time.

Assistance Program Fund – Accounts for collections and advances received as an agent under various human welfare and community health programs. Monies are disbursed in accordance with legal requirements and program regulations.

Deposits Fund – Accounts for all deposits under the control of the City departments. Dispositions of the deposits are governed by the terms of the statutes and ordinances establishing the deposit requirement.

Payroll Deduction Fund – Accounts for monies held for payroll charges including federal, state and other payroll related deductions.

State Revenue Collection Fund – Accounts for various fees, fines and penalties collected by City departments for the State of California which are passed through to the State.

Tax Collection Fund – Accounts for monies received for current and delinquent taxes which must be held pending authority for distribution. Included are prepaid taxes, disputed taxes, duplicate payment of taxes, etc. This fund also accounts for monies deposited by third parties pending settlement of litigation and claims. Upon final settlement, monies are disbursed as directed by the courts or by parties to the dispute.

Transit Fund – Accounts for the quarter of one percent sales tax collected by the State Board of Equalization and deposited with the County of origin for local transportation support. The Metropolitan Transportation Commission, the regional agency responsible for administration of these monies, directs their use and distribution.

Other Agency Funds – Accounts for monies held as agent for a variety of purposes.

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
June 30, 2014
(In Thousands)

	Pension 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	$ 5,227	$ 137,570	$ 47,662	$ 190,459
Deposits and investments outside City Treasury:				
Cash and deposits	82,283	-	-	82,283
Short term investments	838,466	-	-	838,466
Debt securities	4,531,032	-	-	4,531,032
Equity securities	10,441,661	-	-	10,441,661
Real estate	1,582,169	-	-	1,582,169
Alternative investments	2,424,678	-	-	2,424,678
Foreign currency contracts, net	829	-	-	829
Invested in securities lending collateral	911,577	-	-	911,577
Receivables:				
Employer and employee contributions	49,643	39,961	1,302	90,906
Brokers, general partners and others	281,319	-	-	281,319
Interest and other	63,968	2,046	53	66,067
Total assets	21,212,852	179,577	49,017	21,441,446
Liabilities				
Accounts payable	19,273	13,205	-	32,478
Estimated claims payable	-	29,156	-	29,156
Payable to brokers	356,990	-	-	356,990
Deferred Retirement Option Program	3,096	-	-	3,096
Payable to borrowers of securities	912,886	-	-	912,886
Other liabilities	-	44,395	-	44,395
Total liabilities	1,292,245	86,756	-	1,379,001
Net Position				
Held in trust for pension benefits and other purposes	$ 19,920,607	$ 92,821	$ 49,017	$ 20,062,445

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Pension and Other Employee Benefit Trust Funds
Year Ended June 30, 2014
(In Thousands)

	Pension 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	$ 289,020	$ 118,912	$ 11,791	$ 419,723
Employer contributions	532,882	644,054	5,895	1,182,831
Total contributions	821,902	762,966	17,686	1,602,554
Investment income/loss:				
Interest	177,425	827	257	178,509
Dividends	195,503	-	-	195,503
Net appreciation in fair value of investments	2,844,279	228	61	2,844,568
Securities lending income	4,871	-	-	4,871
Total investment income	3,222,078	1,055	318	3,223,451
Less investment expenses:				
Securities lending borrower rebates and expenses	952	-	-	952
Other investment expenses	(47,599)	-	-	(47,599)
Total investment expenses	(46,647)	-	-	(46,647)
Total additions, net	3,997,333	764,021	18,004	4,779,358
Deductions:				
Benefit payments	1,062,229	748,564	-	1,810,793
Refunds of contributions	10,297	-	-	10,297
Administrative expenses	15,745	-	160	15,905
Total deductions	1,088,271	748,564	160	1,836,995
Change in net assets	2,909,062	15,457	17,844	2,942,363
Net position at beginning of year	17,011,545	77,364	31,173	17,120,082
Net position at end of year	$19,920,607	$ 92,821	$ 49,017	$ 20,062,445

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds
Year Ended June 30, 2014
(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assistance Program Fund				
Assets				
Deposits and investments with City Treasury........	$ 25,801	$ 4,577	$ 7,074	$ 23,304
Deposits and investments outside City Treasury..	15	14	15	14
Receivables:				
Interest and other..	8	154	134	28
Total assets..	$ 25,824	$ 4,745	$ 7,223	$ 23,346
Liabilities				
Accounts payable...	$ 10	$ 2,648	$ 1,092	$ 1,566
Agency obligations..	25,814	6,243	10,277	21,780
Total liabilities...	$ 25,824	$ 8,891	$ 11,369	$ 23,346
Deposits Fund				
Assets				
Deposits and investments with City Treasury........	$ 13,088	$ 53,476	$ 49,479	$ 17,085
Deposits and investments outside City Treasury..	2	-	2	-
Receivables:				
Interest and other..	79	105	100	84
Other assets...	34,538	11,000	-	45,538
Total assets..	$ 47,707	$ 64,581	$ 49,581	$ 62,707
Liabilities				
Accounts payable...	$ 740	$ 16,563	$ 13,821	$ 3,482
Agency obligations..	46,967	52,037	39,779	59,225
Total liabilities...	$ 47,707	$ 68,600	$ 53,600	$ 62,707
Payroll Deduction Fund				
Assets				
Deposits and investments with City Treasury........	$ 38,698	$ -	$ 22,777	$ 15,921
Receivables:				
Employer and employee contributions................	59,737	6,270	-	66,007
Total assets..	$ 98,435	$ 6,270	$ 22,777	$ 81,928
Liabilities				
Accounts payable...	$ 9,289	$ -	$ 1,658	$ 7,631
Agency obligations..	89,146	6,897	21,746	74,297
Total liabilities...	$ 98,435	$ 6,897	$ 23,404	$ 81,928

CITY AND COUNTY OF SAN FRANCISCO

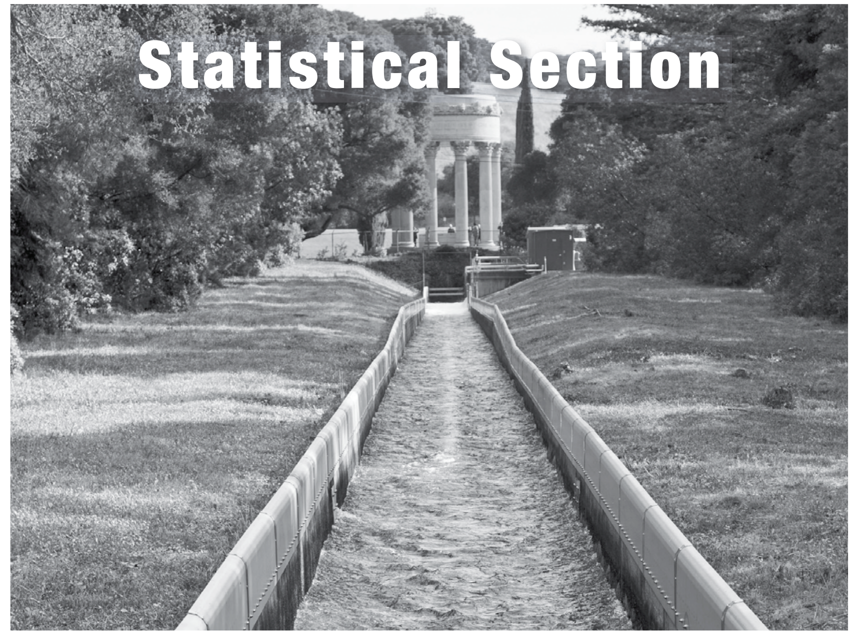
Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
State Revenue Collection Fund				
Assets				
Deposits and investments with City Treasury........	$ 1,764	$ 12,159	$ 10,291	$ 3,632
Deposits and investments outside City Treasury..	3	-	3	-
Receivables:				
Interest and other..	-	1	1	-
Total assets..	$ 1,767	$ 12,160	$ 10,295	$ 3,632
Liabilities				
Accounts payable...	$ 183	$ 10,313	$ 10,220	$ 276
Agency obligations..	1,584	12,140	10,368	3,356
Total liabilities...	$ 1,767	$ 22,453	$ 20,588	$ 3,632
Tax Collection Fund				
Assets				
Deposits and investments with City Treasury........	$ 54,261	$ 3,358,074	$ 3,353,514	$ 58,821
Deposits and investments outside City Treasury..	125	1,076	125	1,076
Receivables:				
Interest and other..	173,832	1,987,401	2,016,971	144,262
Total assets..	$ 228,218	$ 5,346,551	$ 5,370,610	$ 204,159
Liabilities				
Accounts payable...	$ 8,071	$ 79,298	$ 84,770	$ 2,599
Agency obligations..	220,147	2,521,712	2,540,299	201,560
Total liabilities...	$ 228,218	$ 2,601,010	$ 2,625,069	$ 204,159
Transit Fund				
Assets				
Deposits and investments with City Treasury........	$ 4,794	$ 67,329	$ 67,807	$ 4,316
Receivables:				
Interest and other..	1	16	14	3
Total assets..	$ 4,795	$ 67,345	$ 67,821	$ 4,319
Liabilities				
Accounts payable...	$ 2,021	$ 24,472	$ 24,284	$ 2,209
Agency obligations..	2,774	44,423	45,087	2,110
Total liabilities...	$ 4,795	$ 68,895	$ 69,371	$ 4,319

CITY AND COUNTY OF SAN FRANCISCO

Combining Statement of Changes in Assets and Liabilities
Agency Funds (Continued)
Year Ended June 30, 2014
(In Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Other Agency Funds				
Assets				
Deposits and investments with City Treasury	$ 16,838	$ 282,728	$ 264,775	$ 34,791
Deposits and investments outside City Treasury	-	80	-	80
Receivables:				
Interest and other	404	479	434	449
Total assets	$ 17,242	$ 283,287	$ 265,209	$ 35,320
Liabilities				
Accounts payable	$ 3,482	$ 78,412	$ 72,013	$ 9,881
Agency obligations	13,760	277,132	265,453	25,439
Total liabilities	$ 17,242	$ 355,544	$ 337,466	$ 35,320
Total Agency Funds				
Assets				
Deposits and investments with City Treasury	$155,244	$3,778,343	$3,775,717	$157,870
Deposits and investments outside City Treasury	145	1,170	145	1,170
Receivables:				
Employer and employee contributions	59,737	6,270	-	66,007
Interest and other	174,324	1,988,156	2,017,654	144,826
Other assets	34,538	11,000	-	45,538
Total assets	$423,988	$5,784,939	$5,793,516	$415,411
Liabilities				
Accounts payable	$ 23,796	$ 211,706	$ 207,858	$ 27,644
Agency obligations	400,192	2,920,584	2,933,009	387,767
Total liabilities	$423,988	$3,132,290	$3,140,867	$415,411



The first waters from the new Bay Tunnel flow into the Pulgas Water Temple on Oct. 15, 2014.

CITY AND COUNTY OF SAN FRANCISCO

Statistical Section

This section of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY AND COUNTY OF SAN FRANCISCO

NET POSITION BY COMPONENT (1)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental activities										
Net investment in capital assets	$ 1,159,696	$ 1,438,010	$ 1,454,614	$ 1,436,842	$ 1,725,203	$ 1,833,733	$ 1,910,341	$ 2,199,316	$ 2,275,963	$ 2,483,086
Restricted for:										
Reserve for rainy day	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194
Debt service	46,575	53,076	28,310	23,130	30,724	34,308	36,805	48,202	98,754	91,900
Capital projects	25,101	10,589	19,128	-	-	63,323	82,315	91,997	154,502	110,608
Community development	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640
Transportation Authority activities	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496
Building inspection programs	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928
Children and families	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572
Culture, recreation, grants and other purposes	76,068	84,531	113,606	112,219	116,032	113,917	155,152	150,383	158,973	206,368
Unrestricted (deficit)	(200,467)	(72,038)	(14,446)	(261,897)	(791,831)	(1,062,818)	(1,046,861)	(954,469)	(1,142,020)	(1,004,161)
Total governmental activities net position	$ 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	$ 2,341,631
Business-type activities										
Net investment in capital assets	$ 3,391,450	$ 3,438,397	$ 3,795,006	$ 3,935,008	$ 4,204,644	$ 4,277,799	$ 4,481,404	$ 4,538,990	$ 4,691,579	$ 4,832,659
Restricted for:										
Debt service	202,006	256,055	249,656	282,187	58,716	71,128	62,421	53,951	58,970	64,143
Capital projects	161,231	148,957	75,771	111,463	140,932	188,580	161,580	176,570	299,942	363,601
Other purposes	66,753	32,354	23,709	28,254	31,459	18,854	18,741	18,913	13,046	24,721
Unrestricted	446,039	536,670	567,122	491,437	324,395	259,533	268,328	242,842	610,565	732,736
Total business-type activities net position	$ 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	$ 6,017,860
Primary government										
Net investment in capital assets	$ 4,551,146	$ 4,876,407	$ 5,249,620	$ 5,371,850	$ 5,630,550	$ 5,735,844	$ 5,993,892	$ 6,459,434	$ 6,692,499	$ 7,032,674
Restricted for:										
Reserve for rainy day	48,139	121,976	133,622	117,792	98,297	39,582	33,439	34,109	26,339	83,194
Debt service	248,581	309,131	277,966	305,317	89,440	105,436	99,226	102,153	157,724	156,043
Capital projects	186,332	159,546	94,899	111,463	140,932	239,209	223,694	246,027	356,002	418,103
Community development	208,532	71,207	63,043	95,136	64,031	66,251	59,763	240,771	109,423	200,640
Transportation Authority activities	75,282	23,727	10,390	1,693	2,515	1,966	1,386	6,705	10,924	12,496
Building inspection programs	22,066	20,691	17,213	16,475	13,959	21,837	32,112	49,364	71,131	97,928
Children and families	40,090	42,849	45,531	43,666	46,273	40,886	45,827	53,632	56,170	59,572
Culture, recreation, grants and other purposes	142,821	116,885	137,315	140,473	147,491	132,771	173,893	169,296	172,019	231,089
Unrestricted (deficit)	245,572	464,632	552,676	229,540	(168,139)	(414,903)	(360,479)	(410,215)	(157,970)	67,752
Total primary activities net position	$ 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	$ 8,359,491

Notes:
(1) Effective with the implementation of GASB Statement No. 63, in fiscal year 2013, Net Assets was renamed Net Position.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2005	2006	2007	2008	2009 (1)	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Public protection	$ 738,688	$ 780,642	$ 861,689	$ 1,020,457	$ 1,109,311	$ 1,089,309	$ 1,099,791	$ 1,158,618	$ 1,236,922	$ 1,229,591
Public works, transportation and commerce	213,335	272,397	309,095	342,411	254,955	225,589	239,230	210,415	189,124	200,712
Human welfare and neighborhood development	619,753	858,396	751,034	848,195	908,449	933,039	885,194	942,523	946,562	1,009,190
Community health	503,259	478,844	516,321	567,410	608,733	599,741	613,883	673,905	751,491	786,761
Culture and recreation	256,336	244,423	290,547	347,433	319,994	310,063	318,083	307,269	338,042	357,620
General administration and finance	152,850	167,490	194,653	250,295	238,601	221,471	224,027	237,818	249,271	298,563
General City responsibilities	59,024	49,054	67,948	80,887	72,634	80,246	84,444	96,147	83,895	85,239
Unallocated Interest on long-term debt and cost of issuance (1)	89,690	94,923	94,060	97,694	93,387	102,635	110,142	110,145	107,790	115,880
Total governmental activities expenses	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	4,083,556
Business-type activities:										
Airport	628,445	633,102	624,832	651,581	683,335	662,347	690,875	746,610	756,961	827,658
Transportation	711,733	695,593	726,053	830,411	863,218	905,694	905,218	959,088	1,026,726	1,037,368
Port	54,897	55,329	61,937	67,495	71,778	73,573	68,661	72,307	81,422	88,551
Water	197,848	213,584	236,824	252,802	277,162	325,242	362,802	431,248	445,804	470,200
Power	116,683	119,146	95,020	109,436	96,228	119,109	119,282	130,709	129,790	137,639
Hospitals	598,160	646,149	714,349	812,399	820,236	842,488	885,294	954,566	992,687	1,011,452
Sewer	160,650	160,701	168,954	182,712	184,977	201,403	201,629	214,593	223,727	243,466
Market	1,055	1,035	1,061	1,052	1,144	1,119	1,152	1,138	1,231	120
Total business-type activities expenses	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	3,816,454
Total primary government expenses	$ 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	$ 7,900,010
Program Revenues										
Governmental activities:										
Charges for services:										
Public protection	$ 54,805	$ 51,874	$ 58,979	$ 66,343	$ 90,044	$ 58,980	$ 62,105	$ 61,412	$ 60,190	$ 69,673
Public works, transportation and commerce	95,081	113,861	111,364	115,939	72,287	71,288	101,846	93,809	105,981	135,842
Human welfare and neighborhood development	21,375	29,181	56,367	108,956	33,988	25,813	56,628	68,794	69,997	99,848
Community health	44,850	52,183	50,266	52,455	60,708	65,756	64,419	58,864	60,856	67,680
Culture and recreation	64,614	64,720	65,407	70,576	74,477	81,855	76,528	78,828	93,612	89,969
General administration and finance	41,348	55,799	10,502	20,376	33,530	35,190	37,601	44,358	76,903	66,071
General City responsibilities	28,956	31,647	29,604	26,980	27,377	37,806	29,316	29,142	50,121	39,445
Operating Grants and Contributions	834,607	859,919	927,256	926,089	909,695	997,091	1,040,116	998,701	1,086,154	1,142,094
Capital Grants and Contributions	55,435	248,329	50,479	36,079	44,048	50,349	57,719	41,174	29,718	39,379
Total Governmental activities program revenues	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	1,750,001
Business-type activities:										
Charges for services:										
Airport	477,314	455,342	503,914	535,771	551,283	578,041	607,323	668,672	726,358	770,691
Transportation	187,913	210,692	222,115	257,341	257,083	311,311	334,140	350,464	494,805	521,628
Port	57,519	58,588	61,193	64,498	66,438	66,579	72,266	77,260	80,202	85,019
Water	184,835	201,833	216,531	234,216	265,781	265,218	288,395	342,101	721,470	379,882
Power	132,303	149,500	108,224	119,855	115,274	128,590	140,035	127,309	133,927	134,438
Hospitals	493,596	472,327	515,092	558,167	568,210	606,276	726,522	740,920	868,244	951,038
Sewer	148,888	164,703	193,411	202,549	208,654	209,843	229,216	244,155	252,554	260,097
Market	1,462	1,503	1,567	1,564	1,546	1,681	1,655	1,672	1,715	141
Operating Grants and Contributions	180,807	188,672	183,301	181,725	186,805	182,572	204,153	200,318	224,382	190,351
Capital Grants and Contributions	93,724	110,403	150,080	152,511	107,118	180,253	213,364	173,975	251,753	515,445
Total business-type activities program revenues	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	3,808,730
Total primary government program revenues	$ 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	$ 5,558,731

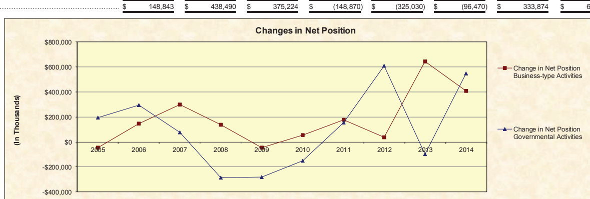
Notes:
(1) The City adopted GASB Statement No. 65 in fiscal year 2014 and began reporting the cost of issuance as an expense. Prior fiscal years have not been restated.

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN NET POSITION (Continued)

Last Ten Fiscal Years
(Accrual basis of accounting)
(In Thousands)

	Fiscal Year 2005	2006	2007	2008	2009 (1)	2010	2011	2012	2013	2014
Net (expenses)/revenue										
Governmental activities	$ (1,391,864)	$ (1,438,656)	$ (1,725,123)	$ (2,130,989)	$ (2,259,910)	$ (2,137,965)	$ (2,048,516)	$ (2,261,758)	$ (2,269,565)	$ (2,333,555)
Business-type activities	(511,110)	(511,076)	(473,602)	(599,691)	(669,886)	(600,611)	(417,844)	(583,413)	97,062	(7,724)
Total primary government net expenses	$ (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)	$ (2,341,279)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	$ 920,314	$ 1,016,220	$ 1,126,992	$ 1,189,511	$ 1,302,071	$ 1,345,040	$ 1,340,590	$ 1,355,855	$ 1,415,068	$ 1,521,471
Business taxes	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406
Sales and use tax	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636
Hotel room tax	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052
Utility users tax	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810
Other local taxes	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,746	359,808	391,638
Interest and investment income	29,490	71,129	86,233	57,929	35,434	27,877	17,645	31,453	7,862	21,887
Other	47,153	56,022	33,046	25,939	44,086	54,410	58,524	91,236	52,865	70,024
Transfers - internal activities of primary government	(241,600)	(329,996)	(451,171)	(477,341)	(393,259)	(435,824)	(337,132)	(251,088)	(483,028)	(311,627)
Extraordinary gain (loss)	-	-	-	-	-	-	-	323,130	(201,670)	-
Total governmental activities	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	2,881,297
Business-type activities:										
Interest and investment income	33,268	53,161	85,692	67,217	49,691	44,471	42,299	82,533	1,009	29,843
Other	237,102	272,873	218,184	233,244	181,759	176,064	214,993	288,584	61,737	82,737
Special item	(46,358)	-	17,386	(41,026)	-	-	-	-	-	-
Transfers - internal activities of primary government	241,600	329,996	451,171	477,341	393,259	435,824	337,132	251,088	483,028	311,627
Extraordinary gain (loss)	-	-	-	-	-	-	-	-	-	(6,843)
Total business-type activities	465,612	656,030	772,433	736,776	624,709	656,359	594,424	622,205	545,774	417,364
Total primary government	$ 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	$ 3,298,661
Change in Net Position										
Governmental activities	$ 194,341	$ 293,536	$ 76,393	$ (285,955)	$ (279,853)	$ (152,218)	$ 157,294	$ 609,731	$ (99,851)	$ 547,742
Business-type activities	(45,498)	144,954	298,831	137,085	(45,177)	55,748	176,580	38,792	642,836	409,640
Total primary government	$ 148,843	$ 438,490	$ 375,224	$ (148,870)	$ (325,030)	$ (96,470)	$ 333,874	$ 648,523	$ 542,985	$ 957,382



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 2005	2006	2007	2008	2009
General Fund					
Reserved for rainy day	$ 48,139	$ 121,976	$ 133,622	$ 117,792	$ 98,297
Reserved for assets not available for appropriation	9,031	10,710	12,665	11,358	11,307
Reserved for encumbrances	57,762	38,159	60,948	63,068	65,902
Reserved for appropriation carryforward	36,198	124,009	161,127	99,959	91,075
Reserved for subsequent years' budgets	22,351	27,451	32,062	36,341	6,891
Unreserved	134,199	138,971	141,037	77,117	28,203
Total general fund	$ 307,680	$ 461,276	$ 541,461	$ 405,635	$ 301,675
All other governmental funds					
Reserved for assets not available for appropriation	$ 17,683	$ 20,202	$ 19,413	$ 19,814	$ 19,781
Reserved for debt service	45,540	57,429	51,299	47,334	75,886
Reserved for encumbrances	97,920	423,120	288,948	193,461	167,169
Reserved for appropriation carryforward	549,571	294,340	292,234	314,051	501,006
Reserved for subsequent years' budgets	8,004	8,004	8,004	13,504	11,245
Unreserved reported in:					
Special revenue funds	30,809	35,243	47,445	(27,758)	(69,468)
Capital projects funds	7,193	13,662	(373)	2,126	(26,153)
Permanent fund	3,856	2,308	3,508	3,502	3,871
Total other governmental funds	$ 760,576	$ 854,308	$ 710,478	$ 566,034	$ 683,337

	2010 (1)	2011	2012	2013	2014
General Fund					
Nonspendable	$ 14,874	$ 20,501	$ 19,598	$ 23,854	$ 24,022
Restricted	39,582	33,439	34,109	26,339	83,194
Committed	4,677	33,431	79,276	137,487	145,126
Assigned	132,645	240,635	305,413	353,191	508,903
Unassigned	-	-	17,329	-	74,317
Total general fund	$ 191,778	$ 328,006	$ 455,725	$ 540,871	$ 835,562
All other governmental funds					
Nonspendable	$ 192	$ 192	$ 1,104	$ 274	$ 441
Restricted	861,188	831,269	1,189,102	1,191,189	1,115,226
Assigned	27,493	27,622	28,006	30,759	50,733
Unassigned	(81,566)	(59,523)	(136,856)	(94,532)	(64,983)
Total other governmental funds	$ 807,307	$ 799,560	$ 1,081,356	$ 1,127,690	$ 1,101,417

Notes:
(1) The City implemented GASB Statement No. 54 in fiscal year 2011 and restated the presentation for fiscal year 2010.

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CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2005 (1)	2006	2007	2008	2009 (2)	2010	2011	2012	2013	2014
Revenues:										
Property taxes	$ 918,645	$ 1,008,151	$ 1,107,864	$ 1,179,688	$ 1,272,385	$ 1,331,957	$ 1,380,356	$ 1,352,857	$ 1,421,764	$ 1,517,261
Business taxes	292,763	323,153	337,592	396,025	388,653	354,019	391,779	437,678	480,131	563,406
Sales and use tax	161,451	175,138	184,723	190,967	172,794	164,769	181,474	198,236	208,025	227,636
Hotel room tax	151,993	173,923	194,290	219,089	214,460	186,849	209,962	239,567	238,782	310,052
Utility users tax	72,574	76,444	78,729	86,964	89,801	94,537	91,683	91,676	91,871	86,810
Other local taxes	152,067	170,159	211,082	155,951	126,017	194,070	251,285	353,889	359,808	391,638
Licenses, permits and franchises	25,942	27,662	27,428	30,943	32,153	33,625	35,977	39,770	40,901	42,371
Fines, forfeitures and penalties	12,509	14,449	8,871	13,217	9,694	22,255	11,770	30,090	49,841	28,425
Interest and investment income	28,268	70,046	83,846	54,256	33,547	27,038	17,041	31,371	7,489	21,678
Rent and concessions	49,450	52,426	52,493	70,160	77,014	78,527	78,995	89,183	98,770	90,712
Intergovernmental:										
Federal	348,764	350,985	381,688	328,315	362,582	448,890	484,704	420,974	420,775	426,314
State	522,937	565,989	582,666	561,095	575,774	552,641	581,119	588,532	656,141	721,735
Other	25,783	23,500	15,689	15,907	15,186	7,397	32,017	33,181	41,789	9,408
Charges for services	241,750	263,994	273,057	288,689	280,407	243,128	258,015	264,856	296,059	333,904
Other	57,487	61,565	44,084	81,321	30,318	51,023	97,194	83,634	81,014	134,923
Total revenues	3,062,383	3,357,584	3,584,102	3,672,587	3,680,785	3,790,725	4,103,371	4,255,494	4,493,160	4,906,273
Expenditures										
Public protection	738,494	787,398	865,556	1,018,212	999,518	1,021,505	1,031,181	1,079,203	1,145,884	1,172,497
Public works, transportation and commerce	195,896	274,669	280,907	236,569	248,161	243,454	226,920	250,879	223,218	232,005
Human welfare and neighborhood development	644,899	697,102	740,171	828,903	886,686	918,301	870,091	918,414	945,106	995,192
Community health	501,050	471,741	509,844	543,046	578,828	581,392	595,222	653,263	734,736	761,439
Culture and recreation	239,022	256,979	286,135	309,612	313,442	303,134	310,392	311,156	328,794	331,914
General administration and finance	135,118	161,195	167,505	215,054	190,680	187,221	191,641	203,157	211,138	233,977
General City responsibilities	62,799	53,763	57,532	71,205	73,147	86,498	85,463	96,150	81,775	86,996
Debt service:										
Principal retirement	80,306	86,970	98,169	106,580	126,501	154,051	148,231	167,465	154,542	190,266
Interest and fiscal charges	61,524	75,975	71,266	75,844	74,466	89,946	101,716	103,706	108,189	119,142
Bond issuance costs	4,842	1,933	3,683	1,090	4,746	2,145	2,161	5,386	2,913	2,185
Capital outlay	130,224	153,493	283,370	133,155	152,473	182,448	214,817	270,094	410,994	449,726
Total expenditures	2,794,174	3,021,218	3,364,138	3,539,270	3,648,648	3,770,095	3,777,835	4,058,873	4,347,289	4,575,339
Excess (deficiency) of revenues over (under) expenditures	268,209	336,366	219,964	133,317	32,137	20,630	325,536	196,621	145,871	330,934

CITY AND COUNTY OF SAN FRANCISCO

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (Continued)

Last Ten Fiscal Years
(Modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2005 (1)	2006	2007	2008	2009 (2)	2010	2011	2012	2013	2014
Other financing sources (uses):										
Transfers in	271,553	224,523	217,298	244,770	352,693	302,790	304,682	335,600	447,734	563,283
Transfers out	(513,423)	(555,155)	(668,847)	(724,172)	(746,178)	(740,349)	(630,625)	(742,719)	(930,793)	(875,296)
Issuance of bonds and loans:										
Face value of bonds issued	346,225	219,120	312,955	310,155	456,935	393,010	232,965	804,090	557,490	257,175
Face value of loans issued	500	5,359	141	1,829	-	599	1,813	4,359	5,890	8,735
Premium on issuance of bonds	11,989	10,233	3,521	13,071	12,875	16,647	16,799	89,336	64,469	19,773
Discount on issuance of bonds	-	-	(1,856)	-	-	-	-	-	-	-
Payment to refunded bond escrow agent	(38,913)	-	(159,610)	(283,494)	(120,000)	-	(142,458)	(487,390)	-	(49,055)
Other financing sources - capital leases	4,542	6,882	12,789	24,254	24,881	20,746	19,769	12,304	13,470	12,869
Total other financing sources (uses)	82,473	(89,038)	(283,609)	(413,587)	(18,794)	(6,557)	(197,055)	15,580	158,260	(62,516)
Extraordinary gain (loss)	-	-	-	-	-	-	-	197,314	(172,651)	-
Net change in fund balances	$ 350,682	$ 247,328	$ (63,645)	$ (280,270)	$ 13,343	$ 14,073	$ 128,481	$ 409,515	$ 131,480	$ 268,418
Debt service as a percentage of noncapital expenditures	5.31%	5.71%	5.51%	5.34%	5.79%	6.90%	7.07%	7.30%	6.80%	7.61%
Debt service as a percentage of total expenditures	5.08%	5.39%	5.04%	5.15%	5.51%	6.47%	6.62%	6.68%	6.04%	6.76%

Notes:

(1) Prior to fiscal year 2004-2005, transfers of base rental payments from various Certificate of Participation Special Revenue Funds which provide for debt service payments were recorded as current expenditures in paying departments/funds and rental income in debt service funds. Beginning fiscal year 2004-2005, they were recorded as transfers.

(2) In fiscal year 2008-2009, the City transferred its Emergency Communications Department and General Service Agency - Technology's function from Public Works, Transportation and Commerce to Public Protection and General Administration and Finance.

CITY AND COUNTY OF SAN FRANCISCO

ASSESSED VALUE OF TAXABLE PROPERTY (1)(3)(4)

Last Ten Fiscal Years
(In Thousands)

	Assessed Value			Exemptions (2)				
Fiscal Year (4)	Real Property	Personal Property	Total	Non-reimbursable	Reimbursable	Redevelopment Tax Increments	Total Taxable Assessed Value	Total Direct Tax Rate
2005	$ 106,805,910	$ 3,736,998	$ 110,542,908	$ 4,017,052	$ 678,120	$ 5,199,856	$ 100,647,880	1.00%
2006	114,767,252	3,465,752	118,233,004	4,246,112	657,834	6,453,299	106,875,759	1.00%
2007	126,074,101	3,524,897	129,598,998	4,617,851	657,144	7,333,916	116,990,087	1.00%
2008	136,887,654	3,807,362	140,695,016	5,687,576	652,034	10,134,313	124,221,093	1.00%
2009	152,150,004	3,943,357	156,093,361	6,193,368	657,320	8,860,502	140,382,171	1.00%
2010	164,449,745	4,093,813	168,543,558	6,751,558	660,435	9,289,538	151,842,027	1.00%
2011	162,347,329	4,066,754	166,414,083	6,910,812	663,664	11,540,067	147,299,540	1.00%
2012	168,914,782	3,716,092	172,630,874	7,205,992	660,247	13,842,390	150,922,245	1.00%
2013	171,327,361	3,801,645	175,129,006	7,460,708	660,566	14,032,211	152,975,521	1.00%
2014	179,368,068	4,101,609	183,469,677	7,494,941	657,439	15,962,884	159,354,413	1.00%

Source:
Controller, City and County of San Francisco

Notes:

(1) Assessed value of taxable property represents all property within the City. The maximum tax rate is 1% of the full cash value or $1/$100 of the assessed value, excluding the tax rate for debt service.

(2) Exemptions are summarized as follows:
   (a) Non-reimbursable exemptions are revenues lost to the City because of provisions of California Constitution, Article XIII(3).
   (b) Reimbursable exemptions arise from Article XII(25) which reimburses local governments for revenues lost through the homeowners' exemption in Article XIII(3) (k).
   (c) Tax increments were allocations made to the former San Francisco Redevelopment Agency under authority of California Constitution, Article XVI and Section 33675 of the California Health & Safety Code. Actual allocations are limited under an indebtedness agreement between the City and the former Redevelopment Agency, through January 31, 2012, and to the Successor Agency after January 31, 2012.

(3) Based on certified assessed values.

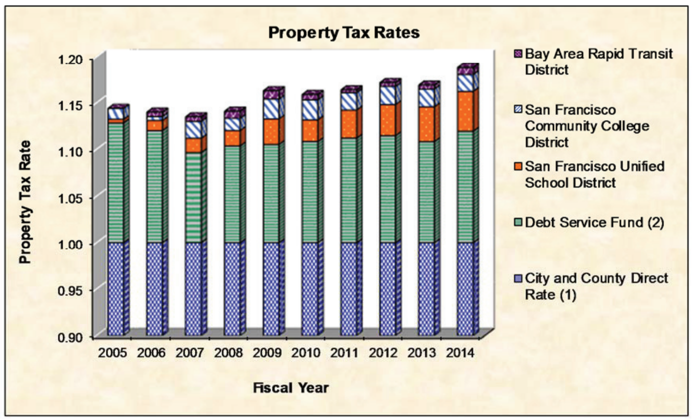
(4) Based on year end actual assessed values.

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years
(Rate Per $1,000 of Assessed Value)

Fiscal Year	City and County Direct Rate [1]	Overlapping Rates: Debt Service Fund [2]	Overlapping Rates: San Francisco Unified School District	Overlapping Rates: San Francisco Community College District	Overlapping Rates: Bay Area Rapid Transit District	Total
2005	1.00000000	0.12838968	0.00393518	0.01167514	-	1.1440
2006	1.00000000	0.12012547	0.01092226	0.00415227	0.00480000	1.1400
2007	1.00000000	0.09657879	0.01532351	0.01809770	0.00500000	1.1350
2008	1.00000000	0.10365766	0.01666683	0.01307551	0.00760000	1.1410
2009	1.00000000	0.10532566	0.02737873	0.02129561	0.00900000	1.1630
2010	1.00000000	0.10839903	0.02336031	0.02154066	0.00570000	1.1590
2011	1.00000000	0.11210000	0.03020000	0.01860000	0.00310000	1.1640
2012	1.00000000	0.11470000	0.03340000	0.01960000	0.00410000	1.1718
2013	1.00000000	0.10830000	0.03750000	0.01900000	0.00430000	1.1691
2014	1.00000000	0.11947956	0.04288739	0.01813305	0.00750000	1.1880



Notes:

(1) Proposition 13 allows each county to levy a maximum tax of $1 per $100 of full cash value. Full cash value is equivalent to assessed value pursuant to Statutes of 1978, Senate Bill 1656.

(2) On June 6, 1978, California voters approved a constitutional amendment to Article 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)

Assessee	Type of Business	Fiscal Year 2014: Taxable Assessed Value [1]	Fiscal Year 2014: Rank	Fiscal Year 2014: Percentage of Total Taxable Assessed Value [2]	Fiscal Year 2005: Taxable Assessed Value	Fiscal Year 2005: Rank	Fiscal Year 2005: Percentage of Total Taxable Assessed Value [2]
HWA 555 Owners LLC	Office, Commercial	$ 941,010	1	0.52%	$ -		-
Paramount Group Real Estate Fund	Office, Commercial	770,892	2	0.42%	-		-
Emporium Mall LLC	Retail, Commercial	430,661	3	0.24%	-		-
SPF China Basin Holdings LLC	Office, Commercial	423,273	4	0.23%	-		-
SHC Embarcadero LLC	Office, Commercial	398,608	5	0.22%	-		-
SF Hilton Inc	Hotel	389,595	6	0.21%	-		-
Post-Montgomery Associates	Office, Commercial	387,267	7	0.21%	382,157	8	0.36
SHR St. Francis LLC	Hotel	368,994	8	0.20%	-		-
PPF Off One Maritime Plaza LP	Office, Commercial	367,384	9	0.20%	-		-
Wells REIT II - 333 Market St LLC	Office, Commercial	349,062	10	0.19%	-		-
Embarcadero Center Venture	Office, Commercial	-		-	1,410,865	1	1.34
Pacific Gas & Electric Company	Utilities	-		-	976,099	2	0.93
555 California Street Partners	Office, Commercial	-		-	924,454	3	0.88
SBC California (Formerly Pacific Bell)	Utilities, Communications	-		-	441,015	4	0.42
EOP - One Market LLC	Offices	-		-	401,262	5	0.38
CB-1 Entertainment Partners	Hotels, Condos	-		-	393,972	6	0.37
Mariott Hotel	Hotel	-		-	391,943	7	0.37
China Basin Ballpark Company LLC	Possessory Interest-Stadium	-		-	375,661	9	0.36
BRE - St. Francis LLC	Hotels	-		-	331,824	10	0.32
Total		$ 4,826,746		2.65%	$ 6,029,252		5.73%

Source: Assessor, City and County of San Francisco

Notes:

(1) Data for fiscal year 2013-2014 updated as of July 1, 2013.

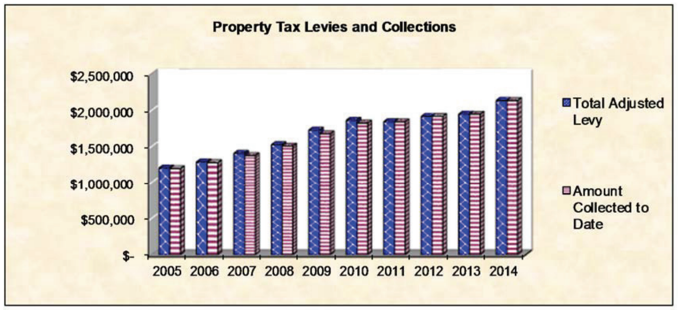
(2) Assessed values for fiscal years 2013-2014 and 2004-2005 are from the tax rolls of calendar years 2013 and 2004, respectively.

CITY AND COUNTY OF SAN FRANCISCO

PROPERTY TAX LEVIES AND COLLECTIONS (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
2005	$1,208,044	$ 1,179,959	97.68%	$ 18,010	$ 1,197,969	99.17%
2006	1,291,491	1,263,396	97.82	17,524	1,280,920	99.18
2007	1,411,316	1,372,174	97.23	5,959	1,378,133	97.65
2008	1,530,484	1,487,715	97.21	20,781	1,508,496	98.56
2009	1,731,668	1,658,599	95.78	21,463	1,680,062	97.02
2010	1,868,098	1,787,809	95.70	40,111	1,827,920	97.85
2011	1,849,132	1,799,523	97.32	45,787	1,845,310	99.79
2012	1,922,368	1,883,666	97.99	37,566	1,921,232	99.94
2013	1,952,525	1,919,060	98.29	31,580	1,950,640	99.90
2014	2,138,245	2,113,284	98.83	23,009	2,136,293	99.91



Source: Controller, City and County of San Francisco

Notes:

(1) Includes San Francisco Unified School District, San Francisco Community College District, Bay Area Rapid Transit District, Bay Area Air Quality Management District, the former San Francisco Redevelopment Agency, and the Successor Agency to San Francisco Redevelopment Agency.

(2) Does not include SB-813 supplemental property taxes.

(3) Collections in subsequent years reflect assessment appeals reduction.

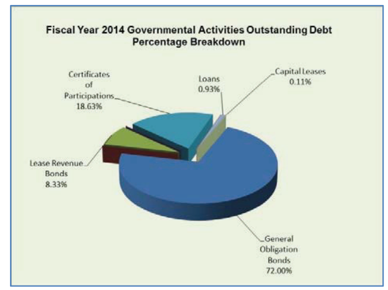
CITY AND COUNTY OF SAN FRANCISCO

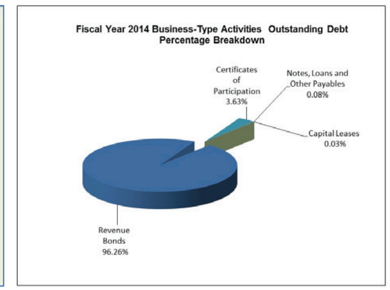
RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years
(In Thousands, except per capita amount)

Fiscal Year (1)	Governmental Activities: General Obligation Bonds	Lease Revenue Bonds	Certificates of Participations	Loans	Capital Leases	Settlement Obligation (2)	Subtotal
2005	$ 1,101,478	$ 230,738	$ 281,521	$ 7,961	$ 198,703	$ 39,057	$ 1,859,458
2006	1,256,045	231,497	274,407	12,377	190,279	33,278	1,997,883
2007	1,181,588	250,095	417,063	11,640	185,736	27,353	2,073,475
2008	1,135,205	283,469	408,745	12,495	174,149	20,779	2,034,842
2009	1,208,353	294,973	564,754	11,329	164,383	14,019	2,257,811
2010	1,442,448	286,653	591,613	10,607	152,273	7,105	2,490,699
2011	1,411,769	283,155	587,121	10,072	141,377	-	2,433,494
2012	1,617,397	275,876	552,998	13,878	22,878	-	2,483,027
2013	2,052,155	264,828	574,683	19,184	9,741	-	2,920,591
2014	2,105,885	243,503	544,817	27,441	3,085	-	2,924,731

Fiscal Year (1)	Business-Type Activities: Revenue Bonds	State of California - Revolving Fund Loans	Certificates of Participation (3)	Notes, Loans and Other Payables	Capital Leases	Subtotal	Primary Government: Total Primary Government	Percentage of Personal Income (3)	Per Capita (4)
2005......	$ 5,109,738	$ 134,783	$ -	$ 27,278	$ 4,754	$ 5,276,553	$ 7,136,011	14.54%	$ 9,176
2006......	5,553,738	118,868	-	22,962	5,522	5,701,090	7,698,973	14.28	9,793
2007......	5,437,855	102,438	-	18,447	4,499	5,563,239	7,636,714	13.56	9,556
2008......	5,373,878	89,101	-	13,749	3,843	5,480,571	7,515,413	12.91	9,301
2009......	4,928,729	75,339	-	324,042	2,635	5,330,745	7,588,556	13.54	9,307
2010......	7,152,582	61,140	194,112	73,322	1,416	7,482,572	9,973,271	17.60	12,386
2011......	8,090,624	46,492	193,579	32,434	652	8,363,781	10,797,275	18.42	13,284
2012......	9,280,580	36,898	348,641	7,163	3,155	9,676,437	12,159,464	20.25	14,723
2013......	9,342,222	-	339,007	7,370	3,606	9,692,205	12,612,796	19.78	15,061
2014......	9,668,418	-	365,867	7,596	2,512	10,044,393	12,969,124	19.86	15,272





Notes:

(1) In compliance with GASB Statement No. 65, the amount of outstanding obligations for fiscal year 2005-2013 was restated to exclude refunding gains or losses.

(2) The amount for fiscal year 2005 to 2010 was restated to exclude commercial paper issued by the San Francisco County Transportation Authoritiy.

(3) Certificates of Participation of $22,550 was presented in FY 2010 in Capital Leases.

(4) 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]	Percentage of Taxable Assessed Value [3] [4]
2005	$ 1,101,478	$ 33,774	$ 1,067,704	$ 1,373	1.00%
2006	1,256,045	46,929	1,209,116	1,538	1.06
2007	1,181,588	35,249	1,146,339	1,434	0.92
2008	1,135,205	31,883	1,103,322	1,365	0.82
2009	1,208,353	40,907	1,167,446	1,432	0.78
2010	1,442,448	36,901	1,405,547	1,746	0.87
2011	1,411,769	39,330	1,372,439	1,688	0.86
2012	1,617,397	51,033	1,566,364	1,897	0.95
2013	2,052,155	102,188	1,949,967	2,328	1.16
2014	2,105,885	95,451	2,010,434	2,367	1.14

Notes:

(1) Details regarding the City's outstanding debt can be found in the notes to the financial statements. In compliance with GASB Statement No. 65, the amount for general obligation bonds was restated to exclude bond refunding gains or losses.

(2) Population data can be found in Demographic and Economic Statistics.

(3) FY 2013 updated with newly available data.

(4) Taxable property data can be found in Assessed Value of Taxable Property.

CITY AND COUNTY OF SAN FRANCISCO

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years

(In Thousands)

	Fiscal Year 2005	2006	2007	2008	2009
Debt limit	$ 3,195,776	$ 3,419,607	$ 3,749,434	$ 4,050,223	$ 4,497,000
Total net debt applicable to limit [1]	1,101,478	1,256,045	1,181,588	1,135,205	1,208,353
Legal debt margin	$ 2,094,298	$ 2,163,562	$ 2,567,846	$ 2,915,018	$ 3,288,647
Total net debt applicable to the limit as a percentage of debt limit	34.47%	36.73%	31.51%	28.03%	26.87%

	Fiscal Year 2010	2011	2012	2013	2014
Debt limit	$ 4,853,760	$ 4,785,098	$ 4,962,746	$ 5,030,049	$ 5,279,242
Total net debt applicable to limit [1]	1,442,448	1,411,769	1,617,397	2,052,155	2,105,885
Legal debt margin	$ 3,411,312	$ 3,373,329	$ 3,345,349	$ 2,977,894	$ 3,173,357
Total net debt applicable to the limit as a percentage of debt limit	29.72%	29.50%	32.59%	40.80%	39.89%

Legal Debt Margin Calculation for Fiscal Year 2014

Total assessed value	$ 183,469,677
Less: non-reimbursable exemptions [2]	7,494,941
Assessed value [2]	$ 175,974,736
Debt limit (three percent of valuation subject to taxation [3])	$ 5,279,242
Debt applicable to limit - general obligation bonds	2,105,885
Legal debt margin	$ 3,173,357

Notes:

[1] Per outstanding general obligation bonds and reinstated to exclude refunding gain or loss.

[2] Source: Assessor, City and County of San Francisco

[3] City's Administrative Code Section 2.60 Limitations on Bonded Indebtedness.
"There shall be a limit on outstanding general obligation bond indebtedness of three percent of the assessed value of all taxable real and personal property, located within the City and County."

CITY AND COUNTY OF SAN FRANCISCO

DIRECT AND OVERLAPPING DEBT

June 30, 2014

Debts	Total Debt Outstanding	Estimated Percentage Applicable to City and County [1]	Estimated Share of Overlapping Debt
General Obligation Bonds			
City and County of San Francisco direct debt			$ 2,105,883,334
San Francisco Unified School District	$ 875,866,878	100.00%	875,866,878
San Francisco Community College District	340,476,416	100.00%	340,476,416
Bay Area Rapid Transit District	213,930,750	33.00%	70,597,148
Total General Obligation Bonds			3,392,823,776
Other Debt			
Lease Revenue Bonds	243,502,910	100.00%	243,502,910
Certificates of Participation	544,817,408	100.00%	544,817,408
Loans	27,441,208	100.00%	27,441,208
Capital Leases	3,084,826	100.00%	3,084,826
Total Other Debt			818,846,352
Total Direct and Overlapping Debt			$ 4,211,670,128

Assessed valuation (net of non- reimbursable exemption)	$ 175,974,736,019
Population - 2014 [2]	849,183

Ratio of direct and overlapping general obligation debt per assessed valuation	1.93%
Ratio of total direct and overlapping debt per assessed valuation	2.39%
Estimated total direct and overlapping total debt per capita	4,959.67

Note: Overlapping districts are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping districts that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the City's taxable assessed value that is within the districts's 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
2005	$ 496,485	$ 253,931	$ 242,554	$ 78,555	$ 207,430	$ 285,985	0.85
2006	480,673	267,387	213,286	79,125	199,419	278,544	0.77
2007	540,186	284,692	255,494	79,415	192,746	272,161	0.94
2008	565,139	295,849	269,290	75,510	214,839	290,349	0.93
2009	574,088	315,823	258,265	88,205	178,372	266,577	0.97
2010	597,429	305,995	291,434	97,715	190,490	288,205	1.01
2011	622,709	331,399	291,310	134,800	177,581	312,381	0.93
2012	701,025	369,376	331,649	135,760	189,696	325,456	1.02
2013	728,044	380,543	347,501	152,355	185,000	337,355	1.03
2014	776,116	402,176	373,940	163,095	202,219	365,314	1.02

(1) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the Airport Commission's 1991 Master Bond Resolution which authorized the sale and issuance of these bonds.
(2) Operating revenues consist of Airport operating revenues and interest and investment income.
(3) In accordance with GASB Statement No. 44, Airport operating expenses related to the pledged revenues exclude interest, depreciation and amortization.

San Francisco Water Department [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
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
2014	390,789	333,555	426,527	483,761	20,825	120,501 [7]	141,326	3.42

(4) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differ significantly from those calculated in accordance with the bond indenture.
(5) Gross Revenue consists of charges for services, rental income and other income, investing activities and capacity fees.
(6) In accordance with GASB Statement No. 44, Water Department operating expenses related to the pledged revenues exclude interest.
(7) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 through FY2014 also includes "springing" amendments.
(8) Adjustments column included adjustment to investing activities, depreciation and non-cash expenses, changes in working capital and other available funds presented in the published Annual Disclosure Reports.

Municipal Transportation Agency

Fiscal Year	Base Rental Payment and Gross Meter Revenue Charges [9][10]	Less: Operating Expenses[11][12]	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2005	$ 25,623	$ 14,071	$ 11,552	$ 5,193	$ 2,573	$ 7,766	1.49
2006	31,116	14,960	16,156	5,471	2,317	7,788	2.07
2007	31,801	16,907	14,894	5,734	1,989	7,723	1.93
2008	33,091	18,038	15,053	6,017	1,747	7,764	1.94
2009	33,970	18,879	15,091	5,165	1,395	6,560	2.30
2010	39,538	19,018	20,520	2,680	1,149	3,829	5.36
2011	41,204	21,077	20,127	1,615	1,068	2,683	7.50
2012	47,810	19,419	28,391	1,685	995	2,680	10.59
2013	607,125	471,490	135,636	3,075	1,856	4,931	27.51
2014	642,614	509,762	132,852	5,895	3,686	9,581	13.87

(9) Prior to FY2013 revenue bonds were issued by the Parking Authority. The Parking Authority leased North Beach, Moscone, and San Francisco Hospital garages to the City. In return, the City pledged to pay off the debt service with a base (lease) rental payment. The gross revenue reflects base rental payments plus revenue from all meters in San Francisco except the meters on Port property. All the related revenue bonds were defeased/paid off in FY2013.
(10) In July 2012, the SFMTA issued its first revenue bonds, Series 2012A and B. Series 2012A refunded the bonds described above in Note (9) plus bonds issued by the City's nonprofit garage corporations. The gross pledged revenues consist of transit fares, parking fines and fees, rental income, investment income plus operating grants from Transportation Development Act (codified as Sections 99200 et seq. of the California Public Utilities Code) (the "TDA"), AB 1107 (codified at Section 29140 et seq. of the Public Utilities Code (the "AB 1107"), and State Transit Assistance.
(11) Prior to FY2013, the operating expense includes only the costs related to parking meter program excluding debt service payments.
(12) Effective FY2013, related to the new bonds as described in Note (10), the operating expense excludes expenses funded by the City's General Fund support paratransit restricted grants. In accordance with GASB Statement No. 44, operating expenses related to the pledged revenues exclude interest, depreciation and non-cash expense. FY2013 was adjusted for Paratransit related expenses.

CITY AND COUNTY OF SAN FRANCISCO

PLEDGED-REVENUE COVERAGE (Continued)

Last Ten Fiscal Years

(In Thousands)

San Francisco Wastewater Enterprise (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)
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	247,936	195,857	107,125	159,204	22,010	20,180 (18)	42,190	3.77
2013	253,078	208,260	109,323	154,141	23,095	15,655 (18)	38,750	3.98
2014	262,497	216,340	172,831	218,988	32,805	32,047 (18)	64,852	3.38

(13) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(14) Gross revenue consists of charges for services, rental income and other income.

(15) In accordance with GASB Statement No. 44, Wastewater Enterprise operating expenses related to the pledged revenues exclude interest.

(16) Adjustments includes Depreciation and Non-Cash Expense, Changes in Working Capital, Investment Income, SRF Loan Payments, and other available Funds that are printed in published Annual Disclosure Reports.

(17) Restated to match the published Annual Disclosure Reports for FY 2004, 2005, 2007, 2008, 2009.

(18) Interest payment was restated to exclude capitalized interest in FY 2011 through FY 2012. FY2012 thru FY2014 also includes a "springing" amendment.

Port of San Francisco (19)

Fiscal Year	Total Operating Revenues (20)	Less: Operating Expenses (21)	Net Available Revenue	Debt Service Principal	Debt Service Interest	Debt Service Total	Coverage
2005	$ 59,217	$ 43,786	$ 15,431	$ 3,920	$ 1,012	$ 4,932	3.13
2006	61,581	44,893	16,688	3,390	554	3,944	4.23
2007	65,416	50,887	14,529	3,975	453	4,428	3.28
2008	68,111	56,406	11,705	4,070	348	4,418	2.65
2009	68,722	57,574	11,148	4,185	222	4,407	2.53
2010	68,892	58,756	10,136	4,320	75	4,395	2.31
2011	73,774	51,788	21,986	485	2,358	2,843	7.73
2012	79,819	55,470	24,349	670	2,175	2,845	8.56
2013	81,536	63,615	17,921	695	2,151	2,846	6.30
2014	87,213	63,410	23,803	725	2,122	2,847	8.36

(19) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(20) Total revenues consist of operating revenues and interest and investment income.

(21) In accordance with GASB Statement No. 44, operating expenses related to the pledged-revenue stream exclude interest, depreciation and amortization. Details regarding outstanding debt can be found in the notes to the financial statements. Operating expenses, as defined by the bond indenture, also excludes amortized dredging costs.

Hetch Hetchy Water and Power (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
2005	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
2006	-	-	-	-	-	-	-	
2007	-	-	-	-	-	-	-	
2008	-	-	-	-	-	-	-	
2009	97,671	49,337	4,907	53,241	422	-	422	126.16
2010	105,711	86,334	14,521	33,898	422	-	422	80.33
2011	113,253	86,266	14,786	41,773	422	-	422	98.99
2012	100,622	93,607	13,536	20,551	422	-	422	48.70
2013	101,191	93,259	6,765	14,697	1,009	898	1,907	7.71
2014	105,767	101,041	11,726	16,452	1,308	667	1,975	8.33

(22) The pledged-revenue coverage calculations presented in this schedule conform to the requirements of GASB Statement No. 44 and as such differs significantly from those calculated in accordance with the bond indenture.

(23) There were no Hetch Hetchy bonds from 2005 to 2008.

(24) Gross revenues consists of charges for power services, rental income and other income.

(25) Operating expenses only include power operating expense.

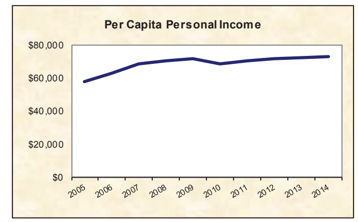
(26) Adjustments include adjustments to investment income, depreciation, non-cash items and changes to working capital.

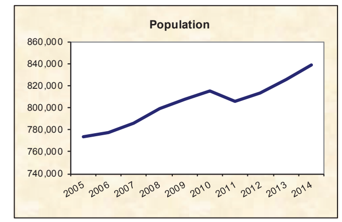
CITY AND COUNTY OF SAN FRANCISCO

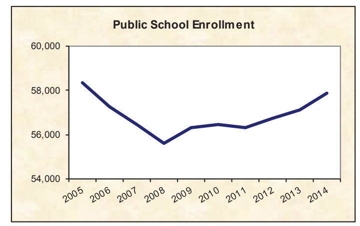
DEMOGRAPHIC AND ECONOMIC STATISTICS

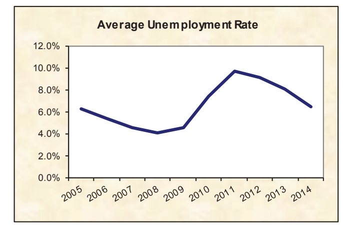
Last Ten Fiscal Years

Fiscal Year	Population (1)	Personal Income (In Thousands) (2)	Per Capita Personal Income (3)	Median Age (4)	Public School Enrollment (5)	Average Unemployment Rate (6)
2005	777,660	$49,085,123	$63,119	39.2	58,323	5.4%
2006	786,149	53,902,906	68,566	39.4	57,276	4.6%
2007	799,185	56,306,703	70,455	39.4	56,459	4.1%
2008	808,001	58,199,006	72,028	40.0	55,590	4.6%
2009	815,358	56,037,063	68,727	40.4	56,315	7.4%
2010	805,235	56,665,228	70,371	38.5	56,454	9.7%
2011	812,826	58,619,926	72,119	37.3	56,299	9.2%
2012	825,863	60,059,972	72,724	38.5	56,758	8.1%
2013	837,442 (7)	63,777,061 (8)	76,157 (9)	37.9 (10)	57,105	6.5%
2014	849,183 (7)	65,289,896 (8)	76,886 (9)	37.4 (10)	57,860	5.2%









Sources:

(1) US Census Bureau released on December 2012. Fiscal year 2012 is updated from last year's CAFR with newly available data

(2) US Bureau of Economic Analysis

(3) US Bureau of Economic Analysis

(4) US Census Bureau, American Community Survey

(5) California Department of Education

(6) California Employment Development Department

Note:

(7) 2013 is updated from last year's CAFR with newly available data. 2014 population was estimated by multiplying the estimated 2012 population by the 2011 - 2012 population growth rate.

(8) Personal income was estimated by assuming that its percentage of state personal income in 2013 and 2014. remained at the 2012 level of 3.51 percent. Fiscal year 2013 is updated from last year's CAFR with newly available data.

(9) Per capita personal income for 2013 and 2014 was estimated by dividing the estimated personal income for 2013 and 2014 by the reported and estimated population in 2013 and 2014, respectively. Fiscal year 2013 is updated from last year's CAFR with newly available data.

(10) Median age in 2013 and 2014 was estimated by averaging the median age in 2011 and 2012. 2012 is updated from last year's CAFR with newly available data. No new data exists for 2013.

CITY AND COUNTY OF SAN FRANCISCO

Principal Employers
Current Year and Nine Years Ago

Employer	Year 2013 (1) Employees	Rank	Percentage of Total City Employment	Year 2004 Employees	Rank	Percentage of Total City Employment
City and County of San Francisco........	25,458	1	4.18%	28,732	1	5.57%
University of California, San Francisco..	20,100	2	3.30%	18,600	2	3.61%
Wells Fargo & Co.............................	8,200	3	1.35%	7,275	3	1.41%
San Francisco Unified School District..	8,189	4	1.35%	7,208	4	1.40%
Gap, Inc...	6,000	5	0.99%	4,084	9	0.79%
California Pacific Medical Center.........	5,934	6	0.98%	5,000	6	0.97%
PG&E Corporation............................	4,394	7	0.72%	4,850	8	0.94%
State of California.............................	4,108	8	0.67%	7,048	5	1.37%
San Francisco State University...........	3,707	9	0.61%	-	-	-
Kaiser Permanente...........................	3,492	10	0.57%	3,424	10	0.66%
United States Postal Service.............	-	-	-	4,886	7	0.95%
Total...	89,582		14.72%	91,107		17.67%

Source: Total City and County of San Francisco employee count is obtained from the State of California Employee Development Department. All other data is obtained from the San Francisco Business Times Book of Lists.

Note:
(1) The latest data as of calendar year-end 2013 is presented.

CITY AND COUNTY OF SAN FRANCISCO

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)
Last Ten Fiscal Years

Function	Fiscal Year 2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Protection										
Fire Department.........	1,752	1,706	1,665	1,726	1,602	1,532	1,512	1,474	1,463	1,464
Police.........	2,616	2,664	2,765	2,870	2,949	2,757	2,681	2,665	2,655	2,727
Sheriff.........	929	944	939	951	1,016	1,048	953	1,010	1,013	984
Other.........	930	958	978	1,019	996	981	969	956	1,021	1,032
Total Public Protection.........	6,227	6,272	6,347	6,566	6,563	6,318	6,115	6,105	6,152	6,207
Public Works, Transportation and Commerce										
Municipal Transportation Agency.........	4,386	4,232	4,374	4,358	4,528	4,358	4,160	4,141	4,388	4,484
Airport Commission.........	1,203	1,248	1,220	1,228	1,248	1,233	1,294	1,377	1,443	1,460
Department of Public Works.........	1,059	1,035	1,040	1,060	1,030	822	791	783	808	825
Public Utilities Commission.........	1,513	1,573	1,596	1,609	1,580	1,549	1,584	1,616	1,620	1,621
Other.........	505	532	538	543	565	490	508	536	583	612
Total Public Works, Transportation and Commerce.........	8,666	8,620	8,768	8,798	8,951	8,452	8,337	8,453	8,842	9,002
Community Health										
Public Health.........	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126
Total Community Health.........	5,928	5,956	5,988	6,196	6,023	5,838	5,696	5,671	5,800	6,126
Human Welfare and Neighborhood Development										
Human Services.........	1,697	1,663	1,745	1,812	1,810	1,662	1,685	1,691	1,750	1,855
Other.........	312	306	313	312	309	296	284	269	244	244
Total Human Welfare and Neighborhood Development.........	2,009	1,969	2,058	2,124	2,119	1,958	1,969	1,960	1,994	2,099
Culture and Recreation										
Recreation and Park Commission.........	954	916	922	942	919	898	851	834	841	870
Public Library.........	616	606	631	641	649	649	645	628	640	652
War Memorial.........	96	95	96	96	97	63	63	63	63	57
Other.........	149	200	199	204	203	199	201	199	210	213
Total Culture and Recreation.........	1,815	1,817	1,848	1,883	1,868	1,809	1,760	1,724	1,754	1,792
General Administration and Finance										
Administrative Services.........	383	378	438	505	539	647	616	637	723	716
City Attorney.........	308	321	324	327	318	306	300	299	303	308
Telecommunications and Information Services.........	276	261	270	307	265	252	210	196	199	216
Controller.........	170	179	184	188	198	180	194	201	198	204
Human Resources.........	172	151	156	155	144	138	119	123	124	135
Treasurer/Tax Collector.........	197	199	208	208	212	220	211	208	202	211
Mayor.........	51	48	51	57	55	49	42	37	49	49
Other.........	454	491	520	571	547	554	540	567	561	602
Total General Administration and Finance.........	2,011	2,028	2,151	2,318	2,278	2,346	2,232	2,268	2,359	2,441
General City Responsibility.........	4	3	-	-	-	-	-	-	-	-
Subtotal annually funded positions.........	26,660	26,665	27,160	27,885	27,802	26,721	26,109	26,181	26,901	27,667
Capital project funded positions.........	1,597	1,588	1,628	1,750	1,519	1,928	1,885	1,892	1,486	1,569
Total annually funded positions.........	28,257	28,253	28,788	29,635	29,321	28,649	27,994	28,073	28,387	29,236

Source: Controller, City and County of San Francisco

Note:
(1) Data represent budgeted and funded full-time equivalent positions.

CITY AND COUNTY OF SAN FRANCISCO

OPERATING INDICATORS BY FUNCTION
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Protection										
Fire and Emergency Communications										
Total response time of first unit to highest priority incidents requiring possible medical care, 90th percentile	7:59	8:01	8:04	7:36	7:06	7:10	7:19	7:18	7:30	7:57
Police										
Average time from dispatch to arrival on scene for highest priority calls (1)	3:07	3:09	3:15	4:08	3:49	3:33	4:07	4:15	4:59	4:20
Number of homicides per 100,000 population (2)	9.8	12.8	9.6	11.8	8.2	5.3	6.3	7.4	6.2	4.7
Percentage of San Franciscans who report feeling safe or very safe crossing the street (3)	51%	N/A	48%	N/A	56%	N/A	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	49%	N/A	49%	N/A	50%	N/A	52%	N/A	N/A	N/A
Number of blocks of City streets repaved	186	267	243	334	310	312	427	346	521	323
Municipal Transportation Agency										
Average rating of Muni's timeliness and reliability by residents of San Francisco (1=very poor, 5=very good) (3)	3.13	N/A	2.84	N/A	2.98	N/A	3.55	3.02	3.38	N/A
Percentage of vehicles that run on time according to published schedules (no more than 4 minutes late or 1 minute early) measured at terminals and established intermediate points (4)	71.0%	69.2%	70.8%	70.6%	74.4%	73.5%	72.9%	61.9%	59.3%	58.8%
Percentage of scheduled service hours delivered (5)	95.3%	94.2%	94.3%	95.9%	96.9%	96.6%	96.2%	97.5%	97.6%	90.7%
Airport										
Percent change in air passenger volume	5.5%	1.5%	2.8%	8.4%	-0.8%	4.8%	5.3%	8.0%	4.0%	5.3%
Human Welfare and Neighborhood Development										
Environment										
Percentage of total solid waste materials diverted in a calendar year	67%	67%	69%	70%	72%	77%	78%	80%	N/A	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)	60%	N/A	57%	N/A	65%	N/A	N/A	N/A	N/A	N/A
Citywide percentage of park maintenance standards met for all parks inspected	N/A	83%	86%	88%	89%	91%	90%	91%	91%	91%
Public Library										
Percentage of San Franciscans who rate the quality of library staff assistance as good or very good	76%	N/A	75%	N/A	79%	N/A	79%	N/A	85%	N/A
Circulation of materials at San Francisco libraries	7,279,926	7,459,821	7,685,892	8,334,391	9,638,160	10,849,582	10,679,061	10,971,974	10,587,213	10,844,953
Asian and Fine Arts Museums										
Number of visitors to City-owned art museums (6)	696,271	1,546,617	1,879,868	1,739,096	2,693,469	2,599,322	2,426,861	1,779,573	1,865,259	2,042,135

Source: Controller, City and County of San Francisco

Notes:

(1) Measure changed from median time to average time in FY 2008. Values for FY 2004 through FY 2007 reflect median time, FY 2008 through FY 2014 reflects average time.
(2) Value for FY 2008 is based on a different source for population data than prior fiscal years. FY 2008 and FY 2010 have been restated.
(3) Value for FY 2005 has been restated to be consistent with City Survey data.
(4) Values for FY 2003 through FY 2005 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(5) Values for FY 2003 and FY 2006 have been restated to be consistent as annual average for fiscal year from the MTA service standards reports.
(6) The California Academy of Sciences opened on September 27, 2008.

N/A = Information is not available. Note that in most cases this is due to the fact that the City Survey, which was administered annually until 2005, then biennially afterwards, is the data source.

CITY AND COUNTY OF SAN FRANCISCO

CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police protection (1)										
Number of stations	10	10	10	10	10	10	10	10	10	10
Number of police officers	2,180	2,070	2,304	2,455	2,356	2,261	2,288	2,243	2,164	2,130
Fire protection (2)										
Number of stations	45	48	42	42	42	42	46	46	46	46
Number of firefighters	1,675	1,333	1,012	978	809	768	778	718	817	896
Public works										
Miles of street (3)	1,050	1,051	1,051	1,291	1,318	1,317	1,317	1,315	1,315	1,299
Number of streetlights (4)	41,431	41,571	42,029	42,957	43,492	43,973	44,530	44,594	44,655	44,656
Water (4)										
Number of services	169,975	170,471	170,873	172,471	172,885	172,680	173,033	173,454	173,744	173,970
Average daily consumption (million gallons)	239.7	236.3	247.1	247.5	236.6	219.9	213.6	212.0	215.1	217
Miles of water mains	1,453	1,457	1,457	1,457	1,465	1,465	1,473	1,488	1,488	1,488
Sewers (4)										
Miles of collecting sewers	993	993	993	993	993	993	993	959	986	993
Miles of transport/storage sewers	15	15	15	17	17	17	17	17	24	17
Recreation and cultures										
Number of parks (5)	210	220	209	222	222	220	220	220	221	221
Number of libraries (6)	27	27	28	28	28	28	28	28	28	28
Number of library volumes (million) (6)	2.4	2.6	2.7	2.8	2.9	3.3	3.5	3.6	3.5	3.6
Public school education (7)										
Attendance centers	119	117	112	112	112	115	115	115	115	116
Number of classrooms	3,434	3,390	3,256	3,269	2,723	2,779	2,797	2,797	2,877	3,135
Number of teachers, full-time equivalent	3,171	3,103	3,103	3,113	3,167	3,312	3,132	3,245	3,129	3,129
Number of students	57,144	56,236	55,497	56,259	55,272	55,779	55,571	56,310	56,970	57,620

Sources:
(1) Police Commission, City and County of San Francisco
(2) Fire Commission, City and County of San Francisco
(3) Department of Public Works, City and County of San Francisco
(4) Public Utilities Commission, City and County of San Francisco
(5) Parks and Recreation Commission, City and County of San Francisco
(6) Library Commission, City and County of San Francisco
(7) San Francisco Unified School District

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE LEGAL DOCUMENTS

The following are summaries of the Project Lease, the Property Lease and the Trust Agreement. They do not purport to be complete or definitive, and are qualified in their entirety by the full forms of such agreements, copies of which are available from the Trustee and the City.

SUMMARY OF PROJECT LEASE

Definitions. Unless the context otherwise requires, the following terms have the following meanings for purposes of the Project Lease. All other capitalized terms used without definition have the meanings set forth in the Trust Agreement.

"2015 Project" means the acquisition, demolition, construction, reconstruction, installation, equipping, improvement or rehabilitation of a building and related property located at 401 Van Ness Avenue, San Francisco, California.

"Additional Rental" means the amounts specified in the Project Lease.

"Base Rental" means the amounts specified in the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, but does not include Additional Rental.

"Business Day" means any day other than a Saturday, a Sunday, a day on which banking institutions are authorized or required by law or executive order 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.

"Certificates" means the Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015 and any Additional Certificates authorized by and at any time Outstanding under and pursuant to the Trust Agreement.

"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 this Project Lease, the Property Lease, the Trust Agreement and all other agreements related hereto and thereto.

"Director of Property" means the City's Director of Real Property or any successor officer of the City who performs substantially the same duties as the Director of Real Property performs as of the date of this Project Lease.

"Fiscal Year" means the fiscal year of the City, which at the date of this Project Lease is the period from July 1 to and including the following June 30.

"Hazardous Substances" means any and all substances, wastes, pollutants and contaminants now or hereafter included within such (or any similar) term under federal, state or local statute, ordinance, code or regulation now existing or hereafter enacted or amended.

"Leased Property" means the Site and the Facilities, as the same may be modified, substituted or supplemented in accordance with the terms of the Project Lease.

"Permitted Encumbrances" has the meaning provided in the Project Lease.

"Pro Forma Policy" means the Pro Forma Title Insurance Policy prepared by the Title Company with respect to the Site.

"Project" means the 2015 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented from time to time in accordance with this Project Lease.

"Project Lease" means this Project Lease, including any amendments or supplements hereto made or entered into in accordance with the terms of the Project Lease and of the Trust Agreement.

"Project Lease Event of Default" means the occurrence and continuation of any event specified below.

"Project Lease Term" means the term of this Project Lease, as provided in the Project Lease.

"Project Lease Year" means the period from the Closing Date through June 30, 2016, and thereafter the period from each July 1 to and including the following June 30, during the Project Lease Term.

"Property Lease" means the Property Lease by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto.

"Rental Payments" means all Base Rental and Additional Rental payable under the Project Lease.

"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 this Project Lease.

"Site" means the real property described in the Project Lease, including any real property substituted therefor or added thereto pursuant to the Project Lease, but excluding real property that has been released or for which new real property has been substituted in accordance with the Project Lease.

"State" means the State of California.

"Substantial Completion" or "Substantial Completion of the Facilities" means the construction, the installation of improvements and the substantial readiness of the Facilities for use and occupancy by the City (subject to minor architectural finish items e.g., 'punch list' items) as evidenced by the delivery of the Certificate of Substantial Completion.

"Trustee" means U.S. Bank National Association, as lessor under the Project Lease and as trustee under the Project Trust (as defined in the Trust Agreement), or as Certificates Trustee under the Trust Agreement, as appropriate, or any successor thereto.

Project Lease Term; Transfer of Title to City.

The Project Trustee leases the Leased Property to the City, and the City leases the Leased Property from the Project Trustee and agrees to pay the Base Rental and the Additional Rental for the right to use and occupy the Leased Property.

The term of the Project Lease shall begin on the Closing Date and end on the earliest of (a) April 1, 2045, or (b) at such earlier date as the Certificates and all other amounts due under the Project Lease and under the Trust Agreement shall have been paid or provision for their payment shall have been made in accordance with the Trust Agreement, or (c) the date of termination of the Project Lease due to casualty or condemnation in accordance with the terms thereof; provided, however, that to the extent permitted by law, if Base Rental has been abated in any year in accordance with the Project Lease or has otherwise gone unpaid in whole or in part, the term of the Project Lease shall end on the earlier of April 1, 2055, or the date on which no Certificates remain outstanding and all Additional Rental has been paid. The foregoing provisions may be modified in connection with Base Rental relating to Additional Certificates.

Upon the termination of the Project Lease (except as otherwise provided therein), all of the Project Trustee's right, title and interest with respect to the Leased Property, and any improvements thereon or additions thereto, shall be transferred directly to the City or, at the option of the City, to any assignee or nominee of the City, in accordance with the provisions of the Project Lease, free and clear of any interest of the Project Trustee. Upon such termination, the Project Trustee shall execute such conveyances, deeds and other documents as may be necessary to effect such vesting of record.

Rent.

Rental Payments. The City agrees, subject to the terms the Project Lease, to pay to the Project Trustee the Base Rental and to pay to the parties entitled thereto Additional Rental in an aggregate amount not greater than the fair rental value of the Leased Property in each Project Lease Year. In satisfaction of its obligations under the Project Lease, the City shall pay the Base Rental and Additional Rental in the amounts, at the times and in the manner set forth in the Project Lease, such amounts constituting the aggregate rent payable under the Project Lease.

(a) Base Rental. The City agrees to pay, from any legally available funds, aggregate Base Rental in the amounts set forth in the Project Lease, which constitutes the principal and interest evidenced and represented by the Certificates. The Base Rental consists of annual rental payments with principal and interest components. The interest components of the Base Rental payments evidenced by the Certificates shall accrue and be calculated as provided in the Trust Agreement. The Base Rental payable by the City shall be due on April 1 and October 1 in each year and payable on each April 1 and October 1 during the Project Lease Term, commencing April 1, 2016. The Base Rental may be supplemented pursuant to the terms of a supplement to the Project Lease in connection with Additional Certificates as provided in the Trust 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 evidenced and represented by the Outstanding Certificates, according to their tenor.

Notwithstanding any other provision of the Project Lease, the City shall receive a credit for any Base Rental payment if and to the extent (i) moneys are on deposit in the Base Rental Fund held under the Trust Agreement (or will be transferred from the Capitalized Interest Account or the Reserve Fund to the Base Rental Fund pursuant to the Trust Agreement) and are available for the payment of Base Rental evidenced by the Certificates or (ii) investment earnings on Permitted Investments (as defined in the Trust Agreement) will be deposited in or credited to the Base Rental Fund on or after a Base Rental payment date but on or prior to the applicable Interest Payment Date.

(b) Additional Rental. In addition to the Base Rental set forth in the Project Lease, the City agrees to pay as Additional Rental all of the following:

(i) 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 the Leased Property or upon any interest of the Project Trustee or the Owners therein or in the Project Lease;

(ii) Insurance premiums, if any, on all insurance required under the provisions of the Project Lease;

(iii) 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;

(iv) Amounts required to be deposited in the Rebate Fund in accordance with the Tax Certificate;

(v) Any other fees, costs or expenses incurred by the Project Trustee in connection with the execution, performance or enforcement of the Project Lease or any assignment thereof or of the Trust Agreement or any of the transactions contemplated thereby or related to the Leased Property; and

(vi) Amounts required to replace, maintain and repair the Leased Property pursuant to the Project Lease.

Amounts constituting Additional Rental payable under the Project Lease 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.

Consideration. The payments of Rental Payments under the Project Lease for each Fiscal Year or portion thereof during the Project Lease Term shall constitute the total rental for such Fiscal Year or portion thereof and shall be paid by the City for and in consideration for the right to the use and occupancy, and the continued quiet use and enjoyment, of the Leased Property by the City for and during such Fiscal Year or portion thereof. The parties hereto have agreed and determined that such total rental in any Fiscal Year is not and will not be in excess of the total fair rental value of the Leased Property for such Fiscal Year. In making such determination, consideration has been given to the uses and purposes served by the Leased Property and the benefits therefrom that will accrue to the parties by reason of the Project Lease and to the general public by reason of the City's use of the Leased Property. Further, the parties hereto agree and acknowledge that supplements to the Project Lease which provide for new schedules of Base Rental may be entered into in connection with Additional Certificates and that the right to enter into such supplements is part of the consideration under the Project Lease.

Budget. The City covenants to take such action as may be necessary to include all Rental Payments due under the Project Lease in its annual budget and to make the necessary annual appropriations for all such Rental Payments, except as otherwise provided in the Project Lease. 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 as, ministerial duties imposed by law. Notwithstanding the foregoing, the obligation of the City to make Base Rental or Additional Rental payments 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 shall be deposited by the City on the dates set forth in the Project Lease 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 otherwise provided in the Project Lease, 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 Project Trustee under the Project Lease, 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 Project Lease shall be absolute and unconditional without any right of set-off or counterclaim, and without abatement, except as otherwise provided in the Project Lease.

Rental Abatement. Except to the extent of (i) available amounts held by the Trustee in the Base Rental Fund or in the Reserve Fund, (ii) amounts, if any, received in respect of rental interruption insurance, and (iii) amounts, if any, otherwise legally available to the City for payments in respect of the Project Lease or to the Trustee for payments in respect of the Certificates, Rental Payments due under the Project Lease shall be subject to abatement in accordance with this paragraph during any period in which, by reason of material damage, destruction or condemnation of the Leased Property or any portion thereof, non-completion of the construction of the Facilities, or due to defects in title to the Leased Property, or any portion thereof, there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City. The amount of annual rental abatement shall be such that the resulting Rental Payments in any Project Lease Year during which such interference continues, excluding any amounts described in clauses (i), (ii), (iii) above, do not exceed the annual fair rental value of the portions of the 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 the 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 Project Lease shall continue in full force and effect, except as set forth in the Project Lease. 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 Project Lease.

Triple Net Lease. The Project Lease is intended to be a triple net lease. The City agrees that the Rental Payments provided for in the Project Lease shall be an absolute net return to the Project Trustee free and clear of any expenses, charges or set-offs whatsoever.

Affirmative Covenants of the Project Trustee and the City. The Project Trustee and the City are entering into the Project Lease in consideration of, among other things, the following covenants:

Replacement, Maintenance and Repairs. The City shall, at its own expense and as determined and specified by the Director of Property, during the Project Lease Term maintain the Leased Property, or cause the same to be maintained, in good order, condition and repair. The City shall replace any portion of the Leased Property that is destroyed or damaged to such an extent that there is substantial interference with the right to the use and occupancy of the Leased Property or any portion thereof by the City that would result in an abatement of Rental Payments or any portion thereof pursuant to the Project Lease; provided, however, that the City shall not be required to repair or replace any such portion of the Leased Property pursuant to this paragraph if there shall be applied to the prepayment of Outstanding Certificates insurance or condemnation proceeds or other legally available funds sufficient to prepay (i) all of the Certificates Outstanding and to pay all other amounts due under the Project Lease and under the Trust Agreement, or (ii) any portion thereof such that the resulting Rental Payments payable pursuant to the Project Lease in any Project Lease Year following such partial prepayment are sufficient to pay in the then current and any future Project Lease Year the principal and interest with respect to all

Certificates to remain Outstanding and all other amounts due under the Project Lease and under the Trust Agreement, to the extent it is due and payable in such Project Lease Year.

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 the Leased Property. It is understood and agreed that in consideration of the payment by the City of the Rental Payments provided for in the Project Lease, the City is entitled to use and occupy the Leased Property and the Project Trustee shall have no obligation to incur any expense of any kind or character in connection with the management, operation or maintenance of the Leased Property during the Project Lease Term. The Project 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 the Leased Property. The City expressly waives the right to make repairs or to perform maintenance of the Leased Property at the expense of the Project Trustee and (to the extent permitted by law) waives the benefit of Sections 1932, 1941 and 1942 of the California Civil Code relating thereto.

The City shall keep the Leased Property free and clear of all liens, charges, security interests and encumbrances that materially reduce the fair rental value of the Leased Property other than (i) those existing on or prior to the Closing Date, including the exceptions listed on Schedule B to the applicable pro forma title policy (ii) those existing on or prior to the date any property is substituted for the Leased Property or any portion thereof pursuant to the Project Lease or any property is added to the Leased Property in connection with Additional Certificates pursuant to the Trust Agreement, including the exceptions listed on Schedule B to the applicable pro forma title policy, (iii) any supplements or amendments to the Project Lease or Property Lease which are entered into pursuant to the terms thereof, including but not limited to supplements or amendments in connection with Additional Certificates delivered pursuant to the Trust agreement, (iv) any liens of mechanics, materialmen, suppliers, vendors or other persons or entities for work or services performed or materials furnished in connection with the Leased Property that are not due and payable or the amount, validity or application of which is being contested in accordance with the Project Lease and (v) any encumbrances that do not materially reduce the fair rental value of the Leased Property (collectively, the "Permitted Encumbrances").

Taxes, Other Governmental Charges and Utility Charges. The City contemplates that the Leased Property will be used for a governmental purpose of the City and, therefore, that the Leased Property will be exempt from all taxes presently assessed and levied with respect to the Leased Property. Nevertheless, the City agrees to pay during the Project Lease Term, as the same respectively become due, all taxes (except for income or franchise taxes of the Project 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 the 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 Project Lease 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 Independent Counsel does not adversely affect the right, title and interest of the Project Trustee in and to any portion of the Leased Property or its rights or interests under the Project Lease or subject any portion of the Leased Property to loss or forfeiture. Any such taxes or charges shall constitute Additional Rental under the Project Lease and shall be payable directly to the entity assessing such taxes or charges.

Insurance.

(a) The City shall maintain or cause to be maintained, throughout the Project Lease Term (but during the period of construction of the Facilities only the insurance described in paragraphs (i) and (vi) below shall be required and may be provided by the contractor under the construction contract for the Facilities):

(i) General liability insurance against damages occasioned by reason of the construction of improvements to, or operation of, the 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 excess coverage or any other liability insurance coverage carried by the City.

(ii) All risk property insurance on all structures constituting any part of the Leased Property in an amount equal to the Outstanding principal amount of Certificates (to the extent commercially available). 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.

(iii) To the extent commercially available, earthquake insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates; provided, that no such earthquake insurance shall be required if the Risk Manager files a written recommendation annually with the Trustee that such insurance is not obtainable in reasonable amounts at reasonable costs on the open market from reputable insurance companies.

(iv) Commencing on the date of Substantial Completion of the Facilities, rental interruption insurance with the Trustee as a named insured, as its interests may appear, in an amount not less than the aggregate Base Rental payable by the City pursuant to the Project Lease for a period of at least 24 months (such amount to be adjusted annually to reflect the actual scheduled Base Rental payments due under the Project Lease for the next succeeding 24 months), to insure against loss of rental income from the Leased Property caused by perils covered by the insurance required by clauses (ii) and (iii) above. Such insurance shall not be subject to any deductible.

(v) 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.

(vi) Builders' risk insurance in an amount equal to the lesser of the Outstanding principal amount of the Certificates, or the replacement cost of the Facilities, which insurance shall be outstanding until Substantial Completion of the Facilities.

All policies of insurance required under clauses (ii), (iii), (iv) and (v) above shall name the City and the Trustee as the insured parties and shall 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 all amounts so paid to the Trustee shall be applied as provided in the Trust Agreement. All policies of insurance may provide for a deductible amount that is commercially reasonable (as determined by the Risk Manager).

(b) All policies of insurance required by the Project Lease shall be in a form or forms certified by the Risk Manager (as provided below) to be in compliance with the requirements of the Project Lease. The City shall pay when due the premiums for all insurance policies required by the Project Lease. All insurance under the Project Lease 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 intended non-renewal. All insurance required to be maintained pursuant to the Project Lease may be maintained either separately or as a part of any insurance carried by the City, but if maintained as part of other insurance carried by the City, shall specifically identify the Leased Property as being covered by such insurance, the amount of coverage applicable to the Leased Property, and the amount of the deductible applicable to the 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 each year that there is in effect the insurance or self-insurance required by the Project Lease. The Risk Manager will also, at that time, file the written recommendation required by the Project Lease if no earthquake insurance has been obtained by the City, and shall also certify that the insurance the City has obtained pursuant to the Project Lease is in a form or forms which are in compliance with the requirements of the Project Lease.

Notwithstanding anything in the Project Lease 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 Project Lease, including a program of self-insurance (other than rental interruption insurance and title insurance), in whole or in part; provided that (i) any such alternative risk management program has been approved as reasonable and appropriate risk management by the Risk Manager, and (ii) any reserves set aside for such program shall be certified at least annually as to their adequacy by the Risk Manager in a certificate delivered to the Trustee. In addition, any of the Mayor, Controller, Director of Property or Director of Public Finance 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 the Project Lease, upon the recommendation of the Risk Manager, or in connection with obtaining or maintaining any rating on the Certificates. The Trustee shall not be responsible for the adequacy, sufficiency or coverage of the insurance or self-insurance required or allowed by the Project Lease.

(c) The City shall 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 Certificates, showing fee title of the Site in the name of the City and a leasehold interest in the 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 Certificates.

<u>Liens</u>. The City promptly shall pay or cause to be paid all sums of money that may become due for any labor, services, materials, supplies or equipment alleged to have been furnished or to be furnished to or for, in, upon or about the Leased Property and that may be secured by any mechanic's, materialman's or other lien against the Leased Property, or the interest of the Trustee therein, and shall cause each such lien to be fully discharged and released; provided, however, that the City or the Trustee (i) may contest in good faith any such claim or lien without payment thereof so long as such non-payment and contest stays execution or enforcement of the lien, but if such lien is reduced to final judgment and such judgment or such process as may be issued for the enforcement thereof is not stayed, or if stayed and the stay

thereafter expires, then and in any such event the City shall forthwith pay and discharge such judgment or lien, or (ii) delay payment without contest so long as and to the extent that such delay will not result in the imposition of any penalty or forfeiture.

Laws and Ordinances. The City agrees to observe and comply with all rules, regulations and laws applicable to the City with respect to the Leased Property and the operation thereof. The cost, if any, of such observance and compliance shall be borne by the City, and the Trustee shall not be liable therefor. The City agrees further to place, keep, use, maintain and operate the Leased Property in such a manner and condition as will provide for the safety of its agents, employees, invitees, subtenants, licensees and the public.

Tax Matters. In order to maintain the exclusion from gross income for federal income tax purposes of the interest with respect to the Certificates, the City covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code. In furtherance of this covenant, the City agrees to comply with the covenants contained in, and the instructions given pursuant to, the Tax Certificate (as defined in the Trust Agreement), as such Tax Certificate may be amended from time to time.

Acquisition, Construction and Renovation of the Facilities. The City shall use its commercially reasonable best efforts to cause the construction, renovation and installation to be performed diligently to the end that the Facilities will be substantially completed in accordance with the aforesaid plans and specifications. The City shall cause the acquisition, construction, renovation, installation or improvement to the Facilities to be completed in accordance with any applicable requirements of governmental authorities and law.

Application of Insurance Proceeds.

(a) General. Proceeds of insurance, if any, received in respect of destruction of or damage to any portion of the Leased Property by fire or other casualty or event, or proceeds of, earthquake insurance, if such earthquake insurance is obtained, shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement. If there is an abatement of Rental Payments pursuant to the Project Lease 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 such section to the prepayment of Certificates rather than to the replacement or repair of the destroyed or damaged portion of the Leased Property, then the Project Lease shall terminate with respect to the destroyed or damaged portion of the 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 Project Lease. If the City elects, pursuant to the Trust Agreement, to apply such proceeds to the repair or replacement of the portion of the Leased Property that has been damaged or destroyed and there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments shall again begin to accrue with respect thereto upon repair or replacement of such portion of the Leased Property.

(b) Title Insurance. Proceeds of title insurance received with respect to the Leased Property shall be paid to the Trustee for application in accordance with the provisions of the Trust Agreement.

Eminent Domain.

Total Condemnation. If the Leased Property, or so much thereof as to render the remainder of the Leased Property unusable for the City's purposes under the Project Lease, shall be taken under the power of eminent domain, then the Project Lease 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 the Project Lease. 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, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments shall again begin to accrue with respect thereto upon replacement of the Leased Property.

Partial Condemnation. If less than a substantial portion of the Leased Property shall be taken under the power of eminent domain, and the remainder is useable for the City's purposes, then the Project Lease shall continue in full force and effect as to the remaining portions of the Leased Property, subject only to such rental abatement as is required by the Project Lease. 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. If the City elects, pursuant to the Trust Agreement, to apply such proceeds to the repair or replacement of the condemned portion of the Leased Property, and in the event there has been an abatement of Rental Payments pursuant to the Project Lease, then Rental Payments shall again begin to accrue with respect thereto upon the completion of repair or replacement of such portion of the Leased Property.

Prepayment of Rental Payments.

(a) The City may prepay, or may cause to be prepaid, from eminent domain proceeds or net insurance proceeds received by it, all or any portion of the principal component of Base Rental payments then unpaid, in whole on any date, or in part on any date in amounts which result in Certificates being prepaid in integral multiples of $5,000 so that the aggregate annual amount of Certificates maturing in each year after such prepayment date shall each be in an integral multiple of $5,000, at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment, without premium. Such prepayment shall be apportioned among Base Rental payments as directed by the City in a certificate of a City Representative, provided that at the time of such apportionment, the City shall deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments and Additional Rental payable during the remaining Project Lease Term shall not exceed the fair rental value of the Leased Property during each subsequent Project Lease Year and that the resulting Base Rental payments are sufficient to pay the scheduled principal and interest components evidenced by the Certificates.

(b) The City may prepay, from any source of available funds, all or any portion of the Base Rental payments due on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement. Such optional prepayment may be made (i) in whole in an amount not exceeding the amount of the Certificates then Outstanding (including accrued and unpaid interest and any premium on the Certificates) on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement, or (ii) in part in amounts that result in the Certificates being prepaid in integral multiples of $5,000 on any date on or after the Base Rental payment date immediately preceding the first date on which the Certificates are subject to optional prepayment pursuant to the Trust Agreement, from such Base Rental payments as are selected by the City as set forth in a request of the City in each case at a prepayment price equal to the sum of the Certificates to be prepaid plus accrued interest thereon to the date of prepayment plus any premium on the Certificates as set forth in the Trust Agreement. As a condition to prepaying Base Rental payments under this paragraph (b), the City shall first deliver to the Trustee a certificate of a City Representative to the effect that the resulting Base Rental payments are sufficient to pay the remaining scheduled principal and interest components evidenced by the Certificates. Base

Rental Payments due under the Project Lease may also be defeased in whole or in part pursuant to the Trust Agreement.

(c) The City may prepay, from any source of available funds, the Base Rental payments due on or after the Base Rental payment date immediately preceding the date on which the Certificates are subject to mandatory prepayment pursuant to the Trust Agreement.

(d) Before making any prepayment pursuant to the Project Lease, the City shall give written notice to the Trustee describing such event and specifying the amount of the prepayment and the date on which the prepayment will be made.

Assignment. The City shall not sell, mortgage, pledge, assign or transfer any interest of the City in the Project Lease or in the Leased Property by voluntary act or by operation of law, or otherwise; provided, however, that the City may grant concessions (including by sublease) to others involving the use of any portion of the Leased Property whether or not such concessions purport to convey a leasehold interest or a license to use a portion of the Leased Property. Any such concession shall be, and shall specifically state that it is, subject and subordinate in all respects to the Project Lease. Subject to the limitations set forth in the Project Lease, the City shall at all times remain liable for the performance of the covenants and conditions on its part to be performed under the Project Lease, notwithstanding any granting of concessions which may be made. Nothing contained in the Project Lease shall be construed to relieve the City of its primary obligation to pay Rental Payments as provided in the Project Lease or to relieve the City of any other obligations contained in the Project Lease. In no event shall the City sublease to or permit the use of all or any part of the Leased Property by any person so as to cause the interest component with respect to the Certificates to be includable in gross income for federal income tax purposes or to be subject to State personal income tax.

The City expressly approves and consents to the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Trustee under the Project Lease, including the right to receive Base Rental Payments.

Additions and Improvements; Removal. The City shall have the right during the Project Lease Term to make any additions or improvements to the Leased Property, to attach fixtures, structures or signs, and to affix any personal property to the Leased Property, so long as the fair rental value of the Leased Property is not thereby materially reduced. Title to all fixtures, equipment or personal property placed by the City on the Leased Property shall remain in the City to the extent that such items may be removed from the Site without damage. Title to any personal property, improvements or fixtures placed on any portion of the 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 Project Lease.

Right of Entry. Representatives of the Trustee shall, subject to reasonable security precautions, have the right (but not the duty) to enter upon the Leased Property during reasonable business hours (and in emergencies at all times) (i) to inspect the same, (ii) for any purpose connected with the rights or obligations of the Trustee under the Project Lease, or (iii) for all other lawful purposes.

Quiet Enjoyment. The Trustee covenants and agrees that the City, upon keeping and performing the covenants and agreements contained in the Project Lease, shall, at all times during the Project Lease Term, peaceably and quietly have, hold, and enjoy the Leased Property.

Indemnification and Hold Harmless Agreement. To the extent permitted by law, the City agrees to indemnify and hold the Trustee and its officers, directors and employees harmless against any costs, expenses, claims and all other liabilities (other than the negligence or willful misconduct of the Trustee and its officers, directors and employees) that might arise out of or are related to the Leased Property or any portion thereof (including, without limitation, arising out of any use, storage, release, presence or disposal of any Hazardous Substances on or about the Leased Property and the acquisition, transfer, delivery and use of the Leased Property) and the Certificates.

Default by City.

(a) Events of Default. The following shall be events of default under the Project Lease: (i) the City shall fail to deposit with the Trustee any Base Rental payment required to be so deposited pursuant to the Project Lease by the related Interest Payment Date; (ii) the City shall fail to pay any item of Additional Rental as and when the same shall become due and payable pursuant to the Project Lease; or (iii) the City shall breach any other terms, covenants or conditions contained in the Project Lease, in the Property Lease or in the Trust Agreement, and shall fail to remedy any such breach with all 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, however, that failure to comply with the Continuing Disclosure Certificate shall not constitute an event of default under the Project Lease.

(b) Remedies on Default. The Trustee shall have the right, at its option, without any further demand or notice, so long as the Trustee does not terminate the Project Lease or the City's possession of the Leased Property, to enforce all of its rights and remedies under the Project Lease, including the right to recover Base Rental payments as they become due under the Project Lease pursuant to Section 1951.4 of the California Civil Code by pursuing any remedy available in law or in equity, except as expressly provided in the Project Lease. The Trustee or any assignee of the rights of the Trustee under the Project Lease shall not exercise its remedies under the Project Lease so as to cause the interest with respect to the Certificates to be includable in gross income for federal income tax purposes or the interest with respect to the Certificates to be subject to State personal income tax. Notwithstanding any other provision of the Project Lease or the Trust Agreement, in no event shall the Trustee have the right to accelerate the payment of any Base Rental under the Project Lease.

Each and every remedy of the Trustee or any assignee of the rights of the Trustee under the Project Lease is cumulative and the exercise of one remedy shall not impair the right of the Trustee or its assignee to any or all other remedies. If any statute or rule validly shall limit the remedies given to the Trustee or any assignee of the rights of the Trustee, the Trustee or its assignee nevertheless shall be entitled to whatever remedies are allowable under any statute or rule of law.

The Trustee waives any right of the Trustee to re-let the Leased Property.

Waiver. The waiver by the Trustee of any breach by the City, and the waiver by the City of any breach by the Trustee of any term, covenant or condition of the Project Lease shall not operate as a waiver of any subsequent breach of the same or any other term, covenant or condition of the Project Lease.

Addition, Release and Substitution. If no Project Lease Event of Default has occurred and is continuing under the Project Lease, the Project Lease 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 Leased Property or to release from the Project Lease any portion of the Leased Property, or to add other property and improvements to the Leased Property or substitute other property and improvements for the Leased Property, provided that the City shall have delivered to the Trustee, and to the Rating Agencies all of the following:

(i) Executed copy of the Project Lease and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property;

(ii) Evidence that a copy of the Project Lease and, if applicable, the Property Lease or amendments hereto or thereto containing the amended legal description of the Leased Property have been duly recorded in the official records of the County Recorder of the County of San Francisco;

(iii) A certificate of a City Representative stating that the annual fair rental value of the Leased Property and/or improvements that will constitute the Leased Property after such addition, release or substitution will be at least equal to 100% of the maximum amount of Base Rental payments becoming due in the then current Project Lease Year or in any subsequent Project Lease Year;

(iv) In the case of the addition or substitution of property for the then existing Leased Property, a title policy or policies meeting the requirements of the Project Lease, or a commitment or commitments for such policies or amendments or endorsements to existing policies resulting in the issuance of a title insurance policy with respect to the Leased Property after such addition or substitution in an amount at least equal to the amount of such insurance provided with respect to the Leased Property prior to such addition or substitution. Each such insurance instrument, when issued, shall insure such added or substituted project subject only to such exceptions as do not substantially interfere with the City's right to use and occupy such added or substituted project and as will not result in an abatement of Base Rental payments payable by the City under the Project Lease;

(v) A certificate of a City Representative stating that such addition, release or substitution does not materially adversely affect the ability of the City to perform its obligations under the Project Lease or the Property Lease;

(vi) (A) An opinion of counsel stating that such amendment or modification (1) is authorized or permitted by the Constitution and laws of the State and by the Project Lease, the Property Lease and the Trust Agreement; (2) complies with the terms of the Constitution and laws of the State and of the Project Lease, the Property Lease and the Trust Agreement; and (3) will, upon the execution and delivery thereof, be valid and binding upon the Trustee and the City in accordance with its terms; and (B) an opinion of Independent Counsel stating that such amendment or modification will not cause the interest component of the Base Rental payments relating to the Certificates to be included in gross income for federal income tax purposes or the interest component of the Base Rental payments relating to the Certificates to be subject to State personal income tax;

(vii) A certificate of a City Representative stating that the useful life of the project that will constitute the Leased Property after such addition, release or substitution meets or exceeds the remaining term of the Certificates; and

(viii) A certificate of the Director of Property stating the useful life of the project that will constitute the Leased Property after such addition, release or substitution and that such project is not encumbered by any prior liens (other than Permitted Encumbrances and liens which do not, in the aggregate, prohibit the use of such project in the manner intended by the City).

<u>Amendment</u>. The Project Lease may be amended only in accordance with and as permitted by the terms of the Trust Agreement.

<u>No Merger</u>. If both the Trustee's and the City's estate under this or any other lease relating to the Leased Property or any portion thereof shall at any time for any reason become vested in one owner, the Project Lease and the estate created by the Project Lease shall not be destroyed or terminated by the doctrine of merger unless the City so elects as evidenced by recording a written declaration so stating, and, unless and until the City so elects, the City shall continue to have and enjoy all of its rights and

privileges as to the separate estates. The City covenants not to permit or consent to any such merger as long as any Certificates are Outstanding.

Further Assurances and Corrective Instruments. The City and the Trustee agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Leased Property leased pursuant to the Project Lease or intended to be so leased or for carrying out the express intention of the Project Lease.

SUMMARY OF PROPERTY LEASE

Definitions. All capitalized terms used in the Property Lease and not otherwise defined shall have the meanings given to such terms in the Project Lease and the Trust Agreement.

Lease of Leased Property. The City leases to the Project Trustee the real property located in San Francisco, California and described in the Exhibit attached thereto (the "Site"), together with all buildings and improvements now situated or hereafter constructed thereon (collectively, the "Leased Property"), subject (i) to the terms of the Property Lease and (ii) to Permitted Encumbrances. The City also grants to the Project Trustee such rights of ingress and egress to the Site (as defined in the Project Lease) and infrastructure and utilities as the Project Trustee may require in order to fulfill its obligations under the Property Lease and under the Project Lease.

Ownership. The City represents that it is the sole owner of and holds (or with respect to uncompleted improvements or portions thereof, will hold, when completed) fee title to the Leased Property, subject to Permitted Encumbrances.

Term. The Property Lease shall commence on the earlier of the Closing Date or the date of recordation of the Property Lease in the official records of the City and County of San Francisco and end on the date of the termination of the Project Lease.

Upon termination of the Property Lease, all of the Project Trustee's interest in the Leased Property shall vest with the City.

Rent. The Trustee shall pay to the City an advance rent in the amount of the net proceeds of the 2015 Certificates as prepaid rental and rent of $1 per year as consideration for the Property Lease over its term.

Purpose. The Project Trustee shall use the Leased Property only for the purposes described in the Project Lease and for such other purposes as may be incidental thereto.

Assignment and Project Lease. As long as the Project Lease is in effect and there has been no event of default under the Project Lease, the Project Trustee shall not assign, mortgage, hypothecate or otherwise encumber the Property Lease or any rights under the Property Lease or the leasehold created by the Property Lease pursuant to any trust agreement, indenture or deed of trust or otherwise, or sublet the Leased Property, in all cases, without the written consent of the City.

The City expressly approves and consents to the Project Lease and the Trust Agreement and to the execution and delivery of the Certificates evidencing proportionate interests in all of the rights of the Project Trustee under the Project Lease, including the right to receive Base Rental Payments payable thereunder.

Right of Entry. The City reserves the right for any of its duly authorized representatives to enter upon the Leased Property at any reasonable time.

Expiration. The Project Trustee agrees, upon the expiration of the Property Lease, to quit and surrender the Leased Property together with all improvements thereon; it being the understanding of the parties hereto that upon termination of the Property Lease title to the Leased Property shall vest in the City free and clear of any interest of the Project Trustee or any assignee of the Project Trustee.

Quiet Enjoyment. The Project Trustee at all times during the term of the Property Lease shall peaceably and quietly have, hold and enjoy all of the Leased Property.

Taxes. The City covenants and agrees to pay any and all taxes and assessments, if any, levied or assessed upon the Leased Property and all buildings and improvements thereon.

Eminent Domain. If the whole or any part of the Leased Property shall be taken under the power of eminent domain, the interest of the Project Trustee shall be recognized and is determined to be the aggregate amount of unpaid Base Rental payments under the Project Lease through the remainder of its term (excluding any contingent or potential liabilities), and any eminent domain proceeds shall be paid to the Trustee, as assignee of the interest of the Project Trustee under the Property Lease, in accordance with the terms of the Project Lease and the Trust Agreement.

Default. In the event that the Project Trustee or its assignee shall be in default in the performance of any obligation on its part to be performed under the terms of the Property Lease, the City may exercise any and all remedies granted by law, except that no merger of the Property Lease and of the Project Lease shall be deemed to occur as a result thereof; provided, however, that the City shall have no power to terminate the Property Lease by reason of any default on the part of the Project Trustee or its assignee so long as any Certificate is Outstanding. So long as any such assignee of the Project Trustee or any successor in interest to the Project Trustee shall duly perform the terms and conditions of the Property Lease, such assignee shall be deemed to be and shall become the tenant of the City under the Property Lease and shall be entitled to all of the rights and privileges granted under any such assignment.

SUMMARY OF TRUST AGREEMENT

Appointment of Trustee; Definitions

Appointment of Trustee. The Trustee is appointed to act solely as set forth in the Trust Agreement, to receive, hold and disburse in accordance with the terms of the Trust Agreement the money to be paid to it, to execute and deliver the Certificates, which represent proportionate interests in the Project Lease, including the Base Rental payments payable thereunder, to apply and disburse payments received pursuant to the Project Lease to Owners of such Certificates, to enforce the rights of the Trustee under the Project Lease, and to perform certain other functions, all as provided in the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts the contractual and fiduciary duties and obligations provided in the Trust Agreement, but only upon the terms and conditions thereinset forth.

Definitions. Unless the context otherwise requires, the following terms have the meanings set forth below. All other capitalized terms used herein without definition shall have the meanings given to such terms in the Project Lease.

"2015 Certificates" means the Certificates of Participation (Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015, authorized by the Trust Agreement and at any time Outstanding under the Trust Agreement.

"2015 Reserve Account" means the account within the Reserve Fund established pursuant to the Trust Agreement in connection with the 2015 Certificates.

"Additional Certificates" means any additional certificates of participation executed and delivered pursuant to the Trust Agreement.

"Additional Rental" means the amounts specified as such in the Project Lease.

"Administrative Code" means the San Francisco Administrative Code, 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 the Project Lease, as such amounts may be adjusted from time to time in accordance with the terms of the Project Lease, and any amounts as may specified in a supplement to the Project Lease in connection with Additional Certificates, 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 Counsel" means a law firm that is nationally recognized in the practice of municipal finance.

"Certificate Payment Date" means, with respect to any Certificate, the April 1 date designated therein, which is the date on which the principal component of the Base Rental evidenced and represented thereby shall become due and payable.

"Certificate Register" means the books referred to in the Trust Agreement.

"Certificate Year" shall have the meaning assigned to such term in the Tax Certificate.

"Certificates" means the 2015 Certificates and all Additional Certificates under the Trust Agreement.

"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 Project Lease, the Property Lease and all other agreements related hereto and thereto.

"Closing Date" means the date of original execution and delivery of the 2015 Certificates and, as appropriate, the date of original execution and delivery of any Additional Certificates.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

"Continuing Disclosure Certificate" means one or more Continuing Disclosure Certificates executed by the City, dated a Closing Date, as originally executed and as each 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 Property Lease, the Project Lease, the Certificates and the preliminary and final official statements pertaining to the Certificates; rating agency fees; CUSIP Service Bureau charges; market study fees; legal fees and expenses of counsel with respect to the financing of the Project and with respect to the validation proceedings occurring in connection therewith; 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); fees and expenses of financial advisors; premium for title insurance; fees and expenses of publication of notices; and other fees and expenses incurred in connection with the execution and delivery of the Certificates or the implementation of the financing 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.

"Credit Facility" means any letter of credit, line of credit, insurance policy, surety bond or other credit source deposited with the Trustee by the City to satisfy the Reserve Requirement as of the Closing Date.

"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) 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 AAA by S&P and Aaa by Moody's.

"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.

"Event of Default" means any one or more of the events described in Section 9.01 of the Trust Agreement.

"Facilities" means the improvements, structures and fixtures related thereto and located on the Site together with all other works, property or structures located from time to time on the Site.

"Financing Documents" mean the Trust Agreement, the Property Lease, the Project Lease and the Continuing Disclosure 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 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 Certificates" means evidences of indebtedness or ownership of proportionate interests in future principal and interest payments of Government Obligations, including depository receipts thereof, wherein (i) a bank or trust company acts as custodian and holds the underlying

Government Obligations; (ii) 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 (iii) 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.

"Government Obligations" means direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury) or evidence of ownership in a portion thereof (which may consist of specified portions of interest thereon and obligations of the Resolution Funding Corporation which constitute interest strips) if held by a custodian on behalf of the Trustee, obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, and prerefunded municipal obligations rated in the highest rating category by Moody's and S&P.

"Independent Counsel" means an attorney or firm of attorneys selected by the City.

"Interest Payment Date" means a date on which interest evidenced and represented by the Certificates becomes due and payable, being April 1 and October 1 in each year, commencing April 1, 2016, and continuing until the Certificate Payment Date or earlier prepayment date of the Certificates.

"Investment Earnings" means interest received in respect of the investment of money on deposit in any fund or account maintained under the Trust Agreement.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, 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 the 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 hereto.

"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 Defeasance 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 maturity, 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.

"Participants" means a member of or participant in, the Depository.

"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) - Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form;

(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 funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of AAAm-G or AAAm and by Moody's of Aaa;

(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, at the time of purchase, of Moody's and S&P;

(f) Savings accounts or money market deposits 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 category 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 category 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 assigned by such agencies;

(j) Federal funds or banker's acceptances which are eligible for purchases by members of the Federal Reserve System, drawn on any bank the short-term obligations of which are rated in the highest rating category by Moody's and S&P; provided that the maturity cannot exceed 270 days;

(k) Repurchase agreements 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, 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;

(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 by Moody's and S&P, including prerefunded 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.

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" shall have the meaning assigned to such term in the Trust Agreement.

"Prepayment Price" means the principal amount evidenced and represented by the Certificates, plus any applicable premium.

"Principal Office of the Trustee" means the corporate trust office of the Trustee, 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.

"Project" means the 2015 Project and any facilities financed with Additional Certificates, as the same may be amended, modified or supplemented in accordance with the Trust Agreement.

"Project Costs" means the contract price paid or to be paid to or at the direction of any contractor for the acquisition, construction, installation or improvement to, or rehabilitation of, the Project, and reimbursement to the City for any payments made for or in connection with the acquisition of or improvement to the Project by the City prior to or subsequent to the Closing Date.

"Project Fund" means the fund of that name established pursuant to the Trust Agreement.

"Project Lease" means that certain Project Lease, by and between the Project Trustee and the City, including any amendments or supplements thereto.

"Project Lease Term" means the term of the Project Lease as provided in Section 2 thereof.

"Project Lease Year" means the period from the Closing Date through June 30, 2016, and thereafter the period from July 1 to and including the following June 30, as the case may be, during the Project Lease Term.

"Project Trust" means the trust established pursuant to the Trust Agreement.

"Project Trustee" means the Trustee, in its capacity as trustee of the Project Trust pursuant to the Trust Agreement.

"Property Lease" means that certain Property Lease, by and between the City and the Project Trustee with respect to the Leased Property, including any amendments or supplements thereto

"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 any Regular Record Date.

"Regular 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.

"Reserve Fund" means the fund of that name established pursuant to the Trust Agreement.

"Reserve Requirement" means, as of any date of calculation, fifty percent (50%) of the maximum annual principal and interest evidenced by the Certificates payable in the then current Fiscal Year or any future Fiscal Year. The Reserve Requirement shall be applied separately for each series of Certificates or on an aggregate basis if the Reserve Fund or any account therein secures more than one series of Certificates on a parity basis.

"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.

"Securities Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Sinking Account Installment" means the principal amount evidenced and represented by the Certificates required to be paid on any Interest Payment Date pursuant to the Trust Agreement.

"Site" means the real property, as described in Exhibit A to the Project Lease, including any real property substituted therefor or added thereto pursuant to the Project Lease but excluding real property that has been released or for which new real property has been substituted in accordance with the Project Lease.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate dated the Closing Date and executed by the City and as appropriate any Tax Certificate executed by the City in connection with Additional Certificates.

"Tax-Exempt" means, with respect to interest on, or evidenced and represented by, any obligations of a state or local government, including the Series 2015A 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" means the "War Memorial Veterans Building Seismic Upgrade and Improvements Project Trust" established pursuant to the Trust Agreement.

"Trust Agreement" means the Trust Agreement by and between the City and the Trustee, including any amendments or supplements hereto.

"Trust Estate" means all right, title and interest granted to the Trustee in the granting clauses of the Trust Agreement.

"Trustee" or "Certificates 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 such under the Trust Agreement, or any successor appointed as herein provided.

"Written Certification," "Written Direction" or "Written Request" means an instrument in writing signed on behalf of the City by a City Representative.

Certificates of Participation

Authorization and Designation. The Trustee is authorized and directed to execute and deliver the 2015 Certificates to the original purchaser or purchasers thereof. The Certificates evidence proportionate interests in the right to receive Base Rental payments under the Project Lease, as more particularly described therein, herein and in the Certificates. The 2015 Certificates shall be designated "Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015" and shall be executed and delivered in the aggregate principal amount of $134,325,000.

Description of the Certificates. Each Certificate shall be executed and delivered in fully registered form and shall be numbered as determined by the Trustee. The Certificates shall be dated the Closing Date. The Certificates shall be executed and delivered in Authorized Denominations; provided, however, that the Certificates shall initially be executed and delivered in book-entry form pursuant to the Trust Agreement.

Execution. The Certificates shall be executed by and in the name of the Trustee by the manual signature of an authorized officer or signatory of the Trustee.

Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of such Certificate, shall execute and deliver a new Certificate of like series, denomination and Certificate Payment Date and evidencing and representing the same interest rate in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed with a certificate of destruction furnished to the City. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and if such evidence is satisfactory to the Trustee and a City Representative and an indemnity satisfactory to the Trustee and a City Representative has been given, the Trustee shall, at the expense of the Owner, execute and deliver a new Certificate of like series, tenor and denomination in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of an appropriate fee for each new Certificate delivered under this paragraph and of the expenses that may be incurred by the Trustee in carrying out its duties under this paragraph. Any Certificate executed and delivered under the provisions of this paragraph in lieu of any Certificate claimed to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of the Trust Agreement with all other Certificates. Notwithstanding any other provision of the Trust Agreement, in lieu of delivering a new Certificate for one which has been mutilated, lost, destroyed or stolen, and which has matured or has been called for prepayment, the Trustee may make payment of the principal, premium, if any, or interest evidenced and represented by such Certificate, subject to receipt of an indemnity satisfactory to it.

Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent shall be sufficient for any purpose of the Trust Agreement (except as otherwise herein provided), if made in the following manner, the fact and date of the execution by any Owner or his attorney or agent of any such instrument, and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified; of an officer of any bank or trust company located within the United States of America; or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the person signing such instrument acknowledged before him or her the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of his or her authority.

Nothing contained in the Trust Agreement shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trustee in pursuance of such request or consent.

Certificate Register. The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which books shall at all times during regular business hours be open to inspection by the City and an Owner with an interest of not less than 10% of the aggregate principal evidenced and represented by the Certificates then Outstanding. Upon presentation for registration of transfer, the Trustee shall, as above provided and under such reasonable regulations as it may prescribe subject to the provisions of the Trust Agreement, register, or register the transfer of, the Certificates, or cause the same to be registered or cause the transfer of the same to be registered, on such books.

Nonpresentment of Certificates. In the event any Certificate shall not be presented for payment when the principal evidenced and represented thereby becomes due, if funds sufficient to pay such Certificate shall be held by the Trustee for the benefit of the Owner thereof, all liability of the City to the Owner thereof for the payment of principal, premium, if any, and interest evidenced and represented by such Certificate shall forthwith cease and be completely discharged and thereupon it shall be the duty of the Trustee to hold such funds (except as otherwise provided in the Trust Agreement), without liability for interest thereon, for the benefit of the Owner of such Certificate who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on, or with respect to, such Certificate.

Unclaimed Money. All money which the Trustee shall have received from any source and set aside for the purpose of paying any amount evidenced and represented by such Certificate shall be held in trust for the Owner of such Certificate, but any money which shall be so set aside or deposited by the Trustee and which shall remain unclaimed by the Owner of such Certificate for a period of one year after the date on which any payment evidence and represented by such Certificate shall have become due and payable shall be paid to the City; provided, however, that the Trustee shall, before making any such payment, notify the City and, at the direction and expense of the City, shall cause notice to be mailed to the Owner of such Certificate, by first-class mail, postage prepaid, and by a single publication in The Bond Buyer or The Wall Street Journal (or if such notice cannot be published in The Bond Buyer or The Wall Street Journal, in some other financial newspaper selected by the Trustee which regularly carries such notices for obligations similar to the Certificates) not less than 90 days prior to the date of such payment to the effect that such money has not been claimed and that after a date named therein any unclaimed balance of such money then remaining will be returned to the City. During any period in which the Trustee holds such unclaimed money, the Trustee shall not be required to invest such money; nonetheless if the Trustee should invest such money any earnings on such amounts shall be remitted to the City as such earnings are realized. Thereafter, the Owner of such Certificate shall look only to the City for payment and then only to the extent of the amount so returned to the City without any interest thereon, and the Trustee shall have no responsibility with respect to such money.

Limited Obligation. The Trustee shall pay all principal, premium, if any, and interest evidenced and represented by the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid under the Trust Agreement with respect to payment of principal, premium, if any, and interest evidenced and represented by the Certificates to the extent of the sum or sums so paid.

Funds and Accounts

Establishment and Application of Project Fund. There is established in trust a special fund designated as the "Project Fund," which fund shall be deemed held by the Trustee and which shall be kept separate and apart from all other funds and money held by the Trustee. The Trustee shall administer such fund as provided in the Trust Agreement. There shall be deposited in the Project Fund that portion of the proceeds of the Certificates required to be deposited therein pursuant to the Trust Agreement.

The Trustee shall, from time to time, disburse money from the Project Fund to pay Project Costs, as hereinafter provided, in each case promptly after receipt of, and in accordance with, a Written Request of the City. Each officer of the City required to execute such Written Request shall have full authority to execute such Written Request without any further approval of the Board of Supervisors of the City.

In making such payments, the Trustee may rely upon the representations made in the requisition of the City therefor. If for any reason the City should decide prior to the payment of any item in said requisition not to pay such item, then it shall give written notice of such decision to the Trustee and thereupon the Trustee shall not make such payment, and the Trustee shall have no liability to the City or the designated payee as a result of such nonpayment. In no event shall the Trustee be responsible for the adequacy or the performance of any construction and similar contracts relating to the Project or for the use or application of money properly disbursed pursuant to requests made under the Trust Agreement.

Notwithstanding any other provision of the Trust Agreement, the City may, in its sole discretion and at any time, direct the Trustee to transfer moneys on deposit in the Project Fund representing investment earnings on amounts therein to the Base Rental Fund if the City determines, in its sole discretion that such moneys will not be needed for the improvement of the Project. The Trustee shall make such transfer upon the receipt of a request executed by a City Representative directing it to make such transfer.

Establishment and Application of Base Rental Fund.

Base Rental Fund. There is established 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. The Trustee shall administer such fund as provided in the Trust Agreement. 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 Project Lease, or until such earlier date as there are no Certificates Outstanding. The Trustee shall deposit in the Base Rental Fund (i) all Base Rental payments, (ii) all amounts, if any, required to be deposited in the Base Rental Fund pursuant to the Project Lease, (iii) all investment earnings required to be deposited therein pursuant to the provisions of the Trust Agreement, (iv) all amounts required to be deposited pursuant to paragraph (b) below and (v) that portion of the proceeds of the Certificates required to be deposited therein pursuant to the Trust Agreement.

Payments of Base Rental received by the Trustee under the Project Lease shall be net of amounts in the Reserve Fund in excess of the Reserve Requirement on each succeeding Interest Payment Date and net of amounts on deposit in the Base Rental Fund that are available for the payment of interest and principal evidenced and represented by the Certificates. These amounts shall be deposited into the Base Rental Fund, as appropriate, based upon the Project Lease, as adjusted pursuant to the terms thereof.

Moneys held in the Base Rental Fund, other than as provided below, shall be applied by the Trustee to the payment of (i) interest due and payable evidenced and represented by the Certificates on each Interest Payment Date and (ii) principal or Sinking Account Installment, if any, due and payable evidenced and represented by the Certificates on each Interest 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 when due, available amounts shall be allocated proportionately among the Certificates based on the amount of interest and principal then due evidenced and represented by each Certificate.

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 the Project or Leased Property, as applicable, and, under the terms of the Trust Agreement, required to be deposited into the Base Rental Fund, any amounts required to be transferred to the Base Rental Fund pursuant to the Trust Agreement, and any other amounts provided for the prepayment of Certificates in accordance with the Trust Agreement, shall be deposited by the Trustee in the Base Rental Fund. The Trustee shall, on the scheduled prepayment date withdraw from the Base Rental Fund and pay to the Owners entitled thereto an amount equal to the prepayment price of the Certificates to be prepaid on such date.

Delinquent and Surplus Base Rental Payments. All delinquent Base Rental payments received pursuant to the Project Lease and any proceeds of rental interruption insurance received by the Trustee shall be deposited into 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, then to the payment of overdue installments of principal and then to make up any deficiency in the Reserve Fund (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts remaining in the Base Rental Fund on each Interest Payment Date which are not required for the payment of principal or interest evidenced and represented by the Certificates on such Interest Payment Date shall be, first, transferred as directed in writing by a City Representative to the Reserve Fund to the extent necessary to make the amount on deposit therein equal to the Reserve Requirement and, second, retained in such 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 Base Rental Fund until expended).

Establishment and Application of Reserve Fund.

There is established in trust a special fund designated as the "Reserve Fund," together with such accounts therein as the City may request the Trustee to establish, 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. The Trustee shall administer such fund as provided in the Trust Agreement. There shall be initially deposited into the Reserve Fund the amount required to be deposited therein pursuant to the Trust Agreement.

The Reserve Fund shall be maintained by the Trustee until the Base Rental is paid in full pursuant to the Project Lease or until there are no longer any Certificates Outstanding; provided, however, that the final Base Rental payment may, at the City's option, be paid from the Reserve Fund.

A Credit Facility in the amount of the Reserve Requirement may be substituted for all or a portion of the funds held by the Trustee in the Reserve Fund by the City at any time, provided that with respect to any such substitution (i) such substitution shall not result in the reduction or withdrawal of any ratings by any Rating Agency with respect to the Certificates at the time of such substitution (and the City shall notify each Rating Agency prior to making any such substitution), and (ii) the Trustee shall receive prior to any such substitution becoming effective an opinion of Independent Counsel stating that such substitution will not, by itself, adversely affect the exclusion from gross income for federal income tax purposes of interest components of the Base Rental evidenced and represented by the Certificates. If the Credit Facility is a surety bond or insurance policy such Credit Facility shall be for the term of the Certificates. Amounts on deposit in the Reserve Fund for which a Credit Facility has been substituted shall be transferred as directed in writing by a City Representative.

If on any Interest Payment Date the amounts on deposit in the Base Rental Fund are less than the principal and interest payments due evidenced and represented by the Certificates on such date, the Trustee shall transfer from the Reserve Fund for credit to the Base Rental Fund an amount sufficient to make up such deficiency (provided that if the amounts on deposit in a Reserve Account within the Reserve Fund are restricted to a series of Certificates, then such amounts shall only be available for such series of Certificates). In the event of any such transfer, the Trustee shall immediately provide written notice to the City of the amount and the date of such transfer.

For purposes of determining the amount on deposit at any time in the Reserve Fund, the Trustee shall value all Permitted Investments on or before each April and October 1 at the higher of cost or market value. In making any such valuations under the Trust Agreement, the Trustee may utilize and rely upon securities pricing services that may be available to it, including those within its regular accounting system. Any moneys in the Reserve Fund in excess of the Reserve Requirement on each April 1 and October 1, commencing April 1, 2016, and at such other time or times as directed by the City in a written order signed by a City Representative and delivered to the Trustee, shall be transferred to the Base Rental Fund and applied to the payment of the principal and interest evidenced and represented by the Certificates on the next succeeding Interest Payment Date therefor, or transferred to such other fund as may be designated in such written order.

The Reserve Fund may secure Additional Certificates on a parity basis or, alternatively, a separate account in the Reserve Fund may be established for one or more series of Additional Certificates.

The 2015 Reserve Account is established in connection with the 2015 Certificates. The 2015 Reserve Account shall only be available to support payments evidenced and represented by the 2015 Certificates.

Surplus. After (a) (i) payment or prepayment or provision for payment or prepayment of all amounts due evidenced and represented by the Certificates and payment of all fees and expenses to the Trustee, or (ii) defeasance of the Certificates pursuant to the Trust Agreement, 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 as evidenced by 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 Independent 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 evidenced and 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 Trust Agreement.

Additional Rental. In the event the Trustee receives Additional Rental pursuant to the Project Lease, 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 Project Lease or the Trust Agreement. Notwithstanding the foregoing, to the extent such Additional Rental was for deposit into the Rebate Fund, such amounts shall be deposited into such fund.

Repair or Replacement.

Application of Insurance Proceeds. If the Leased Property or any portion thereof shall be damaged or destroyed, the City shall make an election either to prepay Certificates or to repair or replace the Leased Property or affected portion thereof in accordance with the provisions of the Project Lease. Notwithstanding the provisions of the Project Lease, 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 the 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 (the "Special Fund") and made available for and, to the extent necessary, shall be applied to the prepayment of Certificates in accordance with the Trust Agreement or applied to the cost of repair or replacement of the 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 the 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 Certificates as required in the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence 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 the 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 the Project Lease in the then current Project Lease Year or any subsequent Project Lease 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 Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

Eminent Domain. If the 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 provisions set forth in the Project Lease shall apply. Notwithstanding the provisions of the Project Lease, the City shall, with the prior written consent of a City Representative, within 90 days of the conclusion of the eminent domain proceeding, notify the Trustee in writing of whether the Leased Property will be replaced or the 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 Certificates in accordance with the Trust Agreement or applied to the cost of replacement of the 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 the 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 Certificates as required in the Trust Agreement, in each case as evidenced by a certificate signed by a City Representative to such effect, shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement (proportionately among any Reserve Accounts in the Reserve Fund). Any amounts not required to be so deposited into the Reserve Fund pursuant to the preceding sentence 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 the Leased Property (including any replacement property) is at least equal to the maximum amount of Base Rental payments becoming due under the Project Lease in the then current Project Lease Year or any subsequent Project Lease 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 Base Rental Fund and used to prepay Certificates pursuant to 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 the Leased Property or any portion thereof for the benefit of the Owners shall be applied and disbursed by the Trustee as follows:

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 the Leased Property and will not result in an abatement of Base Rental payable by the City under the Project Lease, upon written direction of the City such proceeds shall be deposited into the Reserve Fund to the extent that the amount therein is less than the Reserve Requirement. Amounts not required to be so deposited 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 the 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 the Project Lease in the then current Project Lease Year or any subsequent Project Lease 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 Base Rental Fund and used to prepay Certificates pursuant to the Trust Agreement, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund.

If any portion of the 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 Project Lease, 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 Base Rental Fund, and such proceeds shall be applied to the prepayment of Certificates in the manner provided in the Trust Agreement.

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.

Application of Amounts After Default by City. All damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Project Lease shall be held and applied in accordance with the 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 herein specified, and such money and investments, and any income or interest earned thereon, shall be expended only as provided herein, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of (i) the City, (ii) the Trustee, or (iii) any Owner or beneficial owner of any Certificate.

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 herein, 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 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) 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; provided, however, that with respect to funds on deposit in the Reserve Fund, absent Written Direction to the Trustee, the Trustee shall, nevertheless, invest such moneys in Permitted Investments listed in clauses (a), (d) or (h), which (i) will mature on the day prior to the next Interest Payment Date; and (ii) bears the highest net yield.

The Trustee understands and acknowledges 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; provided, however, that investments purchased with funds on deposit in the Reserve Fund shall have an average aggregate weighted term to maturity not greater than five years. The Trustee may act as agent in the making or disposing of any investment. The Trustee shall not invest any moneys held under the Trust Agreement in Permitted Investments offered by or through the Trustee or its affiliates unless (1) the Trustee determines such investment is consistent with the investment restrictions contained herein, (2) all fees charged are reasonable, and (3) a City Representative expressly consents in writing to the investment of the funds in the specific Permitted Investment. The foregoing consent must be received for each specific investment; blanket consents shall have no effect. All consents must be express and in writing and signed by a City Representative.

Reports. The Trustee shall furnish monthly to the City a report of all investments made by the Trustee, which will contain a list of investments and the interest payment dates of such investments, and of all amounts on deposit in each fund and account maintained under the Trust Agreement, and the cost and market value of such investments, provided that the Trustee shall not be obligated to deliver an accounting for any fund or account that (a) has a balance of zero and (b) has not had any activity since the last report was delivered.

Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account under the Trust Agreement other than the Reserve Fund, all Permitted Investments shall be valued on or before each April 1 and October 1 at the greater of cost or market value. All Permitted Investments on deposit in the Reserve Fund shall be valued on or before each April 1 and October 1. The Trustee may sell at the best price obtainable (the highest bid among three arm-length bids deemed to be satisfaction of such requirement), but not to itself, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide money to meet any required payment, transfer, withdrawal or disbursement from any fund or account under the Trust Agreement, and the Trustee shall not be liable or responsible for any loss resulting from such investment or sale, except any loss resulting from its own negligence or misconduct.

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 (i) all Investment Earnings on amounts on deposit in the Base Rental Fund and the Project Fund (except as otherwise provided in the Trust Agreement) shall be retained therein; (ii) all Investment Earnings on amounts on deposit in the Reserve Fund shall be transferred to the Base Rental Fund, unless the City otherwise directs in writing that such amounts are to be transferred to the Rebate Fund; (iii) all Investment Earnings on amounts on deposit in the Rebate Fund shall be retained therein; and (iv) all Investment Earnings on amounts on deposit in 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.

Establishment and Application of Rebate Fund. There is established 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.

Prepayment and Purchase of Certificates

Certificates No Longer Outstanding. When any Certificate or portion thereof has been duly called for prepayment prior to its Certificate Payment Date under the provisions of the Trust Agreement, or with respect to which irrevocable instructions to call for prepayment prior to its Certificate Payment Date at the earliest prepayment date have been given to the Trustee, in form satisfactory to it, and sufficient money shall be held by the Trustee irrevocably in trust for the payment of the Prepayment Price of such Certificate, or portion thereof, and accrued interest represented thereby to the date fixed for prepayment, all as provided in the Trust Agreement, then such Certificate or portion thereof shall no longer be deemed Outstanding under the provisions of the Trust Agreement. If the City shall acquire any Certificate by purchase or otherwise, such Certificate shall no longer be deemed Outstanding and shall be surrendered to the Trustee for cancellation.

Purchase of Certificates. Unless expressly provided otherwise herein, money held in the Base Rental Fund under the Trust Agreement in respect of principal may be used to reimburse the City for the purchase of Certificates that would otherwise be subject to prepayment 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 under the Trust Agreement shall not exceed the applicable prepayment price of the Certificates that would be prepaid but for the operation of the Trust Agreement. 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 shall be surrendered to the Trustee for cancellation and applied as a credit against the obligation to prepay such Certificates from such moneys.

The Trustee

Appointment of the Trustee. The City appoints the Trustee to receive, deposit and disburse the Base Rental and Additional Rental, to register, execute, deliver and transfer the Certificates and to perform the other functions contained herein; all in the manner provided herein and subject to the conditions and terms of the Trust Agreement. By executing and delivering the Trust Agreement, the Trustee accepts the appointment hereinabove referred to and accepts the rights and obligations of the Trustee provided herein, subject to the conditions and terms of the Trust Agreement. In carrying out its duties under the Trust Agreement, the Trustee shall use the same degree of care and skill in its exercise as a prudent person would exercise or use in the conduct of such person's own affairs.

Duties and Liabilities of Trustee.

(a) Duties of Trustee Generally. The Trustee shall, prior to an Event of Default, and after the curing, or the waiving by the Owners of the Certificates as provided in the Trust Agreement, of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Trust Agreement. The Trustee shall, during the existence of any Event of Default which has not been cured or waived, exercise such of the rights and powers vested in it by the Trust Agreement, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) Removal of Trustee. The City may remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with the Trust Agreement, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or any substantial portion thereof or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall appoint a successor Trustee by an instrument in writing.

(c) Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City and to the Owners. Upon receiving such notice of resignation, the City shall appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment, other than pursuant to court order.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon the acceptance of appointment by the successor Trustee; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in the Trust Agreement. If no qualified successor Trustee shall have been appointed and have accepted appointment within 60 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any Owner (on behalf of itself and all other Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Trust Agreement shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee under the Trust Agreement, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but nevertheless at the written request of a City Representative or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance, including a quitclaim deed, and further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under the Trust Agreement and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trust and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts under the Trust Agreement to the Owners at the addresses shown on the registration books. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Trustee Qualifications. There shall at all times be a trustee under the Trust Agreement, which shall be a corporation, banking association or trust company doing business and having a corporate trust office in California and (i) having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority or (ii) a wholly-owned subsidiary of a bank, trust company or bank holding company meeting on an aggregate basis the tests set out in clause (i) above. If such corporation, banking association, or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Trust Agreement the combined capital and surplus of such corporation, banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, the Trustee shall resign immediately in the manner and with the effect specified in the Trust Agreement.

Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under the Trust Agreement to be the successor to such trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Liability of Trustee.

(a) The Trustee shall be responsible for its representations contained in the Certificates. The Trustee shall not be responsible for the sufficiency of the Property Lease, Project Lease or of the title to or value of the Leased Property. The Trustee shall be under no responsibility or duty with respect to: (i) the execution and delivery of the Certificates for value; or (ii) the application of the proceeds thereof except to the extent that such proceeds are received and held by it in its capacity as Trustee. The Trustee shall not be liable in connection with the performance of its duties under the Trust Agreement except for its own negligence, willful misconduct, or breach of an obligation under the Trust Agreement. The Trustee may buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party hereto.

(b) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount evidenced and represented by the Certificates at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Trust Agreement.

(c) The Trustee is authorized and directed, in its capacity as Trustee under the Trust Agreement, to execute the Property Lease and the Project Lease.

(d) Except with respect to Events of Default specified in the Trust Agreement, Trustee shall not be deemed to have knowledge of any Event of Default unless and until the Trustee shall have actual knowledge thereof or the Trustee shall have received written notice thereof at the Corporate Trust Office.

(e) The Trustee (i) may execute any of the trusts or powers set forth herein and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers and (ii) shall be entitled to the advice of counsel and to rely conclusively on such advice.

(f) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, director or employee unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(g) No provision of the Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties under the Trust Agreement, or in the exercise of its rights or powers.

(h) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital found in any official statement or other disclosure material, prepared or distributed with respect to the execution and delivery of the Certificates, except for information provided by the Trustee.

(i) Every provision of the Project Lease and Property Lease relating to the conduct or liability of the Trustee shall be subject to the provisions of the Trust Agreement.

(j) In acting as Trustee under the Trust Agreement and under the Property Lease and the Project Lease, the Trustee acts solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity, and all persons, including without limitation the Owners and the City, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee under the Trust Agreement for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidence by the Certificates.

(k) Before taking any remedial action under the Trust Agreement or upon the direction of the Owners, the Trustee may require indemnity satisfactory to the Trustee be furnished to it to protect it against all fees and expenses, including those of its attorney and advisors, and protect it against all liability it may incur.

(l) Notwithstanding anything to the contrary herein, the Trustee shall not be required to enter or take possession of, or take any other action whatsoever with respect to the Leased Property or the Site unless it shall be satisfied that it will not be subject to liability for the existence of, or contamination by environmentally hazardous substances of any kind whatsoever or other discharges, emissions or release thereof with respect to the Leased Property or the Site.

Creation of the Project Trust; Assignment; Acceptance. There is created by the City, as trustor, a trust named the "War Memorial Veterans Building Seismic Upgrade and Improvements Project Trust" for the benefit of the holders from time to time of the Certificates. The Trustee is appointed to act as trustee with respect to the Trust (the "Project Trustee"). The purpose of the Trust will be to (a) act as lessee under the Property Lease, (b) to act as sublessor under the Project Lease, and (c) to assign certain of its rights and interests under the Property Lease and the Project Lease to the Trustee for the benefit of the holders from time to time of the Certificates. The assets of the Trust shall consist of all right, title and interest of the Trust in, to and under the Property Lease and the Project Lease and the proceeds thereof. The City, as trustor, and the Project Trustee, as trustee of the Trust, acknowledge and agree that the arrangement created by the Trust Agreement is intended to and shall constitute a grantor trust for federal income tax purposes. Neither the City, as trustor nor the Project Trustee, as trustee, shall pledge, assign, place a lien on, or grant a security interest in the Project Trust or the assets therein other than as provided in the Property Lease, the Project Lease and the Trust Agreement. The Trust established by the Trust Agreement shall terminate when no Certificates remain Outstanding under the Trust Agreement.

The Project Trustee, as trustee of the Project Trust, for the sum of one dollar and other good and valuable consideration, the receipt of which is acknowledged, unconditionally grants, transfers, and assigns to the Certificates Trustee, without recourse, all of its rights, title, and interest under the Property Lease and the Project Lease, including without limitation the following: (i) all of its rights to receive the Base Rental payments scheduled to be paid by the City under and pursuant to the Project Lease, (ii) all rents, profits, products, and proceeds from the Leased Property to which the Project Trustee, as trustee of the Project Trust, has any right or claim under the Property Lease or the Project Lease, other than Additional Rental not payable to the Project Trustee, as trustee of the Project Trust, (iii) the right to take all actions and give all consents under the Property Lease and the Project Lease, (iv) any rights of access provided in the Property Lease and the Project Lease, and (v) any and all other rights and remedies of the Project Trustee, as trustee of the Project Trust, in the Property Lease as lessee and the Project Lease as lessor.

The Certificates Trustee accepts the foregoing assignment for the benefit of the Owners of the Certificates, subject to the conditions and terms of the Trust Agreement, and all such rights and obligations so assigned shall be exercised by the Certificates Trustee as provided in the Trust Agreement.

Amendments

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 evidenced and represented by Certificates then Outstanding. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided by the Trust Agreement 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 evidenced and represented by 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, (e) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or (f) for any other reason, provided such modification or amendment does not 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 Independent 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 evidenced and represented by his or her Certificate without the consent of the affected Owner. No such amendment or supplement shall (1) 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, or (2) reduce the percentage of Owners whose consent is required for the execution of any amendment of the Trust Agreement or any supplement hereto, or (3) modify any of the rights or obligations of the Trustee without its prior written consent thereto, or (4) amend such provision of the Trust Agreement regarding amendments, without the prior written consent of the Owners of all Certificates then Outstanding.

Amendments to Property Lease or Project Lease. The Property Lease or the Project Lease may be amended in writing by agreement between the parties thereto, with the written consent of the Trustee, but no such amendment shall become effective as to the Owners of the Certificates Outstanding unless and until approved in writing by the Owners of not less than a majority of the aggregate principal amount evidenced and represented by Certificates then Outstanding. Notwithstanding the foregoing, the Property Lease, the Project Lease 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 the Property Lease or the Project Lease, (b) in regard to questions arising under the Property Lease or the Project Lease, 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 Certificates then Outstanding, (c) to modify or amend the description of the Leased Property to release from the Property Lease or the Project Lease any portion thereof or to add or substitute other property and/or improvements for the Leased Property or any portion thereof in accordance with the Project Lease, (d) to execute and deliver Additional Certificates in accordance with the Trust Agreement, or (e) 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 herein to the contrary, no amendment to the Property Lease or the Project Lease for the purpose of adding, substituting or releasing property and/or improvements as set forth in clause (c) above shall be effective unless and until the City shall have satisfied the requirements set forth in the Project Lease.

Consent of Owners. If the City should desire to obtain any consent in writing of Owners, the governing body of the City may, by resolution, propose the amendment to which consent is desired. A copy of such resolution, together with a request to Owners for their consent to the amendment proposed to therein, shall be mailed by first-class mail, postage paid, to each Owner at such Owner's address as it appears on the Certificate Register.

The lack of actual receipt by any Owner of such resolution and request for consent and any defects in such resolution and request for consent shall not affect the validity of the proceedings for the obtaining of such consent.

Any such written consent shall be binding upon the Owner giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or by the subsequent Owner. To be effective, any revocation of consent must be filed at the address provided in the request for consent before the adoption of the resolution accepting consents as hereinafter provided.

After the Owners of at least a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding shall have consented in writing, the governing body of the City shall adopt a resolution accepting such consents and such resolution shall constitute complete evidence of the consent of Owners under the Trust Agreement.

Notice specifying the amendment that has received the consent of Owners as required by the Trust Agreement shall be sent by first-class mail, postage prepaid, not more than 60 days following the final action in the proceedings for the obtaining of such consent, to each Owner at such Owner's address as it appears on the Certificate Register. Such notice is only for the information of Owners, and failure to mail such notice or any defect therein shall not affect the validity of the proceedings theretofore taken in the obtaining of such consent.

Additional Certificates. The City may, from time to time, by a supplement or amendment to the Trust Agreement, authorize one or more series of Additional Certificates, secured by Base Rental payments under the Project Lease, on a parity with the Outstanding Certificates. The Trustee shall execute and deliver the Additional Certificates of any series only upon the receipt by the Trustee of:

(a) A copy of a supplement to the Trust Agreement, in substantially the form of Exhibit F hereto, providing for such series of Additional Certificates which shall, among other provisions, specify: (i) the authorized principal amount, designation and series of such Additional Certificates, (ii) the purpose for which such Additional Certificates are to be executed and delivered, (iii) the maturity date or dates of such Additional Certificates, (iv) the interest payment dates for and the interest rate or rates payable which are evidenced and represented by the Additional Certificates of such series, (v) the denominations of and the manner of dating and numbering such Additional Certificates, (vi) the prepayment provisions and prepayment dates and prices and any defeasance provisions for such Additional Certificates, (vii) the form of such Additional Certificates, (viii) the establishment of and provisions concerning additional accounts and subaccounts in the funds and accounts held by the Trustee under the Trust Agreement to provide for the payment of principal, premium, if any, and interest evidenced and represented by such Additional Certificates, (ix) the Reserve Requirement immediately following the issuance of such Additional Certificates, and (x) the establishment of and provisions concerning such other funds, accounts and subaccounts as the City shall deem necessary or desirable for such Additional Certificates, including, without limitation, construction and acquisition funds, accounts or subaccounts.

(b) A duly executed copy of amendments to the Project Lease and Property Lease such that (i) the Base Rental payable thereunder, as amended, is sufficient to pay all principal and interest evidenced and represented by the Outstanding Certificates and such Additional Certificates and that the Base Rental payable thereunder is not in excess of the fair rental value of the Leased Property, and (ii) the insurance provisions of the Project Lease shall provide adequate coverage for any new Leased Property. Satisfaction of the requirements set forth in clauses (i) and (ii) of the preceding sentence shall be evidenced by a written certificate of a City Representative. If appropriate, such amendment may contain any modifications necessary to include additional real property, buildings or improvements in the Leased Property in connection with the issuance of such Additional Certificates.

(c) Evidence that any amendments to any Property Lease or Project Lease or executed in connection with such Additional Certificates have been duly recorded in the official records of the recorder of the City.

(d) An opinion or opinions of Independent Counsel substantially to the effect that (i) the supplement or amendment to the Trust Agreement and any amendments to the Project Lease and Property Lease executed in connection therewith are authorized or permitted by the Constitution and laws of the State and the Trust Agreement and have been duly and validly authorized, executed and delivered by the City, as appropriate, and constitute the valid and binding obligations of the City, enforceable in accordance with their respective terms, except as limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally and subject to such other exceptions as are acceptable to the Trustee, and (ii) the execution and delivery of such Additional Certificates will not adversely affect the exclusion for federal or State income tax purposes of interest evidenced and represented by the Certificates or any Additional Certificates previously executed and delivered on a tax-exempt basis.

Covenants

Tax Matters.

(a) General. The City covenants with the holders of the 2015A Certificates that, notwithstanding any other provisions of the Trust Agreement, it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the 2015A Certificates under Section 103 of the Code.

(b) Use of Proceeds. The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause the 2015A Certificates to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2015A Certificates or any of the property financed or refinanced with proceeds of the 2015A Certificates, or any portion thereof, or any other funds of the City, that would cause the 2015A Certificates to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2015A Certificates are outstanding, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code (or, if applicable, the 1954 Code) and the continued qualification of the 2015A Certificates as "governmental bonds."

(c) Arbitrage. The City shall not, directly or indirectly, use or permit the use of any proceeds of any 2015A Certificates, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause the 2015A Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2015A Certificates.

(d) Federal Guarantee. The City shall not make any use of the proceeds of the 2015A Certificates or any other funds of the City, or take or omit to take any other action, that would cause the 2015A Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the 2015A Certificates.

Performance. The City shall faithfully observe all covenants and other provisions contained in the Financing Documents to which it is a party.

Prosecution and Defense of Suits. The City shall promptly take such action as may be necessary to cure any defect in the title to the Leased Property or any part thereof, whether now existing or hereafter occurring, and shall prosecute and defend all such suits, actions and all other proceedings as may be appropriate for such purpose.

Events of Default

Events of Default. Any one or more of the following events are an "Event of Default" under the Trust Agreement:

(a) the City defaults under the Project Lease; or

(b) the City breaches any other provision of the Project Lease 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 clause (a) of the Trust Agreement, 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 evidenced and represented by 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 would not materially adversely affect the interest of any Owner.

Remedies on Default. Upon the occurrence and continuance of any Event of Default specified in the Trust Agreement, the Trustee shall proceed, or upon the occurrence and continuance of any other Event of Default under the Trust Agreement, the Trustee may proceed (and upon written request of the Owners of not less than a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding, shall proceed) to exercise the remedies set forth in the Project Lease to the extent an Event of Default has occurred under the Project Lease.

Notice of Events of Default. If an Event of Default occurs under the Trust Agreement, the Trustee shall give notice, at the expense of the City of such Event of Default to the Owners. Such notice shall state that an Event of Default has occurred and shall provide a brief description of such Event of Default. The Trustee in its discretion may withhold notice if it deems it in the best interests of the Owners. The notice provided for in the Trust Agreement shall be given by first-class mail, postage prepaid, to the Owners within 30 days of the Trustee's receipt of knowledge of the occurrence of such Event of Default.

No Remedy Exclusive. No remedy conferred upon or reserved to the Trustee under the Trust Agreement is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Trust Agreement, or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any Event of Default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Trustee or the Owners to exercise any remedy reserved to it or them, it shall not be necessary to give any notice other than such notice as may be required in the Trust Agreement or by law.

Waiver; No Additional Waiver Implied by One Waiver. The Trustee may in its discretion waive any Event of Default and its consequences and shall also do so upon the written request of the Owners of not less than a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding; provided, however, that no default in the payment of the principal, premium, if any, or interest evidenced and represented by any Certificate shall be waived unless prior to such waiver, all arrears of such payments have been made and all fees and expenses of the Trustee have been paid. In case of any such waiver, the Trustee, the City and the Owners shall be restored to their former positions and rights under the Trust Agreement, respectively, but such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach under the Trust Agreement.

Action by Owners. In the event the Trustee fails to take any action to eliminate an Event of Default under the Trust Agreement, the Owners of not less than a majority of the aggregate principal amount evidenced and represented by the Certificates then Outstanding may institute suit, action, mandamus or other proceeding in equity or at law for the protection or enforcement of any right under the Trust Agreement, but only if such Owners shall have first made written request of the Trustee after the right to exercise such powers or right of action shall have arisen, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted therein or herein or otherwise granted by law or to institute such action, suit or proceeding in its name, and unless, also, the Trustee shall have been offered security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time.

Notwithstanding any other provision in the Trust Agreement, the right of any Owner to receive principal and interest in accordance with the terms of his or her Certificate or to institute suit for the enforcement of any such payment on or after such payments become due shall not be impaired or affected without the consent of such Owner.

Application of Proceeds in Event of Default. Except to the extent necessary to compensate the Trustee for its reasonable fees and expenses (including reasonable attorneys' fees and expenses) and to pay all principal and interest then due and unpaid evidenced and represented by all Outstanding Certificates, all damages or other payments received by the Trustee from the enforcement of any rights and powers of the Trustee under the Trust Agreement or the Project Lease shall be deposited by the Trustee into the Base Rental Fund and used first to pay interest evidenced and represented by the Certificates and then to pay the principal evidenced and represented by the Certificates. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue interest payments, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of interest due and unpaid to such Owners. If the amount deposited into the Base Rental Fund is not sufficient to pay all overdue payments of principal, the amounts deposited shall be distributed pro rata to Owners on the basis of the amount of principal due and unpaid to such Owners.

To the extent not required to be deposited into the Base Rental Fund pursuant to the immediately preceding paragraph, all damages or other payments received by the Trustee from the enforcement of any rights and powers under the Trust Agreement shall be applied as follows in the order of priority indicated: (i) deposited into the Reserve Fund to the extent that the amount in the Reserve Fund is less than the Reserve Requirement; and (ii) any remaining amounts shall be deposited into and retained in the Base Rental Fund for application to the payments due with respect to the Certificates on the next succeeding payment dates thereof.

Miscellaneous

Defeasance. (a) If all Certificates shall be paid and discharged as provided in the Trust Agreement, 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 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 to the extent of any amounts owed to it as evidenced by a certificate of a City Representative and any excess shall be paid to the City.

(b) 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 evidenced and represented by such Certificates which have become due and payable;
>
> (ii) by depositing with the Trustee, in trust, cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with Government Obligations) which, together with the amounts then on deposit in the Base Rental Fund and the Reserve Fund and dedicated to this purpose is fully sufficient to pay when due all principal, premium, if any, and interest due evidenced and represented thereby; or

(iii) by depositing with the Trustee, in trust, Defeasance Securities in such amount as in the written report of a certified public accountant or other financial consultant will, together with the interest to accrue on such Defeasance Securities without the need for reinvestment, be fully sufficient to pay when due all principal, premium, if any, and interest evidenced and represented by such Certificate to the Certificate Payment Date or earlier prepayment date thereof, notwithstanding that such Certificates shall not have been surrendered for payment.

(c) Notwithstanding the foregoing, no deposit under clauses (a)(ii) or (a)(iii) above shall be deemed a payment of such Certificates until the earlier to occur of:

(i) proper notice of prepayment of such Certificate shall have been previously given in accordance with the Trust Agreement to the Owners thereof or, in the event such Certificate is not by its terms subject to prepayment within the next 45 days of making the deposit under clauses (ii) and (iii) of subsection (a) above, a City Representative shall have given the Trustee irrevocable written instructions to mail by first-class mail, postage prepaid, notice to the Owners of such Certificate as soon as practicable stating that the deposit required by clauses (ii) and (iii) of subsection (a) above, as applicable, has been made with the Trustee and that such Certificate is deemed to have been paid and further stating such prepayment date or dates upon which money will be available for the payment of the principal and accrued interest thereon; or

(ii) the Certificate Payment Date of such Certificates.

(d) Any funds held by the Trustee at the time of the first to occur of the events described above with respect to 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 to the extent of any amounts owed to it as evidenced by a certificate of a City Representative.

APPENDIX D

FORM OF CONTINUING DISCLOSURE CERTIFICATE

$134,325,000
CITY AND COUNTY OF SAN FRANCISCO
CERTIFICATES OF PARTICIPATION
(WAR MEMORIAL VETERANS BUILDING
SEISMIC UPGRADE AND IMPROVEMENTS)

$112,100,000 **SERIES 2015A** **(Tax-Exempt)**	**$22,225,000** **SERIES 2015B** **(Federally Taxable)**

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 issuance of the certificates captioned above (the "Certificates"). The Certificates are issued pursuant to that certain Trust Agreement, dated as of July 1, 2015, between the City and County of San Francisco (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 that certain Project Lease dated as of July 1, 2015, 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 Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Beneficial Owner" shall 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" shall 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" shall 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" shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" shall 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" shall 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" shall 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 shall, or shall 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 2014-15 Fiscal Year (which is due not later than March 26, 2016), 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 shall 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 shall submit unaudited financial statements and submit the audited financial statements as soon as they are available. If the City's Fiscal Year changes, it shall 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 shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall (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 shall 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 schedule of aggregate annual debt service on tax-supported indebtedness of the City; and

(f) summary of outstanding and authorized but unissued tax-supported indebtedness 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 shall 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 shall 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 shall, 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 shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Certificates. If such termination occurs prior to the final maturity of the Certificates, the City shall 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 shall 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 issuance 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 shall describe such amendment in the next Annual Report, and shall 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 shall 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 shall 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 shall 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. Default. 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, including seeking mandate or specific performance by court order, 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. The sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Certificate shall 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 shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Date: July 22, 2015

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
(War Memorial Veterans Building Seismic Upgrade and Improvements)
Series 2015A and Series 2015B

Date of Delivery: July 22, 2015

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 ("DTC") and DTC's book-entry system, has been furnished by DTC for use in official statements and the Corporation takes no responsibility for the completeness or accuracy thereof. The Corporation 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 or 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.

1. The Depository Trust Company ("DTC") will act as securities depository for the securities (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 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 shall 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 issuer 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 issuer or the paying agent or Certificate 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 Certificate trustee, or the issuer, 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 issuer or the paying agent or Certificate 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 issuer or the paying agent or Certificate 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 issuer 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 Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

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APPENDIX F

PROPOSED FORM OF CO-SPECIAL COUNSEL OPINIONS

[DATE]

City and County of San Francisco
San Francisco, California

Re: City and County of San Francisco, Certificates of Participation
(War Memorial Veterans Building Seismic Upgrade and Improvements)
Series 2015A and Series 2015B
(Final Opinion)

Ladies and Gentlemen:

We have acted as special counsel in connection with the execution and delivery of $112,100,000 aggregate principal amount of City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015A (the "Series 2015A Certificates") and the $22,225,000 aggregate principal amount of City and County of San Francisco Certificates of Participation (War Memorial Veterans Building Seismic Upgrade and Improvements), Series 2015B (the "Series 2015B Certificates," and together with the Series 2015A Certificates, the "Certificates"). The Certificates are being delivered pursuant to a Trust Agreement, dated as of July 1, 2015 (the "Trust Agreement"), by and between the City and County of San Francisco (the "City") and U.S. Bank National Association, as Trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

In such connection, we have reviewed a Property Lease dated as of July 1, 2015 (the "Property Lease"), by and between the City and the Trustee, a Project Lease, dated as of July 1, 2015 (the "Project Lease"), by and between the Trustee and the City, the Trust Agreement, a Tax Certificate of the City, dated the date hereof (the "Tax Certificate"), opinions of counsel to the City and the Trustee, certificates of the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Certificates has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Trust Agreement, the Property Lease, the Project Lease and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause the portion of the Base Rental Payments designated as and evidencing interest paid by the City to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Certificates, the Trust Agreement, the Property Lease, the Project Lease and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium 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 cities and counties in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, judicial reference , choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the real or personal property described in or as subject to the Property Lease, the Project Lease or the Trust Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such property. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Property Lease, the Project Lease and the Trust Agreement have been duly executed and delivered by the City, and assuming due authorization, execution and delivery by the Trustee, constitute valid and binding obligations of the City.

2. The obligation of the City to make the Base Rental Payments during the term of the Project Lease constitutes a valid and binding obligation of the City, payable from funds of the City lawfully available therefor, and does not constitute a debt of the City or of the State of California within the meaning of any constitutional or statutory debt limit or restriction, and does not constitute an obligation for which the City or the State of California is obligated to levy or pledge any form of taxation or for which the City or the State of California has levied or pledged any form of taxation.

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. The portion of the Base Rental Payments paid by the City under the Project Lease designated as and evidencing interest and received by the Owners of the 2015A Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. Such interest is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although we observe that it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. The portion of the Base Rental Payments paid by the City under the Project Lease designated as and evidencing interest and received by the Owners of the Series 2015B Certificates is not excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, but is exempt from State of California personal income taxes. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of such interest.

Faithfully yours,

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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 2014

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 reviewed 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
100% 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
25% 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

To the extent that the Treasurer's Office utilizes this investment vehicle, said collateral shall be delivered to a third party custodian, so that recognition of ownership of the City and County of San Francisco is perfected.

Type of collateral	Allocation Maximum	Issuer Limit Maximum	Maturity/Term Maximum
Government securities	No Limit	N/A	1 year
Securities permitted by CA Government Code, Sections 53601 and 53635	10%	N/A	1 year

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
10%	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.

7.13 Supranationals*

United States dollar denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by:

- International Bank for Reconstruction and Development,
- International Finance Corporation, or
- Inter-American Development Bank,

Allocation Maximum	Issuer Limit Maximum	Issue Limit Maximum	Maturity/Term Maximum
5%	None	None	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.

* Effective as of January 1, 2015, as consistent with State Law.

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

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.